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EDITORIAL

Accountants have to reorient their outlook in the light of changing global environment. The thrust of accounting researches needs newer priorities and focus. Our professional bodies have already revised their curricula and are also making sincere efforts to upgrade the role of accounting profession. This issue of journal is devoted to varied issues affecting the scenario of accounting researches. Dr. Dilip Sen and others have made an agenda for Doctoral Research Studies on Financial Sickness of Cooperative organisations. Dr. Kantawala had tried to review the financial performance with market value added concept. A comparison was made with US GAAP and Indian Accounting Standards by Dr. N.M. Khandelwal. History of Accounting was traced in ancient India by Dr. Singhvi. The balance score card approach was discussed in detail by Dr. Upadhyay and Dr. Singh. The issues of e-commerce environmental accounting treasury operations of buy-back of shares, NPA Management etc. were deliberated in detail by our contributors. The transfer pricing issue, financial appraisal of IDBI Bank and Impact of Technology on Indian Banks were also being analysed in detail.

1.1.2003

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Dec - 2002

CONTENTS

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Indian Journal of Accounting
Vol. XXXIII December 2002

FINANCIAL SICKNESS OF CO-OPERATIVE ORGANIZATIONS IN MORANG DISTRICT (IN EASTERN PART OF NEPAL) - AN AGENDA FOR A DOCTORAL RESEARCH STUDY

*Dilip Kumar Sen
**Sugan C. Jain
***Swapan Kumar Bala

ABSTRACT

This is a doctoral research agenda on "Financial Sickness of Co-operative Enterprises in Morang District (a district in the eastern pat of Nepal)". The reason for choosing this area of "Financial sickness of co-operative enterprises" is that studies on financial sickness of co-operative societies are not known to have appeared in literature. Here the authors have first discussed the background of the study in order to identify the problem area and to determine the objectives of the study. Then they have enunciated the problem and set the objectives. Thereafter, the paper has spelt a few words on the methodology and work design for the study. This study, in fact, aims to ascertain the level of financial sickness in co-operative societies of Morang district, seek out the causes, signals and symptoms of financial sickness and finally to suggest possible steps to be taken to revive the sick co-operative units.

"One of the most important areas of the study in financial management is the area of financial distress [sickness]. Studies on financial distress [sickness] are almost non-existent in Nepal" (Pradhan, 1994: 5). Particularly in the field of' sickness of cooperative enterprises in Nepal, not even a single study has so far appeared in literature. Several co-operative societies in Nepal, particularly in the belt of Morang district ire attacked with an alarmingly high magnitude of sickness (Shrestha, 2000: 4). The cooperatives suffering from sickness are

*Professor of Accounting & Finance, Faculty of Business Administration, International University of Business Agriculture and Technology (IUBAT), Dhaka, Bangladesh.
**Professor, Department of Accounting and Business Statistics, University of Rajasthan, Jaipur, India.
***Assistant Professor of Accounting, Faculty of Business Studies, University of Dhaka, Bangladesh.

of different types: [i] financial co-operative societies, [ii] consumer goods cooperative societies, [iii] agricultural co-operative societies, [iv] dairy development societies and [v] plantation co-operative societies. They are in fact, passing through a serious financial crisis, which seems to be one of the great problems of economic development in Nepal.

The Co-operative Societies Act of Nepal has classified co-operative societies into: (a) consumer goods co-operatives (b) dairy development co-operative societies (c) agricultural co-operative societies (d) financial co-operative societies, (e) plantation co-operative societies and (f) cottage industry co-operatives. Some have classified these co-operatives as (i) workshop co-operative societies, (ii) industrial service co-operative societies and (iii) common facility workshop societies.

Whatever may be the type of co-operatives, the ultimate beneficiaries are the members of the society. But in recent years it has been observed that the co-operatives are not in a position to render all types of assistance to their members as expected by them. This is mainly due to the failure of members of the societies and those who are responsible for their administration. Consequently, many co-operative societies have become sick and unable to discharge their obligations. This situation requires an exhaustive and in-depth investigation of the cooperatives and hence, tills study.

ENUNCIATION OF THE PROBLEM

The co-operative societies in Nepal have made significant strides since the advent of Panchayety system. The progress has been unprecedented in terms of number, membership and working capital. But the numerical progress does not reveal the real state of affairs. A closer scrutiny would show that the position is far from satisfactory. This is evident from the fact that a very large number of co-operative are non-viable, sick and are dormant and simply adorn of the co-operative department.

The sickness in co-operatives in Nepal is due to a multiplicity of causes and the incidence of such causes also varies from society to society. In fact, whatever success has been achieved, is entirely due to the efforts of the Government. Those voluntary organizations of artisans and workers are conspicuous by their absence. The significance of co-operatives in solving the problem of rural unemployment and in increasing services in the country can hardly be exaggerated. Co-operatives in the country have suffered from a number of factors such as frequent changes in Government policy, problems of power, skilled labor, inadequate financial and marketing facilities, lack of facilities for training and technical guidance and difficulties in obtaining consumer goods, raw materials and their required items.

So far as the financial requirements of these co-operatives are concerned, these are of two types, viz, short-term and medium or long-term. Short-term finance is needed for meeting the requirements of consumer goods, raw materials, payment of wages and the like and to meet other operational expenses. Long-term finance is required for the purchase of Small tools, machines and the like for setting up the work-shop and for the construction of building. Short-term loans are generally required for a period of 1 to 2 years, while long-term loans are required for a period ranging from 5 to 10 years. In view of small membership and turnover, the funds owned by these co-operatives are very small. In Nepal, the financial facilities are being provided to these cooperatives by His Majesty's Government of Nepal, Nepal Industrial Development Corporation (NIDC), Agricultural Development Bank (ADB), Nepal Bank Ltd. (NPL), Rastriya Banijya (National Commercial) Bank and financial institutions.

In addition to the above financial problems, the cooperatives of Morang district in Nepal also suffer from Organizational and technical difficulties. Like other co-operatives, the final authority for the management of co-operatives vests with the members. The members elect a managing committee or Board of Directors to manage the affairs of the society. The term of office of the members of the Managing Committee/Board of Directors is generally laid down in bye-laws. Some co-operatives during recent years have been established with membership from different interest groups like small producers, consumers, sympathizers and Government. In such societies, the bye-laws generally spell out the number of directors representing each Interest. The representatives of the Government are generally nominated by the Registrar of co-operative societies. In weak societies, the members of the Managing Committee are elected by the members of the co-operative societies. In the case of those co-operatives which have been promoted, with financial assistance from the government, the members of the managing committee are elected for the first few years. The President of the Managing Committee/Board of Directors generally looks after the day-to-day work of the society with the help of some paid staff. In the case of Govt. sponsored co-operatives, there are some nominees of the government on the Board of Directors but the President is the elected person. The President usually works in an honorary capacity. The management of financial co-operative is more complicated than other co-operatives, since it involves looking after financial business matters, maintaining production and arranging credit. The services of the employees of the co-operative department are sometimes loaned to co-operative societies. Grants are being given to selected societies for meeting a part of the managerial expenses. A sizeable portion of these societies does not receive such assistance. So, the importance of improving the business management of these co-operatives can not be overemphasized.

The cooperatives of Morang district in eastern Nepal have been taken for an in-depth study. In Nepal, there are cooperatives engaged in diverse activities. By and large, these societies to some extent have provided the basis for different social activities in the country. The empirical basis of this study would hopefully pave the way for curing the co-operative sickness in Nepal.

OBJECTIVES OF THE STUDY

This paper aims at the following objectives:

1) To measure the level of sickness in co-operative organizations.
2) To study and analyze the factors responsible for sickness in the co-operatives.
3) To offer suggestions for solving the problems of sickness.

RESEARCH METHODOLOGY

This is all exploratory research study proposed to be based on both primary and secondary sources of information. Data relating to the co-operatives located in the Morang district (in the eastern part of Nepal) will be collected using open ended/unstructured interview schedule. The information relating to the various causes of sickness, symptoms of sickness and the remedial measures have to be collected from institutions such as district co-operative office; different cooperative unions and the Nepal Industrial Development Corporation (NIDC) with the help of an unstructured interview schedule. A number of discussions need to be held with the officials of various institutions and members of cooperatives.

FRAMEWORK OF ANALYSIS

The researcher will need to apply Ratio Analysis in predicting the sickness of co-operative societies. A list of financial ratios will be selected for the construction of a predictive model.

The following guidelines will be followed to select the ratios from the sets of all possible combinations and permutations of financial statement items.

1. The popularity in the literature, i.e., the frequency of appearance of financial ratios in the literature.
2. The financial ratios performed well in some of the earlier studies.
3. The ratios defined within the framework of cash flow concept in which the co-operative society may be treated as a reservoir of financial resources and the probability of sickness described in terms of expected flows of these resources.
4. The potential relevancy of ratios for the study.

The presence of any one of the criteria will be considered a sufficient condition for inclusion of a ratio in the study.

The analysis of data is to be grouped under two heads in order to verify the predictive power of financial ratios empirically - (A) Univariate Analysis, (B) Multivariate Analysis

The basic objective of univariate approach is to compare the financial ratios of sick cooperative societies with those of non-sick societies. The analytical procedure to be applied for testing the predictive power of financial ratios on univariate basis will be based on:

1. Comparison of mean values of financial ratios of sick societies and non-sick societies.
2. Dichotomous classification test measuring the relative differentiating power of financial ratios.

In multivariate analysis, several ratios will be considered simultaneously in order to develop an index or a meaningful predictive model. The statistical techniques proposed to be applied for analyzing data and building up a predictive model are stated below:

(i) Factor Analysis, (ii) Discriminant Analysis.

DESIGNING THE SCHEME OF THE STUDY REPORT

The first chapter will begin with introduction, give a precise statement of the problem, review previous studies, explain the scope and objective of the study, rationale of the study and include operational definitions of concepts to be used in the study. The second chapter will be on Research Methodology. It will Include the variables with which the level of sickness to be measured and the framework of statistical analysis to be applied. Data collection, data processing, data analyzing procedures etc. will be discussed here. The third chapter will focus on the salient features of co-operatives in Nepal. It will define the concept of sickness and explain its possible causes. In a word, this chapter will be devoted to conceptual framework for die whole study. The fourth chapter will analyze the extent of sickness in the industrial cooperatives. The societies will be classified into sick and non-sick using a cut-off point. The growth rate of co-operatives will also be discussed. The fifth chapter will analyze and interpret the causes of sickness of the co-operatives from the point of view of organization and management, finance and marketing. The sixth and final chapter will summarize the findings of the study, draw a conclusion and lastly will provide recommendations for overcoming sickness of the co-operatives to be studied.

CONCLUDING REMARKS

Evidently this paper is, in fact, an agenda for a doctoral research study on the financial sickness of the co-operatives situated in Morang district (of eastern part of Nepal). This agenda seeks to measure their level of sickness and ascertain major causes of sickness. It also plans to suggest possible remedial measures to save the co-operatives from financial sickness. The authors have chosen "Financial sickness of cooperative enterprises" as the topic for this research study because they apprehend that an alarmingly high magnitude of sickness in co-operatives has assumed a "crises form" in Nepal. They are afraid that the co-operative enterprises of the Morang district in particular, may be gripped by a menacing state of sickness, which may stand as a stumbling block to Nepal's economic development. This crisis dimension, therefore, needs to be arrested, controlled and prevented on a top priority economic basis through implementation of appropriate remedial measures. Hence, this scheme of research. The authors feel that the industrial sickness in particular as well as crisis of the total economic scenario in general, however critical and constrained, are not incurable. A thorough investigation into the major aspects of financial sickness of the co-operatives will hopefully reveal the major causes of financial sickness in Nepal, not to speak of Morang district alone. They are presumably frequent changes in government policy, problems of raw materials, power, skilled labor and consumable goods, and above all, poor management. The signals of financial distress as perceived by the authors are decline in capacity utilization and decline in quality), of products and services. Similarly, persistent shortage of cash and default in payment to suppliers, employees, banks etc. have appeared to be important symptoms of financial sickness. Finally, it is felt in this agenda that the remedial measures to be taken are (i) to provide soft loan to the sick co-operatives, (ii) to merge sick units into healthy ones, (iii) to improve management and (iv) to make institutional arrangements for the sick co-operative societies. To end: a good research work will hopefully grow out of this research proposal and will be of great help to the national planners of His Majesty's Government of Nepal in arresting, controlling and preventing sickness of co-operatives. This may also guide in saving the country from industrial sickness.

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FINANCIAL PERFORMANCE ANALYSIS THROUGH MAV

*Amita S. Kantawala

ABSTRACT

One of the external indicators that give the utmost satisfaction to the investor is share price and truly speaking the Market Value Added. Hence, it turns out to be very significant and important for the financial managers to analyse and identify the internal indicators that relates well with Market Value Added. Based on analysis it is observed that out of nine variables six variables viz. 1) Return on Net Worth, 2) Capital Productivity, 3) Economic Value Added, 4) Return on Total Assets, 5) Cash Profits and 6) Stock Return affects significantly to MVA. Moreover, the extent of impact may also differ from one industry to another and to examine this difference industry wise analysis is also carried out. Based on this it is observed that the impact of independent variable differ from one industry to another. Moreover as EVA is the tool newly emerging, for derivation of cost of capital two approaches are adopted a) WACC and b) PLR. It is also observed that even with this difference the impact of EVA on MVA differs.

Stern and Stewart have developed a measure called Economic Value Added which take into consideration the cost of capital especially the cost of equity. Economic Value Added on the other hand takes in to consideration the cost of equity as well with cost of debt and cost of preference share capital. The real economic profit of the firm is equal to amount it earns in excess of cost of capital that appears no where in the balance sheet or income statement used to calculate EPS or ROE.[1] EVA then is just the dollar amount by which, a company's pre interest but after tax net operating income (or NOPAT) exceeds the charge for total capital [WACC*(DEBT + Equity)]. To the extent EVA is positive the firm is adding value for its share holders. But if company's EVA is negative the firm is destroying shareholder's wealth even though it may be reporting a positive and growing EPS or ROE."[2] From the investors' view point, the investor is always interested in increase in the share prices. According to Stern "the most reliable measure of management's long – run success in adding value is something we call "Market value Added" or MVA."[3] Thus "MVA is essentially the difference between company's current market value as determined by its stock price and 'economic book value'. A company's economic value can be thought of as the amount of capital that

*Reader in Management Studies, Faculty of Management Studies, M.S. University of Baroda, Baroda.

share holders have committed to firm throughout its existence, including earnings that have been retained in the business."[4] "MVA is the best external performance measure as it captures the market assessment of the effectiveness with which a company's managers have used the scarce resources under their control."[5]

In the study carried out by Banerjee and Jain[6] MVA is considered to be dependent variable and for this the independent variables selected are: (1) EPS, (2) ARONW, (3) Capital Productivity, (4) Labour Productivity and (5) EVA. In one more study carried out by Banerjee[7] the findings of the study show that independent variable significantly explain the variations in the market value This confirms our hypothesis that market value estimated on the basis of Current Operation Value and Future Growth Value is highly correlated with actual market value." In one more study carried out by Bao and Bao,[8] results show that "Economic value added is positively and significantly associated with the firm value. They are consistent with the theory in that firms with positive economic value added create value and firms with greater created value have higher stock prices." In a study carried out by Lehn and Makhija[9] they took ROA, ROE, ROS, stock returns, EVA and MVA as performance measures. It was found that all measures are positively related with stock return. In one more study carried out by Meenakshi Malhotra[10] it is concluded that "there is no indication whatsoever that EVA is conveying any statistically significant signals different from the traditional performance indicators." Thus varieties of findings are observed.

METHODOLOGY

The present study is undertaken to examine the effect of selected variables on MVA. Thus the objective of the study is to know one of the internal measures, which can influence the MVA to a maximum possible extent. Based on CMIE PROWESS data 13 companies from Textiles, 11 companies from Pharmaceuticals and 12 companies from Electronics are selected for the purpose of analysis for year ended on 31/3/2000. Here MVA is taken as a dependent variable and the nine other variables are selected as independent variables.A brief description about them is as follows:

1. ***Market Value Added (MVA):*** For its derivation, from the market capitalization as on 31-3-2000 the book capital is deducted. Looking to thin trading of debt, for derivation of MVA from market capitalization of equity share capital, book value of share capital is deducted. Here,

Book Capital = Equity Share Capital + Reserves and Surplus - Revaluation Reserve - Miscellaneous expenses.

2. ***Return on Net Worth:*** This is derived by [(PAT-Preference Dividend)/Average Net worth].

3. ***Capital Productivity:*** Capital is Net fixed assets and value added is (net sales+ Change in stocks-raw materials Consumed –power & fuel cost). This is considering the fact that efficient utilization of assets is the sine qua non for improving the productivity. Thus Capital Productivity = Value Added/Capital

4. ***Labour Productivity:*** Higher the value of output per unit of rupee spent on wage higher the labour productivity. This can be by employing less labour, by reducing per employee cost

or by really improving productivity. Thus labour productivity = Value Added / Wage cost.

5. ***Earnings Per Share:*** The derivation and importance of this variable is self-explanatory.

6. ***Economic Value Added:*** Some discussion on this concept is already made in introductory para. For the purpose of analysis EVA is derived as follows: NOPAT - COST OF CAPITAL

NOPAT/Invested capital = r and Cost of Capital /invested capital = c

Thus EVA= (r-c)* Invested Capital

In this study cost of capital is derived in two ways:

a) Taking average of Prime Lending rates prevalent during the year 1999-2000, and

b) Finding Weighted Average Cost of Capital

For derivation of Weighted Average Cost of Capital invested capital is divided in to three parts: equity, preference and debt. For the estimation of cost of equity CAPM approach is followed in the present study as majority of the studies are recommending the same. For this purpose the yield on 364-days government treasury bills is considered as risk free rate of return. The market rate of return is taken that of the BSE based on daily return for the year 1999-2000 and for deriving Beta daily market price of company's share is taken for the year 1999-2000 and the daily BSE sensex is taken with it as a reference.

7. ***Return on Sales:*** This is derived as PBIT/Sales.

8. ***Return on Total Assets:*** This gives the productivity of all assets taken together. This is considered on after tax basis. This is (PBIT-provision for tax) / Total assets.

9. ***Cash profit:*** This is derived as PAT + Depreciation + Exp. Amortized

10. ***Stock return:*** For deriving stock return on annual basis it is taken as (Current year's closing price-Previous year's closing price) / previous year's closing price

Based on the above mentioned discussion regressions are run of MVA on nine variables mentioned above individually to examine effect of each variable on MVA. To segregate the industry impact four sets of regressions are run: 1) Taking all companies together, 2) taking only Textiles companies, 3) taking only Pharmaceutical companies and 4) taking only Electronics Companies. Moreover to begin with as mentioned in the preceding para PLR is considered as cost of capital. Hence in Table I to IV in EVA derivation PLR is considered as cost of capital.

FINDINGS

Table I to IV presents the results of the regression runs of MVA on nine independent variables in four groups as stated above.

From this analysis it can be inferred from the Table I that when all 36 companies belonging to three different industries are taken together there are six variables that have got the significant effect on MVA. These six variables are:

TABLE - I : REGRESSION OF MVA ON SELECTED INDEPENDENT VARIABLE

All companies

Sr.no.	Variable	R^2	Coefficient of X	t-value
1	Return on Net Worth	0.1304	50370.29	2.257*
2	Capital Productivity	0.1508	7147:63	2.457*
3	Labour Productivity	0.0114	-73.38	-0.625
4	Earning Per Share	0.0039	82.38	0.368
5	Economic Value Added	0.2707	117.93	3.553**
6	Return on Sales	0.0512	56377.17	1.355
7	Return on Total Assets	0.1856	121498.74	2.783**
8	Cash profits	0.4103	163.17	4.791**
9	Stock Return	0.1199	2260.90	2.152*

*- Indicates significant relationship at 5% level of significance

**- Indicates significant relationship at1% level of significance

TABLE - II : REGRESSION OF MVA ON SELECTED INDEPENDENT VARIABLE

Textile companies

Sr.no.	Variable	R^2	Coefficient of X	t-value
1	Return on Net Worth	0.1608	748.07	1.452
2	Capital Productivity	0.0903	93.92	1.045
3	Labour Productivity	0.0281	-0.87	-0.564
4	Earning Per Share	0.0561	3.452	0.808
5	Economic Value Added	0.2274	1.019	1.799
6	Return on Sales	0.0410	-854.433	-0.686
7	Return on Total Assets	0.0001	-46.216	-0.035
8	Cash profits	0.0010	-0.145	-0.101
9	Stock Return	0.1278	158.585	1.269

1) Return on Net Worth, 2) Capital Productivity, 3) Economic Value Added, 4) Return on Total Assets, 5) Cash profits and 6) Stock Return. While examining the results industry wise i.e. for Textile, Pharmaceuticals and Electronics separately different scenario emerges. For Textile industry (Table II) none of the factors are found to have significant impact on MVA. On the other hand when examined for Pharmaceutical industries, cash profit and EVA are found to have positive and significant effect on MVA. This can be observed from Table III.

TABLE - III : REGRESSION OF MVA ON SELECTED INDEPENDENT VARIABLE

Pharmaceutical companies

Sr.no.	Variable	R^2	Coefficient of X	t-value
1	Return on Net Worth	0.0276	3076.43	0.5057
2	Capital Productivity	0.1949	879.506	1.4763
3	Labour Productivity	0.0043	28.339	0.1978
4	Earning Per Share	0.0016	-8.276	-0.1189
5	Economic Value Added	0.2876	37.933	1.9063*
6	Return on Sales	0.1747	14589.99	1.3802
7	Return on Total Assets	0.0339	6786.46	0.5621
8	Cash profits	0.7062	44.928	4.6511**
9	Stock Return	0.0055	82.174	0.2242

**- Indicates significant relationship at 1% level of significance

*- Indicates significant relationship at 10% level of significance

TABLE - IV : REGRESSION OF MVA ON SELECTED INDEPENDENT VARIABLE

Electronics companies

Sr.no.	Variable	R^2	Coefficient of X	t-value
1	Return on Net Worth	0.1152	85313.35	1.141
2	Capital productivity	0.1070	8593.37	1.095
3	Labour Productivity	0.0297	-692.51	-0.554
4	Earning Per Share	0.0084	-178.02	-0.291
5	Economic Value Added	0.7824	420.77	5.997**
6	Return on Sales	0.0361	61232.49	0.612
7	Return on Total Assets	0.2061	175299.52	1.611
8	Cash profits	0.4294	222.82	2.743*
9	Stock Return	0.0528	1613.66	0.747

**- Indicates significant relationship at 1% level of significance

*- Indicates significant relationship at 5% level of significance

It is very interesting to note that the stock prices of Pharmaceutical companies were quite high for the year selected. This resulted in to very high MVA. But when cash profit is looked in to it takes care of high depreciation and high Research and Development cost, which is possible in case of Pharmaceutical industry and cash profit turns out to be even more significant indicator of MVA as compared to EVA. When Electronics industry is taken Economic Value Added and cash profits are found to have positive significant impact on MVA. This can be observed from the Table IV. This is very important because in case of Electronics industry also the share prices are quite high of the companies under study and they show positively affected by EVA and Cash profit. However, one important difference between Pharmaceutical industry and Electronics industry is that for the latter Economic Value Added is a superior indicator as compared to Cash profit.

In all above analysis for derivation of EVA cost of capital is considered to be PLR. To examine the difference if any that may arise when different cost of capital is taken. Weighted Average Cost of Capital is also derived as mentioned in the methodology. From this Economic Value Added is also derived. While doing so daily price series for three companies of Textile industry and one company of Pharmaceutical industry were not available. After omitting those companies regressions are run of MVA on Economic Value Added. Results are presented in Table V.

TABLE - V : REGRESSION OF MVA ON EVA

EVA based on WACC

Sr.no.	Variable	R^2	Coefficient of X	t-value
1	All Companies	0.1191	60.5735	2.014**
2	Textile Companies	0.4505	0.7609	2.5612*
3	Pharma Companies	0.0240	7.7319	0.4437
4	Electronics Companies	0.3087	150.2616	2.1133**

*- Indicates significant at 5% level of significance

**- Indicates significant at 10% level of significance

From above it is clear that when the cost of capital is taken based on WACC in none of the cases EVA is found to have positive significant effect at 1% level of significance. For Textile industry EVA has got positive and significant effect on MVA at 5% level of significance and for "All Companies" and "Electronics Industry" EVA has got positive and significant effect at 10% level of significance. In case of Pharmaceutical industry EVA has not got significant effect on MVA. Thus for All companies taken together and Electronics industry EVA has got positive and significant effect under both the circumstances – when PLR is considered to be cost of capital or weighted average cost of capital is considered. However, finding for "Textile Companies" and for "Pharmaceutical Companies" changes, which shows that MVA is not significantly affected by EVA when PLR is taken as cost of capital and when WACC is taken it shows that MVA is significantly affected by EVA for Textile Companies. Whereas in the case of Pharmaceutical Companies when PLR is taken as cost of capital MVA is affected by EVA, but when WACC is taken it is not so. On the other hand Cash profit shows better results, which is more direct, less chance for using the alternative methods, less affected by external factors, which are not company specific.

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LIST OF COMPANIES SELECTED FOR THE PURPOSE OF ANALYSIS

TEXTILE INDUSTRY

1. Arvind Mills Ltd.
2. Bombay Dyeing & Mfg. Co. Ltd.
3. Century Enka Ltd.
4. Indorama Synthetics (India) Ltd.
5. JK Synthetics Ltd.
6. Jindal Polyster Ltd.
7. KSL & Inds. Ltd.
8. Mahavir Spinning Mills Ltd.
9. Modipon Ltd.
10. SRF Ltd.
11. Eskay K'Nit (India) Ltd.
12. Krishna Lifestyle Technologies Ltd.
13. Vardhman Spinning & General Mills Ltd.

PHARMACEUTICAL INDUSTRY

14. Aurobindo Pharma Ltd.
15. Cipla Ltd.
16. Dr. Reddy's Laboratories Ltd.
17. Hoechst Marion Roussel Ltd.
18. Ipca Laboratories Ltd.
19. Morepen Laboratories Ltd.
20. Nicholas Piramal India Ltd.
21. Novartis India Ltd.
22. OrchidChemicals & Pharmaceuticals Ltd.
23. Sun Pharmaceutical Inds. Ltd.
24. Torrent pharmaceuticals Ltd.

ELECTRONICS INDUSTRY

25. BPL Ltd.
26. Bharat Electronics Ltd.
27. CMC Ltd.
28. GTL Ltd.
29. Himachal Futuristic Communications Ltd.
30. ITI Ltd.
31. Infosys technologies Ltd.
32. MIRC Electronics Ltd.
33. Samtel Color Ltd.
34. Satyam Computer Services Ltd.
35. Vediocon International Ltd.
36. Wipro Ltd.

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US GAAP AND INDIAN ACCOUNTING STANDARDS: A COMPARISON

***N.M. Khandelwal**

ABSTRACT

This paper makes a comparison of US GAAP and Indian Accounting Standards. The points of distinction are explained vividly.

WHAT IS US GAAP ?

The term GAAP stands for Generally Accepted Accounting Principles. GAAP is a technical accounting term that encompasses the conventions rules and procedures necessary to define accounting policies at a given time. The term US GAAP refers to the accounting conventions followed in the USA. US GAAP is primarily determined by the pronouncements of The Financial Accounting Standard Board (FASB) in the form of FAS. So far 144 FAS have been issued. In addition to this Opinion Statements and Accounting Research Bulletins of AICPA are also the basis for determining US GAAP.

WHAT IS INDIAN GAAP ?

The sources of GAAP in India are several and include (but are not limited to) the following :

- The Pronouncements of ICAI.
- Guidelines and regulations as determined by controlling bodies such as RBI, IRDA, SEBI etc..
- Requirements of Statutory enactments such as The Companies Act 1956.

WHAT ARE INTERNATIONAL ACCOUNTING- STANDARDS (IAS) ?

IAS are Accounting Standard issued by the International Accounting Standard Board (IASB), several accounting bodies are members of the IASB. IAS are formulated after due consultation with the member bodies, standard setting bodies and other interested groups on a worldwide basis.

***Retd. Professor, Department of Management, MDS University, Ajmer.**

In India ICAI formulates Accounting Standard on the basis of International Accounting Standards issued by IASB.

Of the 41 IAS issued so far, 35 are in force, the remaining have been withdrawn by the IASB.

IS THERE ANY DIFFERENCE BETWEEN US GAAP & INDIAN ACCOUNTING STANDARDS ?

Although an effort is on to harmonise accounting standards globally but still there are quite a few significant areas where US GAAP differ with Indian Accounting Standards. Some significant differences between the two have been discussed below :

1. Balance Sheet Classification & Display

US GAAP

There IS no specific requirement to present a classified Balance Sheet, however it is common practice for enterprises to present a classified balance Sheet.

Indian GAAP

Companies are required to present a classified balance sheet as per the requirements of Schedule VI of the companies Act 1956.

2. Amalgamation/Merger/Business Combinations

As per US GAAP (FAS 141) only purchase method for accounting mergers/ amalgamation/business combination is permitted, whereas under Indian Accounting Standard-14 either Purchase Method or Pooling of Interest Method is to be adopted.

Under US GAAP all identifiable assets acquired and liabilities assumed in a business combination whether or not shown in the financial statements of the acquired enterprise are assigned a portion of the cost of the acquired enterprise normally equal to their fair value at the date of amalgamation/merger.

The difference between the cost of the acquired enterprise and the sum of fair values of the tangible and intangible assets less liabilities assumed may be recognized as intangible assets other then goodwill if it arises as a result of contractual or other rights. If after that, still there is an excess of cost of acquisition over the acquired assets less liabilities assumed the same should be recognized as goodwill.

The sum of the market or appraised values of acquired assets less liabilities may sometimes exceed the cost of the acquired enterprise. If so, the values otherwise assignable to noncurrent assets is reduced proportionately. A deferred credit for an excess of assigned value of identifiable assets over the cost of acquired enterprise is not recorded unless those assets are reduced to zero value.

3. Commitments/Long term obligations

As per FAS 47, the amount of fixed and determinable obligation, under unconditional purchase obligations, in the aggregate and in each of the next five years is required to be disclosed. In addition the enterprises should also disclose future payments on long-term borrowings and redeemable stock.

4. Depreciation

Under the Indian accounting principles, depreciation is provided on the basis of rates prescribed by the Companies Act, 1956. Higher depreciation provision based on estimated useful life of the assets is permitted, but must be disclosed. It means that depreciation cannot be provided at a rate lower than prescribed in any circumstance. Contrary to this, under the US GAAP, depreciation has to be provided over the estimated useful life of the assets.

As per Indian Accounting Principles only the Reducing Balance method or the Straight line method may be used, contrary to this under US GAAP enterprises are free to use other methods for depreciation such as Declining Balance Method or the Sum of Digits Method provided appropriate disclosure is made.

5. Goodwill/Intangible Assets

Under US GAAP if Goodwill or Intangible assets that have an indefinite useful life are not required to be amortised but they must be tested for impairment at least once in a year.

On the other hand Indian Accounting Standard-26 requires all intangible assets and goodwill to be amortised over the period of its useful life, the standard takes a rebuttable presumption that the useful life of an intangible asset will not exceed ten years.

6. Inventory Valuation

Under the US GAAP enterprises are permitted to use any one of the several assumptions as to the flow of the cost factor e.g. FIFO, LIFO or the Average Cost methods, while as per Indian Accounting Standard-2, only FIFO and Weighted Average cost methods are permitted.

7. Proposed Dividend

In India, dividends declared after year-end are accounted for in the year to which they relate, i.e. dividend for the financial year 2000-01 will be declared in say June 2002 but the corresponding charge is made in 2000-01 only. Contrary to the above principle, in the US dividends are reduced from the reserves in the year they are declared by the Board. Hence the dividend, taking the same case, is not charged in the profit and loss account of 2000-01.

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EXISTENCE OF ACCOUNTING IN RETROSPECT

*N.M. Singhvi

ABSTRACT

SHUKRACHARYA has described the accounting and the auditing system in his book Shukranitisar. The administrative system established by Kautilya, the then teacher of Emperor Chandra Gupta Maurya is still in existence in more or less in the same manner in India, In his book ARTHASHASTARAM he has described the tax system, the treasury system and the audit procedure. Reference of accounting in the Gupta period can be traced in their district administration. Accountants were called RALVATAK and their assistants were called PUSTPAL i.e. the Book–Keepers. We also get some information about the banking sector, which was present in a very advanced stage. Information about accounting is traced in Banskhera copper plate inscriptions in which Bhanu name is mentioned. Bhanu was the accountant. Harsha had a series of secretaries and one of those secretaries was appointed to look after the accounts. In Rajput period I have tried to trace down the use of account books by the employees of the kings under. Accounting under the Muslim rule (1200 to 1700 AD) the Arabs and the Mughals ruled India and they had their own system of accounts. It has become very difficult to establish as to how long has the subject of Accounting been in existence. History of India is believed to have begun with the Indus Valley civilization. This civilization had trade links with the Sumerians, Egyptians and with Ottoman Empire. After the fall of this Civilization India entered into the VEDIC Age.

It is very difficult to comprehend in terms of years as to how long has the subject of Accounting been in existence; but at the same time we can say that it has been practiced and is in existence since the beginning of civilization. Excavators have found Indus Valley coins in Elam and in Mesopotamia. After the fall of the Indus Valley Civilization India entered into the VEDIC Age. This period was full of knowledge and we find a lot of literature of that age. This science has been called GANIKYA, a part of mathematics.

ACCOUNTING IN MAURYAN PERIOD

The arrival of Mauryan Empire is a very important event of Indian History.[1] The Mauryan Dynasty rose to establish a new era of politics and cultural history in India. In

***Senior Vice President, Indian Accounting Association**

Mauryan period the whole of India was politically united for the first time under one head and rule.[2] The uniform system of administration was setup. The Mauryans established political, cultural and commercial contacts with monarch like:- Selecus of Syriya, Ploteny of Egypt. Astigonos of Macedonia, Tissa pf Babylon etc.[3] Kautiliyam Arthshastram was the work of Mauryan age. The general tranquility, the increase of trade and commerce inside the country, the development of maritime enterprise and overseas trade led to the rise of capitalism in the country.[4] There are epigraphic records of great wealth in Mauryan India. The inscription of the Sanchi – Stupa records numerous gifts by every wealthy merchant (sresthin). Merchants who undertook expensive repairs are also mentioned. The Buddhists and Jain chronicles bear witness to the great wealth of the mercantile classes of the Mauryan period. There were commercial companies for large-scale business. Money was lent on interest but the government regulated rates of interest charged by moneylenders. According to the Artheshastra the highest legal rate of interest was 15% per year. *PANS*.[5] Therefore, we can clearly say that without proper system of Accounting it was not at all possible to be so developed in trade and commerce.

We get some important information about accountancy in Mauryan administration. The system of administration that the Mauryas instituted was very well organized.[6] Arthashastra gives us detailed information about all the high and low ranked officers.[7] Book – Keepers were called *SANKHYAYAK*.[8] All the head of the departments of various administrative post use to appoint one book–keeper i.e. *SANKHYAYAK*.[9] There salary was 500 PANS. Kautilya, in the second section of his book has mentioned about the post of Accountant General i e. *AKSHPATALADHYAKSHA*.[10]

In Mauryan administration there was a post of accountant general at central government. The duty of the accountant general was to keep and eye on the income and expenditure and also to keep under control the district officers. He was the biggest officer of the empire and used keep all records of income and expenditure. He had two departments under his belt:

1. Liquid currency and
2. Accounts

Duties of the Accountant General has been assigned in the Arthashastram by Kautilya are as follows:

1. To accumulate all the head of the departments under one roof.
2. To arrange their offices.
3. To keep books of accounts in their office rooms. Books of accounts were called "Samudra – Pustak".
4. He had to make an entry in his records about the works and liabilities of different departments. He used to enter the following particulars of various departments: (i) What was to be done? (ii) What had already been done? (iii) Balance of cash. (iv) Income and expenditure. v. Scrutinize the accounts.

More information is provided in the Arthshastra regarding accounting and keeping of records:

1. Chief accountant of different departments were required to submit their final accounts in the month of AASHAD (June – July)
2. *Aashad* was the last month of the financial year of Mauryan Empire.
3. All the chief accountants along with their sealed final accounts box used to present themselves in the office of Accountant General. After scrutinizing all the books of accounts the remaining cash was to be deposited to the treasury. There was severe punishment for the mistakes found in the submitted final accounts.
4. For accountants it was compulsory to prepare accounts by every 5 days, every fortnignt, every four months and every year.
5. It was also obligatory to submit the accounts at the end of the day to the chief accountant along with the remaining cash. Chief accountant then used to see that the submitted accounts were in accordance with the (i) Religion, (ii) Law of the land, (iii) Customs and traditions, (iv) Expected revenue, and (v) Intelligence reports.[11]

ACCOUNTING IN GUPTA PERIOD

After the fall of Mauryan empire India entered in to political unrest for few centuries and then the golden age of Indian history comes. The Gupta period really marks an epoch as it gave a great impetus to revival of national spirit which manifested itself almost every aspect of the life of the nation.[12] In Gupta period people were economically prosperous. Brisk interval and external trade brought immense wealth in the country. The acquisition of maritime province of Saurastra ChandraGupta opened up the western trade and the wealth of the Roman Empire began to pour in to India, Guptas increased trade relations with Far East as well. This led to unprecedented economic prosperity.[13] Therefore, the Gupta age is called the golden age of Indian history.[14]

Reference as to accounting in Gupta period we get in the set up of district administration. Accountants were called *RALVATAK* and their assistants were called *PUSTPAL* i.e. Book–Keepers.[15] We also get information that Banking was in a very developed state. There were different guilds and corporations for trade, commerce and banking. Banking was one of the main works of guilds. Tremendous development in banking was one of the salient features of Gupta age.[16] Without proper system of accounting it would not have been possible to be so developed in trade commerce and banking.

Many perry kingdoms arose on the ruins of the Gupta Empire and disintegration followed; but under Harsha (606 to 647 A.D.) disintegrating units were brought under control. The greatest achievement of Harsha was the restoration of the political unity of India.[17] In his time the learned Chinese scholar and monk Huan Tsang visited India in 630 A.D. and remained till 643 A.D. He has given us a firmly elaborate account of the religious, social and economic conditions of India.[18] Accounting was in a developed state during Harsha's reign. We get information about accounting in Banskhera copper plate inscription in which Bhanu name is mentioned. Bhanu was the accountant i.e. *ALEKHSANRAKSHAK*. Harsha had a series of secretaries and one of the secretaries used to look after accounts.[19] We also get information about village head who was called GRAMKSHAPATALIK, his work was to maintain all the information about his village and he used to keep books ready.[20]

ACCOUNTING DURING THE RAJPUT PERIOD[21]

The death of Harsha was a signal for the general description and disintegration. India again lost political unity. The period from 700 to 1200 A.D. is marked by the rise and growth of Rajput power over northern India. It is therefore called Rajput period.[22]

The important Rajput Kingdoms during the period were:

1. Kanauj	2. Bundelkhand	3. Gujarat
4. Malwa	5. Mewar	6. Ajmer and Delhi
7. Bengal	8. Kamrupa (Assam)	9. Kashmir

During this period head of the accounts department was called *MAHAKSHAPATLIK* i.e. Accountant General.[23] He used to have knowledge of income and expenditure of the whole of the state.[24] *MAHAKSHAPATLIK* was one on of the most important ministers of Rajput administration. In the village *'KARAN'* was the accountant and it was his duty to keep the records of income and expenditure.[25] The Accountant General had many sub departments under him. He used to send his subordinates to various parts of the kingdom to audit and verify the accounts of local bodies and temples.[26] More or less system of accountancy was same as it was in Gupta period.

ACCOUNTING UNDER MUSLIM RULE

From 1200 A.D. and onwards India came under Muslim Rulers. The Arabs[27] introduced the new Islamic or Muslim culture in India. They came first as traders and saints and then handed over the baton to Turkish and Mughal invaders.[28] The early Muslim sovereigns particularly in the sultanet period (1206 to 1526 A.D.) had neither seasoned diplomats nor experienced administrators in their ranks. In fact Muslim invaders did not bring with them merchants, agriculturists, artisan and clerks. The Hindus dominated the economic life of the country. Agriculture and business were controlled by them. Clerks and accountants in government officers and revenue collectors in the villages were Hindus.[29]

The earlier Muslim ruler of India were poor administrators, their methods were rude and oppressive. The department of accounts was under *'DIWAN-AI-VIZARAT'*.[30] He used to control and supervise the works of Accounts. He used to e a military leader.[31] There were following officers under *DIWAN-AI-VIZARAT* who used to keep accounts:[32]

1. *MUSHRIF*: He used to scrutinize the income.
2. *MUSTAUFI*: He used to account for income and expenditure.

3. *VAQOOF*: He was an officer used to deal with the papers of expenditure.
4. *MAZUMDAR*: He was accountant general. He also used to look after the Mahsabat (Accounts) of factories.

Bulban was the first sultan who separated military from accounts. During sultnate period treasurer in the matter of expenditure used to receive order from Vazir but used to make payments only after the order had been confirmed by the sultan himself.

By the time Mughals took over India Vizarat department i.e. Finance department became fully organized. Accountancy developed like any thing.

1. The head of the department was like today's minister called Vazir or Diwan.
2. The military accounts were separated from other accounts. Military accounts were technically called the "TAUJIH". Head accountant was called "SAHIBI-TAUJIH".
3. MUSTAUFI: He was an 'auditor' and used to supervise income and expenditure in accounts. In fact, this officer was next to Diwan.
4. During Akbar's reign factories producing different items like war equipment, garments etc. had their own Mushrifs or accountants.
5. Expenditures of the factories were examined and supervised by the chief supervisor of the accounts called "Diwan-I-Bayutat".
6. There was Mir-I-Saman. He was in charge of stores.
7. Akbar's accountants used to keep eye on the daily work and expenditure.[33]
8. During Akbar's reign, budgets were prepared for every six months.
9. Treasury had supervising officer known as Mushrifi Khazana. Akbar had separate treasuries for cash, precious stones, gold and jewellery.
10. There was one department Diwan-I-Sadat which dealt with gifts, endowments, annuities granted to priest, orphans, judicial officers. The head of this department was not one who was expert at handling of accounts but known for his scholarship and theological attainments.
11. During Mughal India all the government departments were provided with accountants.[34]
12. Akbar during his time also introduced an advisory board to supervise accounts. Raja Todarmal was the most successful members of this board and helped Akbar to take his reigns to dizzy heights.

The translator of Ain-e-Akbari, Mr. Blockman (Ain-e-Akbari-part I page 377) who compiled the life history of Raja Todarmal has said, "The most important reform introduced by Todarmal, is the change in the language and the character used for the revenue accounts. For merely they had been kept in Hindi by the Hindu Moharris. Todarmal ordered that all government accounts should hence forth be written in Persian."

This Persianisation is supported by the fact that Devanagari script was fully replaced by Persian in the coins during the regime of Akbar. According to Blockman the order of the accounts department to introduce the use of the Persian language and script was a political one. This department was completely under the control of the Hindu Moharris. With the advent of the Muslim rule in India, Persian acquired the status of the official language. The Hindus, in spite of their being capable and qualified, could not get themselves appointed on higher posts because of their not knowing the Persian language. Though Akbar was very liberal towards the language they did not know, the official language that is Persian. Religious partiality was also an impediment that hindered the progress of Hindus on the road leading to higher posts; but Akbar, in his regime, removed this impediment to a great extent. Raja Todarmal, by this order, removed the impediment of language. The order of writing accounts in Persian strongly encouraged the Hindus to learn the language. By the end of the eighteenth century, the Hindus became Persian teachers of the Muslims and began to teach them this language. The result of this was as described by Jagat Seth Parnath Singh in his book Mugal Rulers, published by Bharti Bhawan,Agra, in 1962 (page 31)"Though Aurangzeb strongly desired yet the revenue department could not be converted into a department dominated by Muslims".

On reading the frank view of Blockman we come to know that Todarmal did nothing except emphasizing on writing accounts in the Persian language. Consequently, the terminology of this subject has become Persian dominated. If it is so, as it is seen now, there is nothing surprising. Perhaps the dominance of the words of Arabic and Persian in the terminology of this subject has inspired a few historians to say that Todarmal was the first to initiate this art of accountancy in this country.

Luca Pacioli himself has written in his book that he was a compiler of the prevailing system of book – keeping. He never claimed that he was the inventor of the subject. Luca Pacioli's system of accounting has not spread itself all over the country or has not been accepted widely in spite of the long British regime of 150 years in India. This thing proves that Raja Todarmal could only change the language. Not only this much, it is not true that Akbar's regime was the only first well so regime. Todarmal's land settlement because of which Raja Todarmal became famous in history, was learnt by him from Sher Shah Suri. Though the regime of Sher Shah Suri was short, yet he introduced a lot of reforms into the systems of coinage and land revenue.(Jayachandra Vidyalankar – History of India, Page 391). Not only this much Allaudin Khilji had been a conscious emperor. Mr. Vidyalankar wrote, "He controlled both of the trade and market. He fixed the prices of commodities with an aim to save the poor people from being exploited or looted by the landlords and mediators". Is it not believable that such a sensible king kept his accounts systematically? The state of Vijainagar was very famous in the South even before the time of Akbar. About Akbar's regime Chatursen Shastri has written that the women used to take part in wrestling, perform astrological activities, realize toll tax and keep accounts of income and expenditure. When Babar arrived in the Northern India, many of the European scholars used to speak very high of Vijainagar and say that there existed the high level of art, culture and interest.[35]

CONCLUSION

Although the direct and the indirect evidences of ancient system of accounting are not available even then it is improper to say that this system came into being in India only in the 16th century because we find many shlokas concerning its fundamental elements in the Shukraneetisar, a literary work in Sanskrit considered by European scholars of the 10th century. Before the Western system of education was introduced in our country, the teacher was regarded the only main source of education, and not the text - books. It was the teacher who made to learn the pupil the formulas by heart and taught them how to make their use in their practical life. This is why such a teacher that could make the pupils expert in the use of formulas was in great demand and were highly esteemed.

In the absence of evidences, we should not overlook the fact that the period falling in between 700 and 1300 A.D. was the period of wars in the entire middle Asia and India was not an exception to it. The invaders never missed any chance which they got to burn the available literature. Whatever literature escaped the bonfire has not yet been traced. Indian literature was not only sent out of the country but was also hid in the caves so that it could be saved from being burnt. Some of such hidden literature has been discovered in middle Asia. A number of old account books and ledgers have been discovered but the historians have not paid any attention to them so far. Sir Orial Steen, on behalf of the Indian government did much to bring the ancient works in to light. Because of his efforts two parts of Kroshti Shila Lekh, Five parts of Sen rodia and two parts of ancient Khetan have been discovered namely: Inscription on wooden planks, inscriptions on leather strips, inscriptions on paper, inscription on paper, inscriptions on silk-cloth and inscription in the form of wall pictures. The special feature of the first three inscriptions is that they are in the Prakrit language and are about the worldly affairs. Among there are the writing about Public and Private accounts and all of these accounts were written by the Indians (Santosh Kumar Das- The Educational System of India). Apart from Sir Orlians Steen, Mr. Polio of France has also discovered thousands of books in Sanskrit, Prakrit, Chinese, Tibetian language and many other languages in a cave, out of these, many books are in Brahmi script. Among these books there are many ancient account books and ledgers.[36]

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THE BALANCED SCORECARD : AN APPLIED ANALYSIS

*Yogesh Upadhyay
**Shiv Kumar Singh

ABSTRACT

Realising the gap Robert S. Kaplan (Harvard Business School) and David P. Norton (Balanced Scorecard Collaborative) offered a new approach in 1992 of management known as balanced socrecard method. Here, they have attempted to offer a alternative approach to management by adding three additional perspectives in addition to financial perspective – Leaning and growth perspective, Internal process perspective, and Customer perspective. Till now hundreds of Fortune 500 companies have adopted it with success.

"Today's managers know that yesterday's accounting results tell little about what actually can help grow market share and profits – things like employee development and turnover, innovative services that enhance customer values, the quality of vendor services , and benefits from advancements in research and development. A key advantage of the balanced scorecard is that it puts strategy, structure and vision at the center of management's focus." This is stated in article "Applying the Balanced Scorecard to Small Companies," in the August 1997 issue of Management Accounting. The Balanced Scorecard concept was recently selected by HBR as one of the most influential management ideas of the past 75 years.

A. WHAT IS THE BALANCED SCORECARD?

Balanced Scorecard can be understood from two view points:

1. *As a Performance Management Tool*

A new approach to stategic management was developed in the early 1990's by Robert S. Kaplan (Harvard Business School) and David P. Norton (Balanced Scorecard Collaborative). They named this system as 'balanced scorecard'. Recognizing some of the weaknesses and

*Faculty Member, Prestige Institute of Management, Airport Road, Deendayal naagar, Gwalior (MP)
**Sr. Lecturer, Institute of Commerce & Management, Jiwaji University, City Centre, Gwalior (MP)

vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective alone.

A balanced score card is a set of financial and non-financial performance measures that reflect the factors that you believe are critical to the success of your organization. A good way to understand the balanced scorecard is to imagine yourself as the captain of a jumbo jet, wrote Robert Kaplan and David. Norton in their ground breaking article on the management tool in the Harvard Business Review (1992). Imagine the flight deck and all the instruments, dials and gauges on the panel in front of you. These instruments tell you about the various parts of the plane and how it is flying. Reliance on the altimeter only would be foolish — you might know your altitude, but you wouldn't have any warning about impending storms. You wouldn't look only at the radar, of course – how would you know when you were low on fuel?

When one attempts to view the evolution of various measurement systems it can be seen that Balanced Score Card encompasses Financial, Strategic and Operational measurements. See (Figure 1).It is clear to visualize that implementation of Balanced Score Card followed by the deployment of Six Sigma is a better approach towards Six Sigma deployment. While the proven statistical tool set of Six Sigma operates at the operational level the Balanced Score Card provides the rationale for identification of areas for improvement.

The Evaluation of Measurement

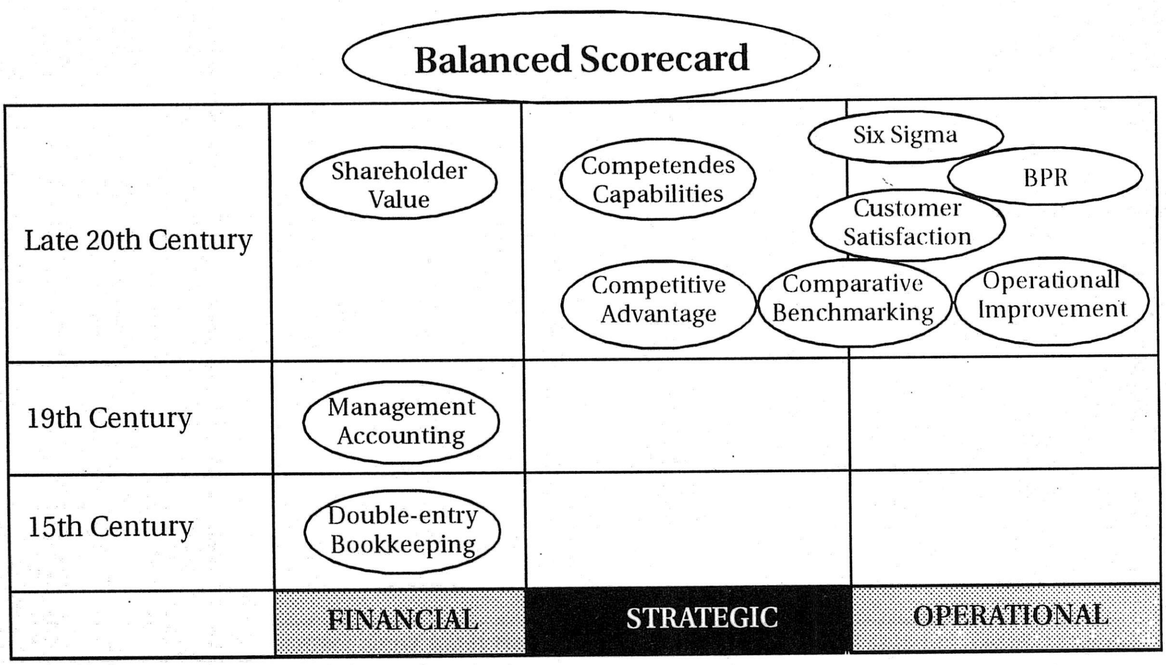


Figure - 1

2. *As a Strategic Tool*

Gadella, J.W. (1994) pointed out that half of all acquisitions fail to achieve what was expected of them. Voss B. (1993) concluded one out of four international ventures do not succeed due to improper implementation. Kaplan and Norton(1992), the developers of the Balanced Scorecard concept, make the point that fewer than 10% of all strategies are implemented, and this can be traced to fundamental problems in the process of strategic implementation. They point four barriers to strategic implementation, which are:

A. The Vision Barrier - Less than 5% of a company's employees understand its vision. More often than not, an organization's strategy is neither understood by those who implement it nor translated into objectives for those employees to meet.

B. The Management Barrier - 85% of executive teams spend less than one hour per month discussing strategy The organization is focused on short-term performance, rather than long-term direction. Management systems are designed for operational control and tied to budgets, not strategy.

C. The Operational Barrier - 60% of organisations do not link budgets to strategy. Key processes are not designed to leverage the drivers of business strategy. In short, companies rarely put their money where their vision is.

D. The People Barrier - Only 25% of managers have incentives linked to strategy. Personal goals, compensation, training, knowledge-building, and competencies are not linked to the implementation of strategy.

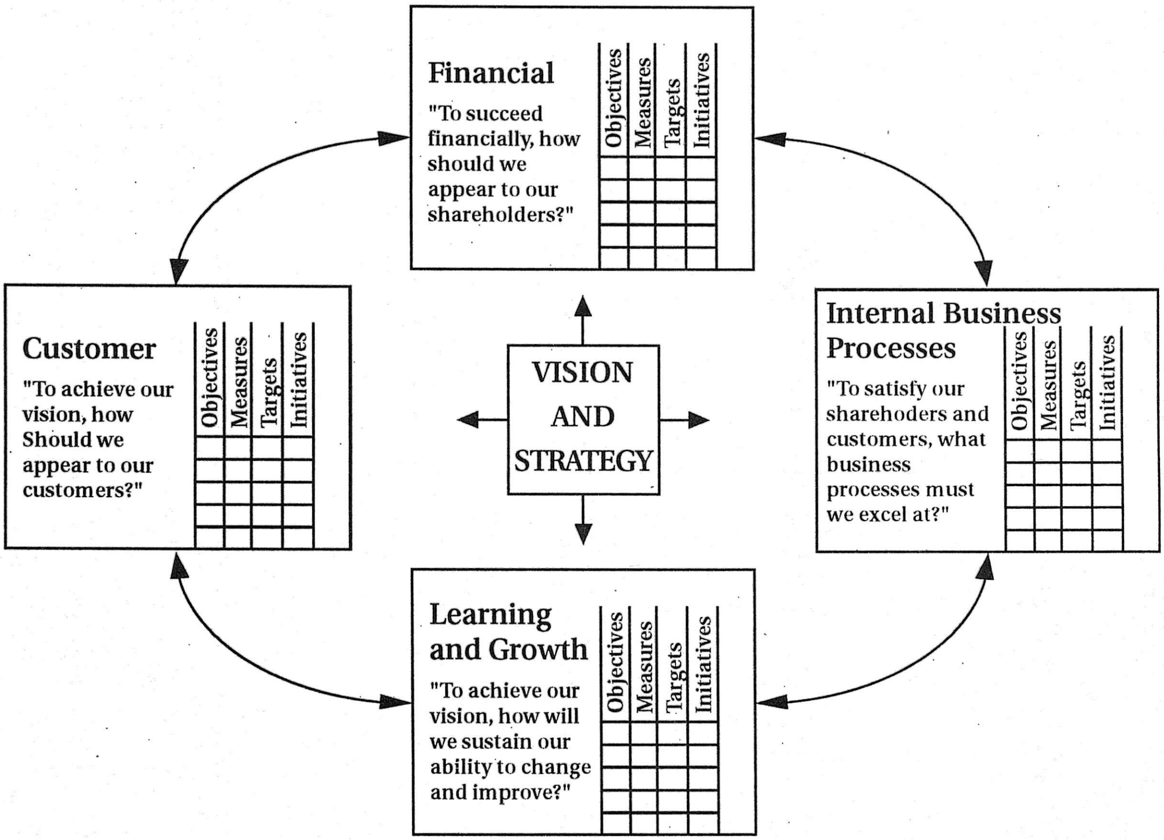
Good leaders are ones who provide both the strategic vision and ensure that the strategy is implemented. Easier said than done! The balanced score card provide a way of focusing attention on what needs to be achieved - as per the old measurement motto - "What gets measured, gets done".

The Balanced Scorecard translates a company's missions and strategy into tangible objectives and measures. The Balanced Scorecard is a management approach that addresses these precise issues. Its purpose-"...to translate strategy into measures that uniquely communicate your vision to the organization" as defined by Robert Kaplan and David Norton in their book, 'The Balanced Scorecard' (1996).

B. THE MODES OPERANDI

The balanced scorecard suggests that the organization be viewed from four perspectives. The four measures answer the following questions:

- Customer perspective: How do customers see us?
- Internal perspective: What must we excel at?
- Innovation and learning perspective: Can we continue to improve and create value?
- Financial perspective: How do we look to shareholders?



Balanced Scorecard converts these organization's value drivers—customer service, innovation, operational efficiency and financial performance—to a series of defined metrics (Berkman, Eric, 2001). The Scorecard directs management energies toward these four segments so that a balanced approach is adopted by the organisation. The aim of the Scorecard is to help organisations to create future value. By focusing on four areas instead of one - the bottom line, the chances are greater that the organisation will succeed in the long run. Briefly summarized by Kaplan, Robert S. and Norton, David P., (2000) balanced scorecard tells you the knowledge, skills, and systems that your employees will need (their learning and growth) to innovate and build the right strategic capabilities and efficiencies (the internal process) that delivers specific value to the market(the customers), which will eventually lead to higher shareholder value (the financials).

FINANCIAL MEASURES

A few selected financial measures are as follows:

Revenue Growth	-	Sales and market share
	-	Number of new products, or new applications of existing products and services
	-	Number of new customers and markets

	-	Number of new market channels, differentiating on service, delivery mode and price
	-	Number of new pricing strategies
Cost Management	-	Revenue per employee
	-	Unit cost reduction
	-	Percent use of low cost business processes. (e.g. increase use of EDI to replace costly manual purchasing approaches)
	-	Percentage of expenses measured by Activity Based Costing
Asset Utilization	-	Inventory reduction, increased turns
	-	Cash-to-cash cycle
	-	Return on capital
	-	Productivity / efficiency

CUSTOMER MEASURES

Before establishing customer measures, organizations must identify the market segments they are serving or wish to serve. Organizations may select market segments that are most profitable, or that are under-served.

Market Share	-	Percent of market segment captured by your organization
	-	Percent of each customer's total requirement served by your company (e.g. for customers purchasing clothing at your apparel store, what portion of their total annual clothing budget do they spend with you?)
Customer Retention	-	Number of defections (customers who take their business elsewhere)
	-	Increase in sales to current customers
	-	Frequency of orders / visits / contacts with current customers
Customer Acquisition	-	Number of new customers, or total sales to new customers
	-	Ratio of sales to inquiries
	-	Average cost to acquire a new customer
	-	Average order size, or average revenue per customer interaction
Customer Satisfaction	-	Number of complaints
	-	Number of unsolicited thank you letters
	-	Number of individuals indicating that they are extremely satisfied with their experience with your organization on a satisfaction survey
Customer Profitability	-	Total profit per customer
	-	Total cost per customer or per transaction

Perhaps more than any other perspective, the customer dimension of your Balanced Scorecard affords opportunities to learn about and transform your business. The table above, summarizes typical quantitative measures to assess performance with customers. However, the customer perspective also provides rich opportunities to obtain qualitative data. For example, comments and complaints by customers on satisfaction surveys may be more important than the satisfaction level they express. Analysis of this information may lead to identification of new market segments, or new product / service opportunities, or many other transformations in your business.

INTERNAL BUSINESS PROCESS MEASURES

There are many internal processes in the typical organization that deserve attention and measurement. But measuring and managing these processes can only drive incremental improvements, and do not contribute to the strategic management of the organization. It may be appropriate to include measures about the accounts receivable process in a Balanced Scorecard for the accounts receivable department. A Balanced Scorecard for the strategic business unit, on the other hand, needs to reflect the entire value chain. Measures of organizational performance are needed all the way from the identification of a customer need to the satisfaction of that customer need.

Identify or	-	Profitability by market segment
Make the Market	-	Percent of revenue from new products
	-	Percent of revenue from new customers
Design	-	Time to market
	-	Break-even time
Build	-	Number of defects
	-	Process time
	-	Process cost
Deliver	-	Percent on-time delivery
	-	Stock-outs
	-	Percent defects
Service (post-sales)	-	Average satisfaction rating
	-	Number of customers re-ordering within a three-month period
	-	Number of customers who do not order again within a year
	-	Number of deliveries during which a related product or service is cross-sold

LEARNING AND GROWTH MEASURES

The learning and growth perspective of the Balanced Scorecard focuses on the organizational infrastructure that is required in order to achieve objectives in the other areas. There are three common categories for learning and growth measures: employee capabilities, information technology, and motivation, empowerment and alignment. Here are a few examples of measures for the learning and growth perspective.

Employee Capabilities	- Employee satisfaction (involvement, recognition, access to information, support from staff functions, etc.)
	- Staff turnover
	- Productivity (revenue per employee, return on compensation, profit per employee, etc.)
	- Number of employees qualified for key jobs relative to anticipated requirement
Information Technology	- Information coverage ratio - number of processes having adequate information on quality, cycle time, and cost
	- Percent of customer information available during front-line interactions
	- Return on data - new revenue per database etc.
Motivation and Alignment	- Suggestions received
	- Suggestions implemented
	- Rewards provided
	- Length of time required to improve a key measure such as on-time deliveries by 50% (half-life metric)
	- Percent of employees with objectives aligned with key Balanced Scorecard measures

The Balanced Scorecard allows business leaders to pull together the strategy into one single picture without the traditional focus on profit. Traditional measurement systems have also been implemented to control behaviour, whereas the Balanced Scorecard put the strategy at the centre and assumes that the choice of behaviours to achieve the measures will be made by the people or departments in the organisation. (Liza Strong, 2002)

C. ORGANIZATIONAL LEARNING WITH THE BALANCED SCORECARD

When managers devise a Balanced Scorecard, they articulate their strategy for the organization. Through regular reporting on the Balanced Scorecard measures, managers detect which departments and initiatives are on target, and which are not. Departments that do not achieve targets can engage in a learning process to discover why they are not achieving expected results and to correct the problem. Even when all targets on the Balanced Scorecard are met, managers can begin observe the interactions between the measures on the scorecard to discover unintended side-effects of their strategy, or relationships between measures that they did not expect. Here are some of the tools that can be used to encourage strategic learning: (Kaplan, Robert and Norton, David (1996a))

Correlation Analysis	- Statistical techniques can be used to uncover relationships between Balanced Scorecard measures, or to validate predicted relationships

Game / Scenario Analysis	-	Scenario analysis can be used to engage management teams in evaluating different courses of action, or different strategies with respect to past experience with the Balanced Scorecard
Anecdotal Reporting	-	Where statistical data is still being gathered, or even where data is present but does not show the entire picture, qualitative stories are an excellent way of communicating progress and engaging the organization in learning about progress on a Balanced Scorecard measure
Strategic Review Meeting	-	Balanced scorecard measures should be reviewed regularly in an operational context. (Are we achieving targets?) The structure of the Balanced Scorecard should also be reviewed, perhaps on a less frequent basis to learn from experience and develop new strategies. (Are these the targets we want to achieve?)

D. THE SUCCESS STORIES

Survey of 203 North American executives (Conference Board and AT Kearney study, 1999) showed that measure managed companies...

- Had financial performance in the top third of their industry (83%).
- Were perceived as industry leaders by their peers (74%).
- Were perceived as pioneers on changing the nature of their industries (97%). (Quoted in a study by Norton D., 1999)
- Had stock performance above competitors (56% yes, 26% no).
- Had stock performance about the same as competitors (30% yes, 43% no).
- Had stock performance below competitors (18% yes, 31% no).

(Last three quoted by Quinn, L, 1999)

Hundred of Fortune 500 companies have implemented Balanced Scorecard. Only three examples are discussed below, two from Fortune 500 list and one of an Indian company:

- MOBIL OIL (now Exxon Mobil) leaped from last to first in profitability within its industry from 1993 to 1995—a rank it maintained for the next four years.
- Cigna Insurance was losing $1 million a day in 1993, but within two years it was in the top quartile of profitability in its industry. Then in 1998 it spun off a $3.5 billion division.
- Dubey, Chanden, 1999, reported Renaissance Worldwide is the implementing partner for the Balanced Scorecard at Godrej GE Appliances Limited. Starting with the company strategy and vision in April 1998, Godrej GE Appliances interviewed a cross-section of people including internal and external customers to arrive at a 'linkage diagram', the crux of the Balanced Scorecard process. Following this a detailed workshop with the senior management helped ratify the different components of the diagram: linked objectives, measures, targets and initiatives.

Godrej GE then began to zero in on measurements and management initiatives. The two exercises that ran parallel to each other helped the company arrive at a 31-item measurement template (from sales to growth targets) and a template for management initiatives. The exercise helped the company prioritise 20 initiatives from the series of on-going management initiatives.

The non-priority initiatives were either discarded or the implementation deferred. The measurement template helped the company set measurable long term and short term targets. Thus prepared, the movement was rolled out across the company in October 1998.

"The Balanced Scorecard has helped us tie the Six Sigma initiatives with the quality movements viz, ISO 9000 and ISO 14000. It has also provided direction and impetus to the CII Excellence For Quality Management (EFQM)business model," said Godrej GE Appliances, vice-president, quality, GSunderraman.

- More specifically, the Balanced Scorecard has reaped mixed results for thecompany so far. On the positives side:
- All the supply chain initiatives tied to the Balanced Scorecard on supplier management have added to the bottom line, with a gross impact of over Rs 9 crore in savings.
- Close to 72 per cent of the suppliers are below the 1,000 parts per million defects (4.5 Sigma) benchmark.
- The process has resulted in a strong upstream supply chain and an improved vendor base backbone.
- Raw material inventory turns have improved from 25 to just 16.
- Cost Takeout and value engineering process has contributed to over Rs 5crore.
- The company has reported a profit Rs 21 crore in 1998-99 against Rs 3crore in the previous year.
- On the other hand, Godrej GE has run into problems like inaccurate assumptions on account of a change in the strategic context. Further, the second-level drivers in the organisation could not be educated due to the short time. Also, at Rs 21 crore the company fell short of the targeted bottomline.

Over the next two years, Godrej-GE now plans to recast the original supply chain; deploy the Balanced Scorecard to the next level in key functions viz,materials, resources, manufacturing and finance; pilot the implementation of IT-based data warehousing for Balanced Scorecard data analysis and presentation; link the concept to pay and performance; and finally, organize regular quarterly meetings where the CEO of the company will share the performance and areas of improvement.

Overall, the process has yielded certain 'powerful' lessons, says Sunderraman. For one, all internal management initiatives have to be aligned to key statistical objectives. Two, companies have to hit upon the right strategy, and all actions have to be measurement driven. Three: the Balanced Scorecard works on a foundation of robust processes and practices.

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FINANCIAL APPRAISAL OF IDBI BANK LTD.

***S.K. Khatik**

ABSTRACT

This research work is concerned with banking organization that offers a personalized service. The bank uses various indicators for measuring its financial performance. These indicators are of great importance and tell us the true financial position of the bank. These indicators help in identifying the strengths and weaknesses of the bank and suggesting improvements in its future working. It is, thus, very important for a banking or business concern to analyze its financial performance at the end of each financial year. On the basis of financial indicators like Capital Adequacy Ratio, Non Performing Assets, Priority Sector Advances, Statutory Liquidity Ratio, Cash Reserve Ratio and Credit Deposit Ratio. It is found that IDBI Bank is a progressive, technology driven, professionally managed entity well geared to meet competition from existing as well as new banks effectively. Its financial position for the last five years is quite satisfactory.

Financial Appraisal analysis covers a vast area and is of great practical importance. Keeping in view the importance of Financial Appraisal analysis and the vast area that it covers, we have carried out the present research work. It is concerned with banking organization that offers a personalized service. The vitality of this service depends on the quality and attitude of its working personnel. The bank uses various indicators for measuring its financial performance. These indicators are of great importance and tell us the true financial position of the bank. The indicators help in identifying the strengths and weaknesses of the bank and suggesting improvements in its future working.

The concept of establishing IDBI Bank took place after RBI issued guidelines for entry of new private sector banks in January 1993. IDBI Bank was promoted by Industrial Development Bank of India (IDBI) and Small Industries Development Bank of India (SIDBI), two of India's premier financial institutions. The Reserve Bank of India conveyed its "in principle" approval to establish IDBI Bank on February 11th, 1994. Thereafter the Bank was incorporated at Gwalior under Companies Act on 15th of September 1994 (Registration No. 10-08624 of 1994) with its Registered Office at Indore. Being a new private sector bank it has to face direct competition, inter-alia, with Foreign Banks functioning in the country.

***Reader and Head, Commerce, UTD, Barkatullah University, Bhopal**

Consequently it has launched a number of matching innovative products especially in the field of retail banking with a view to secure enough business and sustains the competition. Some of the important products launched by the Bank are (Demat Account ; NRI Banking ; Personal Loans ; Car Loans ; Phone/Mobile Banking ; Invesment Advisory Services ; Education Loans ; Corporate Payroll Savings Account ; Anywhere/Anytime Banking and so on.

The Bank came out with its maiden public issue in Feb 1999.The paid-up capital of the Bank after the public issue stands enhanced to Rs 140 crores. Out of this, IDBI and SIDBI have initially contributed Rs 80 crores and Rs 20 crores respectively and the rest Rs. 40 crores were mobilsed during the public issue.The Bank made a beginning from Indore on 13th of November 1995. Now it has a network of 53 branches. 7 more branches are proposed to be opened by the end of year 2002.

OBJECTIVES OF THE STUDY

The study was conducted with the following specific objectives :

- To analyze the adequacy of the capital, based on the level of activity by the bank ;
- To measure the liquidity position and factors responsible for causing liquidity/ unliquidity in the bank ;
- To find out the profitability position of the bank to the given level of investment and turnover.

DATA COLLECTION

The study has used both primary and secondary data. The secondary data is collected from published sources like magazines and internal reports. These include, the annual reports of IDBI bank, some magazines like Dialogue, a weekly issue of IDBI bank, financial analysis magazine, IDBI bulletin etc. Moreover, unpublished sources were also used for undertaking to published data. These include noting on the files, memoranda, proceedings of the meetings etc. Primary data in the form of clarifications from the executives regarding final points were also taken. For this purpose, around 10 -12 employees of the bank were also interviewed.

RATIOS BASED ON NORMS ISSUED BY RBI

1. **Capital Adequacy Ratio :** Banks in India with international exposure are required to maintain minimum capital funds equal to 8% of their risk weighted assets and other exposures on an ongoing basis. This percentage has been increased to 9% with effect from 31st March 2000. The above requirement was introduced from 1992 after acceptance of Narsimhan Committee Report which recommended observance of prudential norms by Commercial Banks & Financial Institutions, in respect of Income Recognition, Assets Classification, Provisioning and Capital Adequacy standards as prescribed by Bank for International Settlement (BIS).

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital fund of the Bank}}{\text{Risk Weighted Assets}} \times 100$$

- ***Capital Fund :*** Capital inclusive of Tier I and Tier II Capital, i.e., Core Capital and Supplementary Capital respectively. Tier I Capital comprises of Issued, subscribed & paid up capital ; Statutory reserves ; Capital reserves ; Share premium ; Revenue and other reserves including Investment Fluctuation Reserve and Balance in P&L account. Tier II Capital comprises of Unsecured, Redeemable & Non convertible Debentures.
- ***Risk Weighted Assets & other exposures :***

  [(Assets x Risk Weight) + (Off Balance Sheet Items (i.e., contingent credit exposure) x Conversion Factors)]

Before 31st March 2000 the percentage required by the banks for this purpose was 8% which has now been increased to 9%. IDBI bank has maintained a comfortable Capital Adequacy Ratio since inception, the CAR of the Bank (including both Tier and Tier II Capital) which stood 17.9% as on March 31, 1997 reached 9.82% as on March 31, 1998 consequent to increased lending operations during 1997-98. With the increase in the Bank's paid-up capital after the public issue and the accretion to its share premium account and reserves, Capital Adequacy Ratio for the year ended March 31, 1999 reached 11.26% and it stood 11.8% as on March 31, 2000. During 2000-2001, the ratio has remained constant at 11.72%.

In the table 1.1 the Capital Fund is taken as 'x' and the Risk Weighted Assets as 'y'. It shows the coefficient of correlation between both 'x' and 'y'. To test the validity of our hypothesis, we have taken the help of t - test.

TABLE - 1

Relationship between Capital Funds and R.W. Assetss

(Rs in crores)

Capital Fund (x)	105	125	217	360	393
R.W. Assets (y)	585	1,270	1,938	3,047	3,355

There is a very high degree of positive correlation between Risk Weighted Assets and the Capital Fund (r = 0.99). Testing our hypothesis with the help of t – test, Tabulated value of t for 3 degree of freedom at 5% level of significance is 3.182. Since t = 12.23 is much greater than the tabulated value, it is highly significant. Hence, the Null Hypothesis is rejected at 5% level of significance and we conclude that the Risk Weighted Assets has increased with an increase in the Capital

2. Non-Performing Assets : After introduction of Narsimhan Committee recommendations, all advances & loans are classified into two categories, i.e., Performing Assets (PA) and Non Performing Assets (NPA). An asset becomes non-performing when it ceases to generate income for the bank. In this respect, the Reserve Bank of India has prescribed a standard norm of 5% maximum. All the banks in India are required to follow this.

$$\text{Non Performing Assets} = \frac{\text{Net NPA's}}{\text{Total Advances}} \times 100$$

- **Net NPA's** - Gross NPA's – Provision for NPA's
- **Total Advances** - Total Advances are taken as per the amount shown in the assets side of the balance sheet of the bank.

IDBI Bank has made full provisioning for NPA's as per the prudential norms of Reserve Bank of India. As on March 31, 1997, the Bank's standard assets constitute 99% of its total assets. This means the percentage of non-performing assets were only 1% of its total assets. As at 31st March 1998, NPA's were just 0.32% highlighting the prudent lending practices that it has successfully followed. During the year 1999, the Bank's Non Performing Assets valued at Rs. 13.72 crores representing 1.28% of Net Advances. This percentage rose to 1.95% in the year 2000. During the year 2001, there was a rise in the amount of non performing assets with the Bank which valued Rs. 90.3 crores representing 5.24% of Net Advances. This shows that there was irregularity regarding payment of principal or interest amount in this period. Despite this, the Bank is making full provisions for NPA's as per the prudential norms of RBI.

3) **Priority Sector Advances :** Reserve Bank of India requires banks to lend atleast 40% of their net bank credit to the "Priority Sector", with sub targets of 18% for lending to the agricultural sector and 10% for lending to weaker sections. Within this, indirect agricultural lending is to be 4.5%. All the banks in India are required to follow this norm.

$$\text{Priority Sector Advances} = \frac{\text{Advances to Priority Sector}}{\text{Total Advances}} \times 100$$

- ***Priority Sector Advances :*** This is the amount of advances made to Priority Sector by the bank.
- ***Total Advances :*** Total Advances are given as per the amount shown in the assets side of the balance sheet.

As on March 31, 1997, the Bank's advances to priority sector were Rs. 21.19 crores representing just 4.3% of Net Bank Credit. This ratio stood 21% as on March 31, 1998. During the year 1999, the Bank's Priority Sector Advances were of the order of Rs. 257 crores representing 24% of Net Bank Credit. This included investments in eligible priority sector bonds and Risk sharing participation contracts. With the tremendous increase in the Bank's Net Credit to Rs. 378 crores during the year 2000, the Bank maintained the ratio at 21.20%. During the year 2001, there was a decline in the amount of advances made to priority sector. Thus, the bank could only maintain this level at 21.9%. The Bank is making all efforts to step up its coverage to this sector without diluting its risk acceptance criteria.

4) **Statutory Liquidity Ratio :** Under Section 24 of the Banking Regulation Act 1949, commercial banks in India are required to maintain (in addition to Average Daily Balance/Cash Reserves under Section 42 of RBI Act/Section 18 of BR Act respectively) (a) Cash ; b) Gold ; c) Approved Securities amounting to atleast 25% of their Net Demand and Time Liabilities in India. This percentage is called the Statutory Liquidity Ratio (SLR). The Act also provides that the SLR can be increased from time to time by Reserve Bank of India upto a maximum of 40% of the Net Demand and Time Liabilities. At present the applicable SLR is 25%.

$$\text{SLR} = \frac{\text{Liquid Assets of the Bank comprising**}}{\text{Net Demand \& Time Liabilities in India}} \times 100$$

Statutory Liquidity Ratio of the Bank as on 31st March, 1998, 1999, 2000 and 2001 stood at 28.7%, 26.91%, 32.15% and 34.49% respectively as against the stipulated requirement of 25% for each of the above years. There was no default on the part of the branch in this respect. Liquid assets of the Bank for this purpose includes cash in hand, balances with the RBI, balances in current account maintained in India with State Bank of India or with any other notified bank, investments in gold and Government and other approved securities maintained in India (less borrowings there against). It can be seen from table no. 4 that the Bank has so far maintained a proper SLR. This shows that the Bank has got a good liquidity position. The Bank is making full efforts to keep a sound liquidity position. The figure of 2001 clearly indicates that the Bank has achieved its target by maximizing this figure far above than what is required by the banks.

- In the table given below the Liquid Assets are taken as 'x' and the NDTL amount as 'y'. It shows the coefficient of correlation between both 'x' and 'y'. To test the validity of our hypothesis, we have taken the help of t - test.

TABLE - 2

Relationship between Liquid Assets and NDTL

(Rs in crores)

Liquid Assets (x)	-	385	607	925	1,123
NDTL (y)	-	1,343	2,256	2,876	3,262

There is a very high degree of positive correlation between Liquid Assets and the NDTL amount (r = 0.98). Tabulated value of t for 2 degree of freedom at 5% level of significance is 4.30. Since t = 6.91 is greater than the tabulated value, it is highly significant. Hence, the Null Hypothesis is rejected at 5% level of significance and we conclude that the Liquid Assets of the Bank has increased with the increase in the amount of the NDTL maintained by the Bank.

5) **Cash Reserve Ratio :** In terms of Section 42 of RBI Act 1934, every scheduled bank is required to maintain with the RBI an Average Daily Balance, the amount of which shall not be less than 3% of the Net Demand and Time Liabilities in India of such a bank. This ratio is called Cash Reserve Ratio (CRR) of the bank. The Act also provides that the Reserve Bank of India can increase the CRR from time to time upto a maximum of 15% of the Net Demand and Time Liabilities. During the mid term review of Monetary & Credit policy in October 2001, the RBI has reduced the CRR from 7.5% to 5.5%. Thus the present CRR rate as applicable to commercial banks is 5.5%.

$$CRR = \frac{\text{Current account balances held with RBI}}{\text{Net Demand \& Time Liabilities in India}} \times 100$$

Position of CRR of the Bank for the last 4 years was as under :

TABLE - 3

Cash Resource Ratios

Date	Stipulated CRR	Actual CRR
31-3-1998	10.25%	14.09%
31-3-1999	10.50%	10.82%
31-3-2000	08.50%	09.25%
31-3-2001	08.00%	08.14%

There was no default on the part of the bank in this respect. CRR and SLR together known as Reserve Requirement are the instruments used by RBI to directly regulate the liquidity of the banking system. The table clearly shows that the Bank has always maintained its cash reserve ratio above the required percentage in each year, which is a healthy sign for the Bank.

6) **Credit Deposit Ratio :** The ratio of total advances granted by a bank to its total deposits (i.e., Net Demand and Time Deposits) on any particular date is called the Credit Deposit Ratio of the Bank. A ratio of 60% in this respect is considered to be a desirable norm.

$$\text{Credit Deposit Ratio} = \frac{\text{Total Advances}}{\text{Total Deposits}} \times 100$$

This is the ratio of total advances granted by a bank to its total deposits on any particular date. A ratio of 60% in this respect is considered to be a desirable norm. As on March 31, 1997, the credit deposit ratio of the Bank was 98.05% which was at its highest ever since its formation. This shows that in the year 1997 the bank made a huge amount of business by granting loans & advances. After that there was a tremendous decrease in this ratio, which was just 45.68% in the year 1998, which further fell to 39.05% in the year 1999. This shows that the Bank did not grant much of its deposits as advances during this period. In the year 2000, the credit deposit ratio of the Bank rose to 46.54%. As on March 31, 2001, the total deposits of the Bank were Rs. 3,567 crores out of which the advances granted by the Bank were Rs. 1,725 crores. The credit deposit ratio of the Bank was 48.35%, which shows that the Bank has increased its advances on its total deposits. The Bank is making all efforts to increase this ratio further.

FINDINGS

IDBI Bank has implemented a host of initiatives during this period. It recognizes that people, processes and technology will build leadership position. It has brought in best of management talent from foreign and private sector banks across various functionalities. It has significantly increased investments in revamping the technology platform. It has moved the credit risk profile and tightened credit and risk management processes.

- IDBI Bank has maintained a comfortable Capital Adequacy Ratio since inception, the CAR of the Bank (including Tier I and Tier II Capital) which stood at 17.9% as on March 31,1997 and then stood at 11.72% as on March 31, 2001, which was well above the regulatory requirement of 9%. The impact of raising a further Rs. 25 crores as Tier II capital during the year was offset by growth in risk weighted assets.
- The Total Net Income of the Bank increased by 17% from Rs. 146 crores in the year 2000 to Rs. 171 crores in 2001. This figure was just Rs. 30 crores in the year 1997.
- The Bank has been maintaining its Statutory Liquidity Ratio (SLR) well above the regulatory requirement of 25% each year. This ratio was 28.7% in the year 1998 and has moved up to 34.41% in the year 2001. On the other hand, the Bank is maintaining proper balances with the RBI as its cash reserves. The Cash Reserve Ratio of the Bank was 8.14% in the year 2001. This ratio was 14.09% as on March 31, 1997 and after that it has been decreasing further every year. But the Bank has maintained this ratio far above the minimum requirement of 3% of the NDTL each year.
- The Bank has made full provisioning for NPA's as per the prudential norms of Reserve Bank of India including in respect of NPA's with outstanding of less than Rs. 25,000 per borrower. As at 31st March 1998, NPA's were just 0.32% which is below the maximum level of 5%.

- The Bank showed a marginal growth of 3.5% in Total Deposits to Rs. 3,567 crores in the year 2001,as it consciously brought down level of expensive bulk deposits. In the year 1997, the deposits of the Bank were just Rs. 505 crores.
- The Bank showed a marginal growth of 7.5% in Total Advances to Rs. 1,725 crores in the year 2001, Advances made to Priority Sector during this period were 378 crores which showed an increase of 11.3%. The Bank is making all efforts to step up its coverage to this sector without diluting its risk acceptance criteria.

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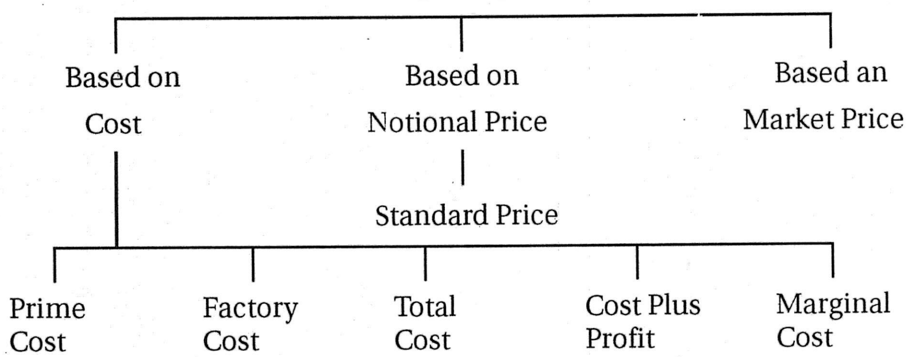
METHODS OF TRANSFER PRICING AS USED BY SMALL SCALE INDUSTRIES OF RAJASTHAN STATE

*Nand Kishore Sharma

ABSTRACT

The article discusses the methods of transfer pricing and their application by small scale industries in Rajasthan State. The emperical study has revealled that market price method is relatively more popular. The transfer price affectes not only the profits of the supplier or the receiving divisions of the organisation but has also an impact on the profitability of the organisation as a whole.

The various methods of transfer pricing may be classified and tabulated as follows:



Methods Based on Actual Cost

In conventional Organisation and in situations where control is centralised, transfer is done from one department or devision to another at actual cost, This method can be subdivided into following :

(a) ***Prime Cost -***

In this method price of product is fixed at total of (i) Direct materials, (ii) Direct wages,

*Associate Professor, Department of Accountancy and Business Statistics, University of Rajasthan, Jaipur

and (iii) Direct expenses. This method is useful only where indirect cost are nominal and estimates of such indirect cost is difficult. In actual practice this method is not used by any Organisation selected for this study.

(b) Factory Cost -

In this method transfer price is equal to direct materials, direct labour, direct expenses, and factory overheads. This method is used by elected textile units for transferring goods from one process to another.

(c) Total Costs -

Under this method, transfers are priced at full cost i.e. total of ditect materials, direct wages, direct expenses and all types of overheads. This method are followed by selected organisation who are doing contract work.

(d) Cost Plus a percentage of Profit Methods -

This method is also known as total cost plus a mark-up or full cost plus method. In this method we will add a suitable percentage of profit to total cost of product and then find transfer price. This percentage of profit may be added either to the total cost of product or the marginal cost of product transfered to other department. Here, rate of profit in former situation is such wtich will give agreed prof it on total cost, while in the latter situation, the percentage of profit will be high enough to earn agreed profit and also recover fixed cost of the product. This method is more useful where the market price is not readily available. This method is used by such selected small scale units which have branches at different cities.

(e) Marginal Cost Method -

In this method cost is classified in fixed cost and verable cost and only variable cost of a product is included in this method. Because, fixed cost is affected by time factor instead of quantity of production. Thus in this method the goods or services are transfered from one department to another at variable cost. This method is used in cement companies of Rajasthan State.

METHODS BASED ON NOTIONAL COST

The methods can be sub divided into :

(a) Standard Price Methods -

Standard price is predetermined price and is set for a definite period after taking into consideration all factors. According to Brown and Haward, "standard price is a predetermined estimates of cost to manufacture a single unit of a number of units of a product during a specific immediate future period." Thus it can be said that standard price is a predetermined and estimated price, which is determined on scientific basis for different elements of cost i.e. material, labour, and expenses for a definite period under given circumstances, standard price is determined taking into consideration organisation's past and present producucn activities. This method is used by selected suger companies of Rajasthan state.

(b) Negotiated or bargained Price Methods -

In this method, transfer price is negotiated between the consignor and the consignee units, as if two were independent organisations trying to make the best of the bargain. In this method consignee unit obtains quotations frcm the consignor unit as well as from other sellers. A decision from consignee unit is then taken whether to buy from outside sellers or from his own consignor unit. This method is not followed by any unit under my study.

MARKET PRICE METHODS

In my view this method is a rational method which is based on the principle of opportunity cost. In this method consignee receives the product or service at the price which it would have paid if buy from market. This method is used by selected chemical and cement pipe factories.

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TAKING THE BIG STEP ONLINE ELECTRONIC COMMERCE - ITS TRANSACTION PROCEDURE

*Manideep Chandra

ABSTRACT

The paper gives a brief account of online electronic commerce, its elements, legal issuing etc. So that e-commerce may be used in business more effectively.

Taking a business online is a daunting task. Going from the traditional "ink-and-paper" method of doing business to one characterized by servers, e-mail directories, and bandwidth can be a challenge for even the largest companies - companies that can afford, to a certain extent, to make mistakes. Making the switch is even more challenging and risky for small and medium-sized businesses. Large companies usually can absorb the costs of poorly made, poorly executed decisions. Smaller companies just don't have that luxury. A reliable and powerful web hosting platform and an equally reliable catalogue manager that would allow to advertise and conduct product transactions in support of sales are the two key requirements.

CREATING AN E-COMMERCE WEB SITE

Business may be small—but the Internet lets the business think big. Whatever product or service the business offers, the Internet levels the playing field and lets it compete with bigger businesses, reaching customers around the world who can conveniently buy from the business 24 hours a day. But in the competitive world of the web, growing the business and increasing profits online requires some careful planning. So to take full advantage of the e-commerce opportunity, web business must be based on a solid foundation that covers the following elements of e-commerce.

- **Identity:** The first step toward e-commerce is selecting the name of the site. The web address (also called a URL-Uniform Resource Locator-or "domain name"), tells customers how to find the business on the Internet. It is the core of the Internet identity-the online

*Lecturer, Department of Commerce, Saheed Anurup Chandra Mahavidyalaya, Buru, 24 Parganas (South), West Bengal

brand of the business. As no two parties can have the same web address, the online identity is totally unique.

- **An User-Friendly Site:** The site must be planned and structured carefully, focusing on making it easy for customers to learn what they need to know, make a purchase decision, and then buy quickly. The home page of the site is the online front door of the business. It's essential that it make a good first impression on visitors.
- **Attractive storefront:** It will make the e-commerce site easy and fun for customers to navigate, which means more sales for you.
- **Easy to explore:** The site should take minimum number of clicks to carry away the customer from the home page to actually being able to click "buy" and checkout.
- **Credibility:** In the anonymous world of the Internet, customers will communicate private information, like credit card numbers or phone numbers, to the e-commerce site only if they're sure the site is legitimate and the information they send is protected.
- **Easy payment procedure:** Site can be set up in such a manner, so that customers can pay by simply keying in a credit card number.
- **Popularity:** A memorable domain name, a great-looking design, and top-notch products and services can make the site successful only if customers know about it. Promoting the site to drive traffic to it should not be neglected.
- **Simplicity:** The site should not be filled with graphics, animations, and other visual bells and whistles. The text should be easy to read—black letters on a white ground may not be terribly original, but they are easier on the eyes than orange type on a purple background
- **Short download time:** As many e-commerce customers shop from home using slower Internet connections, the site should not be overloaded with graphics and images that slow load times. Most users click away to another site or log off if a page takes too much time (According to the Boston Consulting Group in American Demographics it is 8 seconds[1]) to load, costing e-commerce businesses billions in lost potential revenue.

The following are the main elements of e-commerce :

I. Step One: Establish Your Online Identity with the Right Web Address
   - A. What's In a Name?
   - B. How to Get and Manage Domain Names
     - 1. How to Buy an Existing Domain Name
     - 2. How to Register Domain Names Worldwide

II. Step Two: Build a User-Friendly Site
   - A. Plan Your Site Carefully
   - B. Choose the Right Site -Building Tools
   - C. E-Commerce Site Design Tips

III. Step Three: Set Up Your Web Server—or Select an ISP to Host Your Site
  A. What to Look for in a Web Hosting Company
  B. Where to Find the Right Web Host
IV. Step Four: Secure Your Site
  A. The Risks of E-Commerce
  B. The Trust Solution: SSL Server IDs for Authentication and Encryption
  C. How Server IDs Work
  D. How to Get SSL Server IDs
    1. VeriSign Commerce Site and Secure Site Solutions
    2. VeriSign Key Benefits
  E. Code Signing IDs
  F. E-Mail IDs
  G. Your Privacy and Security Statement
V. Step Five: Accept and Manage All Kinds of Payments
  A. The Internet Payment Processing System
  B. VeriSign Payflow Payment Gateway Services
    1. Payflow Link
    2. Payflow Pro
    3. Payflow Pro with Fraud Screen
  C. Set Up Your Internet Merchant Account
VI. Step Six: Test, Test, Test
VII. Step Seven: Promote Your Site
VIII. Now, Start Selling

MANAGING ONLINE PAYMENTS FOR E-COMMERCE

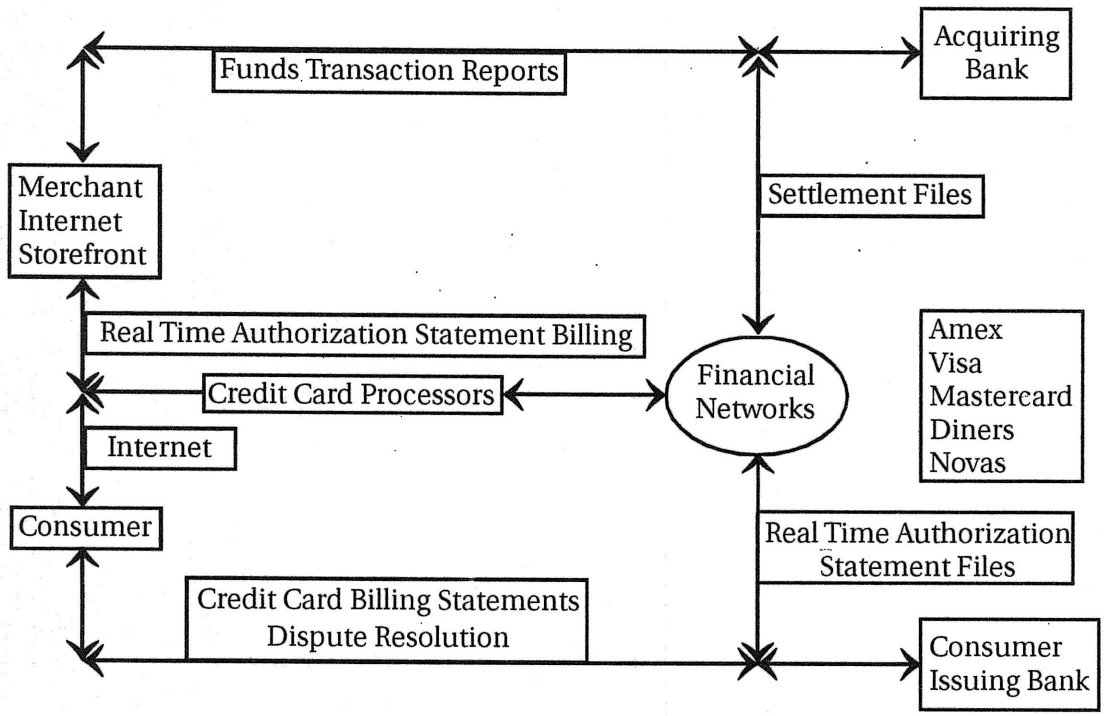
An Internet Merchant Account involves a special type of arrangement with a bank or clearing house that allows the enterprise to accept credit card payments into a special bank account(merchant account). The result of any credit card transactions passed through this online authorization company are credited to the account of the enterprise if the transaction is approved. Having an Internet Merchant Account is the most cost-effective way of accepting payment by credit card. After getting an Internet Merchant Account, the site is ready to integrate payment-processing services through the following sequence.

1. Customer places an order. The customer places an order at your Internet storefront, using his or her payment method of choice.
2. Transaction is processed. The transaction is securely routed through the financial

network to the appropriate banks, ensuring that customers are authorized to make their purchase.

3. Transaction is approved or denied. When the authorization response is received from the financial network, the result is communicated to the customer and then the funds are transferred to the Internet Merchant Account.

The diagram below shows the flow that online credit card transactions take through a Web store.



SECURING THE WEB SITE FOR BUSINESS

Businesses that accept transactions via the Web can gain a competitive edge by reaching a worldwide audience, at very low cost. But the Web poses a unique set of security issues; at the outset businesses must address those issues to minimize risk. Customers will submit information via the Web only if they are confident that their personal information, such as credit card numbers, financial data, or medical history, is secure. A key element of ensuring security of e-commerce services must, therefore, be of securing the transaction itself.

The three basic security components are :

Transaction: Various mechanism for ensuring trust in electronic transactions have been proposed, which are centered around the principle of digital signatures and certification agents. Each user has a digital signature, unique to him or her, to which a level of trust may be applied through certification of the identity by a trusted third party

Information: Telecommunications companies already hold significant amounts of confidential information about their customers. Valuable data such as credit card information, encryption keys and digital signatures may also be stored. It will increase the potential for illicit external access, with the potential for internal fraud being ever present.

Infrastructure: There will be a need to ensure the security and integrity of the underlying infrastructure. Increased technical protection and isolation of internal systems and of the network itself will be necessary in view of the greater exposure through public networks access. Firewalls, access control etc. have little value unless they are configured, maintained and operated appropriately.

LEGAL ISSUES IN E-COMMERCE TRANSACTIONS

Each country serves three categories of internet users, namely, Government, Businesses and Private citizens.

Trying to balance the needs of the three user groups on these issues proves to be daunting task, specially in a global environment involving a multitude of very different cultures and governments. The primary issues faced by these groups are as follows :

Encryption issue: Security and authorization of transactions (i.e. preventing any dubious usage of the credit card numbers or any other personal information) is a major concern. The common solution is to provide passwords, but they are less secured. Human beings are remarkably predictable when it comes to passwords. So, the ultimate solution is encryption. When a message is encrypted, it is a scrambled telephone message. Anyone who breaks into it will come across a jumble of meaningless words and hacking the code is too tiresome to be worth it. Encryption too is not full proof. This is because every encryption has to have some central mathematical logic which may be invaded. So, we have now moved to two encrypted passwords(key). One to access the e-commerce website and another for buying online. The mathematical algorithms used to generate the two keys are from random set of numbers which rules out any kind of invasion. Some countries, like France, only allow the use of encryption if a copy of the keys has been sent to a governmental agency. This concept called 'key escrow', allows the government to decipher encrypted messages.

Privacy issue: The site visitors should be informed about how the information generated from their visit might be used. The privacy policy should include a visitor consent procedure, with the opportunity for the visitor to opt out of certain uses of the information collected.

Domain name issue: A company needs to register a domain name for doing e-commerce, which translate the numeric IP address into a more friendly form of text. Instead of typing **xxx.xxx.xxx.xxx** most people prefer to type **www** followed by the entity URL (for example, **www.yahoo.com**), which is much easier to remember and less error-prone. Internet domain names are composed of three distinct elements, i) company name, trade mark, acronym, noun or any other word ii) SLD(second-level domain suffix) and iii) TLD(top-level domain suffix). The SLD suffix contains information on the origin of the website, such as '.in' for India. The TLD suffix contains information on the type of the website, such as '.com' for "business", '.net' and '.org' for organization, '.tv' and '.edu' for "schools" and "university" etc. The Internet Corporation for Assigned Names and Numbers (ICANN) recently announced seven new TLD suffixes - .biz, .info, .name, .pro, .museum, .aero, and .coop. Sometimes, e-commerce businesses register their names with TLD suffix as the full domain name suffix. In those cases domain name is completed simply by adding company name, trade mark, acronym, noun or any other word to the TLD. Registering a domain name is not difficult, but getting the one that is appropriate to a business or trademark can be difficult.

Tax policies: Tax administration in this seamless world wide electronic trade is another complex issue. Internet is a virtual duty-free zone, in which products and services can circulate free of tariffs. Some believe that special law legislation is necessary for e-commerce transactions. Some other see the internet as a world apart and believe that on-line transaction should not be taxed. The absence of geographical limits makes it difficult to locate on-line virtual business physically. Moreover, electronic money aggravates the problems of classifications with regards to income and identification of agents taking part. This means many companies choose move to countries where taxation is lower.

Issues surrounding sales tax are particularly problematic for lawmakers. That is why virtually, in all countries, tax policy on e-commerce is best described as 'tax neutral', with few attempts made to collect new duties on e-business. However, the very nature of the web is making it increasingly difficult for governments to collect tax revenue. Encryption, reward points, and digital cash make transactions more difficult to tax. Physically relocating the value that is subject to tax is much easier in the virtual world than commerce in the physical world. So, it is a challenging task for governments to prevent a significant number of e-commerce operations being moved to tax heavens. The problem is being addressed at the global level by the G8, The European Union, and the OECD (Organisation for Economic Co-operation and development). As e-commerce represents an increasing proportion of taxable transactions, governments will have to find a way of collecting the appropriate level of tax revenue from e-commerce.

Electronic contractual issue: We, the net surfers are very familiar with electronic contractual agreements. Whenever we download any program from a website, we are usually taken through a registration process, part of which involves being asked to scroll through a set of contract terms. We may proceed to download only if we click on our agreement to the terms and conditions. The same is the case with e-commerce transactions.

Libel laws: In general, 'libel' refers to the act of publishing a false and defamatory statement about another person that damages that person's reputation. Defamation is a matter of serious concern in the publishing industry including the Website (as it publishes electronic material). So, the entities should be cautious about it.

The Indian IT Act 2000 has covered the above aspects of electronic commerce to a great extent.

If everything goes well, nobody has to bother about laws and regulations, but the problem arises when something goes wrong. The important thing for courts is to decide where business is transacted, i.e. the geographical place of the commercial transaction. Laws are enforced depending on the country where the transaction has taken place. The country where the server is located is not generally considered. Moreover it is not always clear where the server is located (because, when TLD suffix is used as the full domain name suffix, the TLD suffix can be bought by anyone of the world). What counts is the country where the seller is located. With its worldwide reach, the Web is a lucrative distribution channel with unprecedented potential. By setting up an online storefront, businesses can reach the millions of people around the world already using the Internet for transactions. And by ensuring the security of online payments, businesses can minimize risk and reach a far larger market: the 85 percent of Internet users who still hesitate to shop online because of security concerns. A reliable Server ID enables the enterprise to immediately begin conducting online business securely, with authentication, message privacy, and message integrity. As a result, you can minimize risk, win customer confidence, and, ultimately, gain a competitive edge.

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AN ACCOUNTING INSIGHT INTO TREASURY OPERATIONS OF BUY-BACK OF SHARES

***Tanupa Chakraborty**

ABSTRACT

Treasury operations of shares bought back does not lead to reduction of share capital unlike when bought back shares are cancelled by the company. Instead, treasury operations permit flexible capital restructuring. The concept of treasury operations is not quite familiar in India. So, this paper makes an attempt to elaborate on it.

Share buyback i.e., the process of buying back of a certain percentage of its own floating shares by a company from its existing shareholders may be done either for reducing share capital by cancelling i.e., extinguishing the shares which have been bought back by the company or for treasury operations under which the share capital does not get reduced as the acquired stock can be reissued by the company at a later date or for employee option. Normally buyback is undertaken for cancellation of share capital. Although treasury operations of shares bought back are permitted in the U.S., it has been specifically denied to the Indian companies by the Companies Act. As a result, the concept of 'treasury operations' does not exist in buyback literature in India. In this context, the objective of this paper is to examine the theory underlying treasury shares.

The shares bought back by a company meet either of the following *two consequences-*

(i) The shares may be treated as cancelled and shall be extinguished and *physically* destroyed after completion of buyback and the amount of the company's issued share capital shall be diminished by the nominal value of those shares accordingly. But such repurchase and cancellation of shares should be taken as reducing the amount of the company's authorised share capital.

(ii) *Alternatively*, the shares bought back may be held in treasury so that they can be reissued at a later date by the company again.

*Lecturer in Commerce, Chittaranjan College, Kolkata & Guest Lecturer, Department of Commerce, Calcutta University

Under the treasury operations, a company's own stock that has been issued, fully paid for and reacquired by the company, but not retired, is held by the company in its treasury for safe-keeping. That is, the bought back shares are not cancelled but are kept alive by the company for the purpose of issuing them again in future. Hence such shares are referred to as the 'treasury stock'. However, it is worth noting that the reissue of treasury shares does not constitute an increase in the issued share capital for any purpose because such treasury shares have not been extinguished and hence the issued share capital has not been diminished on its repurchase.

Treasury stock may be accounted for in the books of the company in the following manner -

(i) To record purchase of treasury stock at a cost price (i.e., buyback price) by the company, the journal entry to be passed is –

Treasury Stock A/c	... Dr.	xxxx	
To Cash / Bank A/c			xxxx

Such 'treasury stock a/c' shall be shown in the Liabilities side of the balance-sheet by way of deduction from the sum total of 'paid-up capital' and 'retained earnings' to arrive at stockholders' equity (as shown below) so long such shares remain dormant in the functioning of the company.

Stockholders' Equity :

Paid up capital	xxxx
Add : Retained Earnings	xxxx
	xxxx
Less : Treasury stock	xxxx
Stockholders' Equity	xxxx

'Cash or Bank A/c' on the Assets side of the balance-sheet shall be accordingly reduced by the amount paid on such repurchase.

ii) (a) To record sale / reissue of treasury stock subsequently –

(1) ***above cost price***

Cash / Bank A/c (with the sale price)	... Dr.	xxxx	
To Treasury Stock A/c (with the repurchase price)			xxxx

To Paid-in Capital from Treasury Stock A/c xxxx
(with the amount of gain)

(2) ***below cost price***

Cash / Bank A/c ... Dr. xxxx
(with the sale-price)
Paid-in Capital from Treasury
Stock A/c ... Dr. xxxx
(with the amount of loss)
To Treasury Stock A/c xxxx
(with the cost-price)

Since, logically, a company cannot gain or lose from stock transactions with its owners (i.e., own shareholders), 'paid-in capital from treasury stock a/c' should not be considered in the measurement of net income but should be listed separately in the Liabilities side of the balance-sheet by way of addition to (in case of gain) or subtraction from (in case of loss) 'paid-up capital'.

Also, 'treasury stock a/c' shall be wiped out from the company's books and shall no longer appear on the Liabilities side of the balance-sheet as a result of reissue of treasury shares. Moreover, 'cash or bank a/c' will increase by the amount of proceeds on such reissue.

(b) To record cancellation of treasury stock and a corresponding reduction in the number of shares where Board of Directors approve the retirement of treasury stock –

Share Capital A/c ... Dr. xxxx
(with the paid-up value / par value
of treasury stock repurchased)
* Paid-in Capital from Treasury
Stock A/c ... Dr. xxxx
(with the amount in excess of par
value in case of gain)
To Treasury Stock A/c xxxx
(with the repurchase price)
** To Paid-in Capital from Treasury
Stock A/c xxxx
(with the extent of shortfall loss)

Note : * or ** as applicable

It is often debated that though treasury shares give additional flexibility to the companies with regard to the management of their capital structure, yet it has the potential for manipulation of share prices (i.e., price rigging) by the promoters and persons in control of the affairs of the company. In order to remove such allegation of insider trading, the law regulating share buyback operations should expressly prohibit the exercise of voting rights attaching to treasury shares held by the company and impose the following accounting and disclosure requirements – disclosure of the proportion of shares held in treasury; treatment of dividend payments whilst they are so held; procedures for authorising reissue and publicising its occurrence; and possible restrictions on reissue at price-sensitive times and during takeovers. Thus the issues mentioned above must be looked into if treasury operations on shares bought back are to be permitted and legalised in India.

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IMPACT OF TECHNOLOGY ON INDIAN BANKS

***M.C. Sharma**

ABSTRACT

Technology has now become a permanent concern to the business environment and different nomenclatures related to technology are in vogue. The use of modern technology by banks is one of the strategic responses that manage the business of banking in more transparent and profitable manner in the globalized and liberalized financial system. The desired question is being responded as: What is impact of Electronic Technology on Indian Banks?

Business profile of banks in India has been undergoing a drastic change. Forces of globlisation, liberalisation of interest rate regime, autonomy to banks, partial Privatization of Public Sector Banks (PSBS) have changed the traditional benchmarks of banking and new profitability and transparent banking are hallmarks of today's banking. Therefore, technology in banks has played an increasingly critical role to improve Operational Efficiency and Managerial Effectiveness. Its overall impact on Indian Banks is being presented below:

Profitability : Use of technology by banks has increased the productivity very fast through automation of banking operations. The Electronic technology instruments adopted by Indian Banks are : Automated Teller Machines (ATMs), Telex, Fax, Internet, Tele banking, E-banking, Electronic Clearing Services, Remote Login facility, On Line banking, SWIFT, ELENOR, STEPS, INFINET etc. With the introduction, implementation and adoption of above techniques/ instruments by the banks have totally revolutionized the functions, operations, administration, decision-making and management information system. The benefits accruing to the Banks are :

- New look, new appeal, new appearance and new attraction.
- Speed and accuracy in transactions dealing.
- Better storage and economical preservation of records and easy retrieval.
- Quick decision-making at all managerial and executive levels.

*Associate Professor, Department of Accountancy & Business Statistics University of Rajasthan, Jaipur.

- Better communication, information and coordination.
- Excellence in customer services, prompt attention to their needs and quick disposal of their grievances.
- Reduction in staff as a result off decrease in establishment cost.
- Enabled Banks to render 24 hours, all days services to the customers.
- Extension of banking hours from 4 hours to 6 hours a day.

Customer Relationship Management (CRM) : Banks are now turning their focus from market orientation to customer orientation, because in banking business now there is perfect competition due to liberalisation in economy and entry of new private banks. CRM has emerged as customer intelligence solutions that focus on three steps for sound customer orientation viz.:

i) Analyse: the customer base, profitability, buying pattern, support pattern and productivity.

ii) Discover: trends in market selling opportunities and opportunities for improvement.

iii) Take Action: on policies, procedures, marketing programmes, support procedures etc.

Effective Management Information System : Electronic technology has made possible to create a comprehensive database for the purpose of corporate planning, control and evaluation of bank's performance at Head Office and Central Office level.

Total Branch Mechanisation (TBM): TBM had suggested by Dr. Rangrajan Committee - II in 1988. Local Area Network system has installed by banks at the major centers of the country to make all banking services available at single window to their customers.

Automated Teller Machines (ATMs) : Banking services are made available 24 hours a day, 7 days in a week and 365 days of the year through ATMs. ATM is a user-friendly system and customer does not require any training to use it. It is totally menu driven which displays step-by-step instructions to operate the transactions.

Tele Banking : Technology development has totally changed the face of banking industry. Conventional banking where banking services were provided manually across the counter has come to the stage where customer is not required to visit the bank personally for routine transactions, viz. balance enquiry, remittance, statement of accounts etc. Therefore, following services are being provided under Tele Banking :

a) Public Enquiry: Interest rate on various deposit schemes/loan schemes of Bank, product/service, facilities offered etc.

b) Private Enquiry: Balance in account, Status enquiry, Cheques clearance status, Account statement, Cash withdrawal and Issue of demand draft & pay orders etc.

Electronic fund Transfer (EFT) : EFT has been introduced by RBI for Public Sector Banks to help them offer their customers money transfer service from any bank's branch to any other bank's branch. EFT system presently covers more than 4800 branches of PSBs at four metro cities.

Communication Technology (SWIFT) : Society for Worldwide Inter Bank Financial

Telecommunication (SWIFT) has formed as a cooperative organization by International banks and Foreign Investors. It provides a computerized network for me stage transmission amongst international banks in the member countries. This technology made available the fastest banking services/facilities to customers who are engaged in international business.

INFINET and VSAT Network : Indian financial Network (INFINET), a Closed User Group (CUG) network for banking and financial sector has been initiated by RBI in India to upgrade the country's payment and settlement system. INFINET uses VSAT (very small aperture terminal) technology. Some of the major applications of FNFINET in banking services/operations are listed below:

(i) E-Mail, (ii) Any Branch Banking, (iii) Treasury Management, (iv) ALM, (v) EFT, (vi) Clearing & Settlement System for Securities-Delivery Vs Payment, (vii) RTGS (Real Time Gross Settlement) etc.

Internet Banking : Internet banking provides a customer the tele-banking service through Internet. Under this type of banking banks permit their customers to login to bank's system for certain enquiry. For this purpose, customers are given passwords that are to be used by them to access the internal web server of the bank.

Therefore, to sum up the overall impact of technology on Indian Banks, it is apparent that the level of services in Banking Industry has improved, which has led to increase in customer satisfaction, customer retention, extended geographical reach, cross-sell services, identifying profitable customers, and to ensure operational efficiency by reducing overall costs. However, legible fall back are there, which might give rise to impersonalisation of human relations and also might give rise to fraudulent activities. The new technology in Indian Banks might also prove threat to employments in developing country, like ours.

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EMERGING ISSUES IN ENVIRONMENTAL ACCOUNTING

*R.K. Gupta

ABSTRACT

Environmental accounting involves assigning monetary values to environmental goods and services which are valuable but not traded in market: their valuation would have to resorted to through shadow pricing. Still scientific base for such valuations is to be evolve. Estimates based on shadow pricing are often highly uncertain, quantified in terms with no fixed conversion to money, only partly or poorly quantified. This paper discusses the environment cost accounting and related issues awaiting resolution.

Sustainable Development was brought into use by the World Commission on Environment and Development (The Brundtland Commission) in 1987. It requires that the needs of the present generation should be met without compromising the needs of the future generations. It can be achieved by increasing efficiency or cutting down on cost or by adopting other methods such as imposing a tax on environment use, as well as using non - traditional (or alternative) sources of energy. UN Secretary General, Mr. Boutros Ghali, while inaugurating 3rd Annual World Bank Conference on Environmentally Sustainable Development on October 4, 1995, said "No Government or Community can afford to use the resources ineffectively, or in a way that places a burden on future generation."

EXPERIENCE OF OTHER COUNTRIES IN ENVIRONMENTAL ACCOUNTING

In the United States, Securities and Exchange Commission makes it obligatory to disclose much more than conventionally required, about the current and potential environment liability on the part of the Corporates: apart from transparency, responsibility towards environment is imposed to ensure truthful accounting, reporting thereby to facilitate an assessment of impact of the activity through auditing. The European Community (EC) by act of 1987, has provided for environmental protection, preservation and compensation. In Canada, all the listed companies and those publicly owned ones are required to include, in their annual financial statements, full information about effect of operations on environment,

***Professor, Department of Commerce, Correspondence Studies, Panjab University, Chandigarh.**

expenditure made for environment protection, current/expenditure on environmental issues and impact on future as well as any remedial/supportive measures taken. Bulgaria introduced Environmental Accounting in 1992. There are two distinctly separate forms prescribed for reporting by corporates. The form with title "Environmental Protection - cost" contains details of expenditure for environmental purposes. Canadian institute of Charted Accountants published a study report in October 1994 and thereby guidance has been provided to the organizations or various matters for substantive environmental reporting vis -a - vis performances.

Norway, Australia, Costa Rica and Mexico have got happy experiences of Environmental accounting. In Costa Rica, particularly, study of "environmental accounts" has revealed that (I) they put high value depreciation of forests, soil and fisheries, (ii) between 1970 and 1989, all the natural assets, aggregated in money value terms more than one year's money worth of GDP, had in fact disappeared. The study made this references as being partially responsible for Costa Rican economy's crash in 1980s. The ratio worked out to measure environmental protection expenditure to the estimated value of degradation of environment by industry in Mexico, in 1985, came to the least figure of just 5% in relation to Agriculture, animal farming and breeding, forestry, manufacturing and transport, storage and communication.

ENVIRONMENTAL COST ACCOUNTING

Environmental Accounting is an umbrella term, which encompasses every aspects of the Corporate landscape - legal, financial, technological and scientific. Environmental accounting tracks and manages direct and indirect environmental costs and improves environmental decision making. Inter-firm and intra-firm comparison reveals whether environmental costs are adequate, excessive or less in comparison to other countries and previous years. If the net capital formation is declining, it means, natural resources are being used excessively without keeping any regard to the future needs, rights and obligations. It is the most useful weapon in applying the principle of pollution bags and used bags for the depletion degradation of natural resources. The data of environmental accounting reveals the true maximum extent upto which a country can go by actually consuming all resources without depleting or qualitative affecting the stock of the natural assets. It also discloses how the environment has been distorted by the environmentally unsound production and consumption pattern.

Environmental Cost and obligations must be reported upon the disclosed, strictly in accordance with declared/formulated environment policy: costing exercise may be elaborately done to prescribe standards and bases of evaluation to facilitate reporting in monetary values and finally auditing. A financial analysis of environmental costing should be performed by examining cost trends over the years within the company, comparison with competing companies and comparison with industry averages to align with reality and to remedy position when so warranted.

A distinguishment should be made between the environmental costing forms by the firm and those imposed by society in the form of social costing (health effects, pollution effects). Environmental and costing problems should be anticipated before hand so as to effectuate timely corrective action and to formulated better management decisions.

Environmental costing should be allocated across department, products and services. Information about Environmental Costing is useful in product and service mix decisions, pricing policies, subjecting-production inputs, evaluating prevention programmes and appraising waste management approaches.

Understanding costing and controlling environment costs is the key to global business sustainability. ISAR conclusions required discloser of Accounting Policies, by the Board of Directors, in their report management discussion in order to deal with relevant environmental issues. Accounting policies are normally described in the notes to the financial statements, which relate to the following aspects: a) Recording liberalities and provisions b) Setting up catastrophe resources (through appropriation of relative earnings) c) Disclosure of Contingent liabilities etc.

As contingent liabilities are normally disclosed, if material, in the notes appended to financial statement, the following environment related items could be include therein.

a) Liabilities, provisions and reserves that have been set apart for the current period, and amounts accumulated to date.

b) Contingent liabilities, with an estimate of the amount involved, unless the event is unlikely to occur. The possible loss could be quantified to the extent reasonably practicable. In case, possible loss can not reasonably calculate, a description of the contingent liability could continue to be furnished and the reason could be given why an estimate of the amount of the loss cannot be made.

ISAR recommended only three types of accounting policies for disclosure, viz, (I) capitalization of environmental protection expenditures, (ii) accumulation of such capitalised expenditure upto the end of accounting period and (iii) policy of amortization thereof on exclusively financial matters. Therefore, the aforesaid data should be furnished by way of note to the Financial Statement. There is need for specific disclosure of accounting policies regarding expensing and capitalizing the environment protection costs. A study by the institute of Chartered Accountants in England and Wales recommended quantitative disclosure of all information to the extent it is related to environment.

MAJOR ISSUES IN ENVIRONMENT ACCOUNTING AWAITING RESOLUTION

Of all issues concerning accounting of environment capital assets, the following are the most urgent issues for resolution:

a) Quantification of natural assets is almost impossible to do. So standards have to be evolved.

b) Accountants are not used to such an accounting. They are trained in measuring financial transaction, not the consumption of natural resources. Guidelines need to be formulated.

c) Accounting conventions and rule pinpoint departures from rules or deviations from normal practices/methods. For deviation, omission and commissions, penal provisions exist. There is no such provision for environmental accounting: there need to be provided and enforced.

d) The company's bottomline drops down commensurate with increased expenditure on environmental protection, preventive measures and clean-ups (for pollution reduction or pollution removal etc.). Compensatory alternatives have to be formulated.

e) Environmental accounting makes corporates it accountable to the public at large, both current and future generations. This aspect need to be reiterated and enforced.

f) Accounting should ensure provision for compensation (expenditure) to remedy the situation by replenishment, reduction or removal/negation of pollution etc., if possible; else, by compensation for loss.

g) M. Commons defines natural capital as "all those things available to man as gifts of nature". All links that get established between economic activity and natural environment involve the use of natural resources, renewable and non-renewable. Accounting policy and practices must provide for renewable resources into the conventional system.

h) Some natural resources are used up and not renewed at all. The extent of depletion causes deprivation to the current and future generations. A system of compensation has to be built up to integrate the same into conventional accounting.

i) Some activities cause pollution; the pollutants are released into the environment/atmosphere and cause permanent damage. This damage has to be compensated. There are pollutants which can be treated to neutralize bad effect. There are anti-pollution or control equipments/devices which are installed/used to treat such pollutants. Expenses incurred on such systems should be distinguished in accounting system to satisfy the authorities, society and others as well as to give demonstrative effect to enhance further awareness.

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ENVIRONMENTAL ACCOUNTING & CORPORATE PERSPECTIVES

***Vijay Pithadia**

ABSTRACT

The paper anlyses the issues of environmental accounting in the context of corporate environment. The paper also outlined a few concrete ideas relating to environmental accounting.

Significance of environmental issues attaining worldwide, the nation that environmental resources should be viewed, as capitals certainly gaining acceptance therefore, environmental degrading and depletion of natural resources should be also adequately reflected in income and wealth measurements. It is an attempt to identify and bring to light, the reason exhausted and costs imposed on the environment by a business organization. In the present paper the valuation techniques to value environmental goods and services among with the usefulness of environmental accounting on corporate perspective are discussed.

CORPORATE PERSPECTIVES

[a] *Technology Surveillance*

Technology Surveillance is pre-dominantly inward looking matter compare to product surveillance and its implementation is also cost intensive. In the production of chemical products particularly at Ankelswar, Gujarat, the Exploration and Exploitation of hydrocarbons are Ecologically sensitive processes. Cost of rectifying is too much high. Efforts are under way by Gujarat pollution control board (GPCB), Gandhinagar and Gujarat cleaner Production Center (GCPC), Gandhinagar to develop environmentally compatible technologies. The environment has substantial command over performance of any business organization. And entire organization is a creation of environment hence it should be made mandatory for every business organization to evolve and incorporate into its accounting system related to environmental benefits and cost.

[b] *Government*

The government should recover the cost of economic restoration from the polluters

***Faculty of Management, FMS, SRMS College of Engineering & Technology, Bareilly**

of the environment and take other remedial measures as permitted by the Supreme Court of India in its decision of March 1996.

[c] Natural Capital

Common definition of Natural Resources as "all those thing's available to man as gifts of nature" All of the links between economic activities and the Natural environment activities involve the use of Natural Resources of food, Raw Materials and energy. Natural Capital also includes tropical forest, ocean habitats, wetlands, fisheries, atmospheres and stratospheres. Natural Resources in the environment as stock from which economic activity draws flows of input the Major distinction shown as economic analysis is between living and nonliving stocks, known as renewable and non renewable Natural Resources respectively Renewable Resources defines over time while Non Renewable Resources Don't Animal and plant population are categorized as renewable resources; whereas Mineral Deposits are includes in Non Renewable.

[d] Shadow Pricing

Market values can be measured by the outcomes of individual's transactions and values of Eco systems components are derived from a diverse range of functions, attributes, and shadow pricing techniques. Shadow price is a non-market determined price and not based on economic law of demand and supply. It is a process of ascertaining the values for natural goods by questionnaire method. Secondly the views collecting by the expert and ascertaining the cost of a particular product based on the expert opinion and measuring the total value.

[e] Environmental Leasing

Lease term should include an element for the depleted value of natural capital there is also a rise to future generation of depleted resources and a polluted environment. Lease should be return for the use of natural capital. In the case of future generation government should act as their proxy. The lease payment should there fore constitute following sum:

$$L = cK + I + K\,(I - C)\,r$$

Where, cK is the depleted value of natural capital, I is the insurance premium paid to future generation for the risk of depleting natural capital and K (I - C) r is the return for the use of natural capital.

According to the model of Gray R.H. (1993), He suggested some concrete ideas related to environmental accounting are:

[1] Environmental budgets were levels of environmental activity should be allocated to center of activity and penalty systems and reward elements could be tied up with the satisfaction of allocated budget levels.

[2] Calls for environmental impact assessment of new projects and the introduction of hurdle rates (which may act as a screaming Mechanism to ensure that all new investment for environmental criteria) here the term hurdle rates consists as the cost of environmental capital, just as in conventional investment appraisal where cutoff rate must equal to the cost of conventional capital.

[3] Consideration of environmental assets accounting and maintenance Assets on behalf of the race of human being, other forms of life and future generation. Environmental assets of Organization should categorize under its ownership (ownership involves stewardship) and these under its control. To account for them

[4] The part of natural capital to be regarded as intangible assets and therefore maintenance monitoring, enhancement and depletion of natural capital should have its importance.

CONCLUSION

The issue of environmental accounting explored about such things like natural resources, natural capital, shadow pricing, environmental leasing, technology surveillance etc. The most application of environmental accounting requires shadow pricing because it is not based on economic law of demand and supply. The concept of environmental lease is put forward as one step along the path to a more complete accounting while the role of accountant describe its importance. Despite few limitations/ hurdles environmental accounting is important because it might greatly improve the value of economic as in determining the policy of nation.

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NPA MANAGEMENT BY RURAL BANKS : A CRITICAL APPRAISAL

***Monica Soni**

ABSTRACT

In the present paper, an attempt has been made to atialyse the NPA position of two majajor components of Rural Banking viz. Cooperative Banks and Regional Rural Banks.

NPAs have serious implications on the profitability of banks. While banks cannot recognise or book income on NPA accounts, there is a strain on the profitability of banks as profits carried. have to be diverted towards making provision for impaired assets. As the level of NPAs to total credit increases, the liquidity risk of bank also increases. However, since all lending is generally prone to risk, it is not possible always to prevent the emergence of NPAs especially due to poor banking judgement, changes in economy etc. But, the level of NPAs could be kept to the minimum by initiating appropriate, timely and prudent measures. This necessitates a detailed analysis of different aspects of NPAS.

Rural Banks like RRBs and Cooperative Banks have also been directed to comply with prudential norms. Taking into consideration the critical nature of NPAS, one forms the view that the efficiency of Rural Banks can be substantially improved if their performance with respect to NPA management is improved. This requires a careful analysis of present position of Rural Banks with regard to NPA management so that some fruitful suggestions for improvement in present position could be given.

COOPERATVE BANKS

Cooperative Banks constitute a major component of Rural Banking. Almost 100% of the villages in the country are covered by credit cooperatives. Besides, they also cater to the credit needs of members of functional societies covering diversified activities like weaving, dairy, fisheries, agro-processing etc. The asset quality and recovery mechanism of the rural cooperatives have a crucial bearing on the viability of the overall credit system and ii-i particular the viability of Cooperative Banks.

*Lecturer, Deptt. of EAFM, International College for Girls, Jaipur

To bring transparency in the Balance sheets of cooperative Banks, prudential norms including provisioning were mode applicable to the SCBs and the DCCBs from the year 1996-97 and to the SCARDBs and PCARDBs from the year 1997-98. Given the financial constraints faced by the rural Cooperative Banks, the RBI allowed such banks providing short term credit to implement the provisioning norms in phased manner till 1999-2000. However from 1999-2000, Cooperative Banks are required to maintain a general provision of at least 0.25 percent against standard assets.

Table 1, 2 and 3 depict the NPA position of different Co-operative Banks since the application of prudential norms to them. An analysis of Table 1 depicts that the NPAs are increasing both in absolute terms as well as in terms of percentage to total assets in case of SCBS, DCCBS, SCARDBs and PCARDBS. The same trend i.e. increasing trend is depicted by percentage of Gross NPAs to Gross Advances and Net NPAs to Net advances from 2000 to 2001, as shown in Table 2. Table 3 depicts Composition/Classification of NPAs as on March 31, 2001. It shows that substandard assets constitute the major proportion of total NPAS. Further, NPA proportion to loans outstanding is highest in case of PCARDBS.

So, the situation with regard to NPA management by these cooperative Banks is not at all satisfactory. NABARD, in consultation with RBI, has framed guidelines for a one-time settlement scheme for Cooperative Banks, in order to settle chronic NPAS. The guidelines would cover NPAs under all loans & advances and would remain operative up to end-March, 2002.

Table -1

Non-Performing Assets of Cooperative Banks

Amount in Rs. crores (% of NPAs to Total Assets)

Year	SCBs	DCCBs	SCARDBs	PCARDBs
1996-97	1867.14 (10.2)	4922.21 (17.8)	—	—
1997-98	2304.40 (10.9)	5623.34 (17.56)	1781.32 (19.4)	821.52 (17.49)
1998-99	2701.31 (10.9)	6696.95 (17.37)	2094.87 (20.15)	1496.3 (22.52)
1999-2000	2813.70 (10.16)	7637.6 (16.69)	2178.88 (18.78)	1533.82 (20.45)
2000-2001	3889.28 (12.2)	9370.98 (18.05)	2568.01 (20.29)	2004.77 (24.57)

Source : Under the Table Compiled from 'Cooperative Credit Structure-An Overview, 2000-01', NABARD

Table -2

Position of NPAs in Cooperative Banks

Amount in Rs. Crores

	SCBs		DCCBs		SCARDBs		PCARIDBs	
Year	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**
Gross NPAs	2813.69	3889.18	7637.60	9370.98	2178.88	2568.01	1533.82	2004.77
Less: Provisions	1330.55	1546.57	3113.91	3943.18	450.17	538.19	295.25	334.93
Net NPAs	1483.14	2342.71	4523.69	5427.80	1728.71	2029.E2	1238.57	1669.84
Gross Advances	25708.38	29860.54	44189.36	52478.93	11565.46	12596.40	7610.93	8352.07
Net Advances	24377.83	28313.97	41087.51	48526.87	11115.29	12058.21	7315.68	8017.14
% of Gross NPAs to Gross Advances	10.94	13.02	17.28	17.86	18.84	20.39	20.15	24.00
% of Net NPAs to Net Advances	6.08	8.27	11.01	11.19	15.55	16.83	16.93	20.83

Source : Complied from 'Cooperative Credit Structure-An Overview, 2000-01', NABARD.

Table - 3

Composition of NPAs of Cooperative Banks as on March 31, 2001

Amount in Rs. Crores

	SCBs	DCCBs	SCARDBs	PCARDBs
Substandard Assets*	2178.01(56.0)	4993.63(53.29)	1557.21(60.6)	1156.00(57.7)
Doubtful Assets*	1519.84(39.08)	3465.91(36.99)	1000.05(38.9)	815.63(40.7)
Loss Assets*	191.43(4.92)	911.44(9.73)	10.75(0.5)	33.14(1.6)
Total NPAs	3889.28(100.0)	9370.98(100)	2568.01(100)	2004.77(100)
% of NPAs to Loans outstanding	13.02	17.86	20.39	24.00

Source : Complied from 'Cooperative Credit Structure - An Overview 2000-01', NABARD

*Note : NPAs consist of assets including (i) **Sub-standard:** when it is classified as NPA for a period not exceeding 2 years, (ii) **Doubtful:** when it remains NPA for a period exceeding 2 years and (iii) **Loss Incurring:** when loss is identified either by a bank or internal or external auditors or under RBI Inspection, but not written off.

Note : Figures in brackets constitute % of different types of assets to total NPAs

RELIONAL RURAL BANKS

From a modest beginning with six in 1975, as many as 196 RRBs operated in 484 districts with a network of 14301 branches as on 31st March, 2000 excluding satellite branches and extension counters. The branch network comprises 6 metropolitan, 348 urban, 1875 semi urban and 12072 rural branches. The rural branch network of RRBs accounts for nearly 37 percent of the total rural branch network of all scheduled commercial banks.

The prudential norms were made applicable to RRBs during 1995-96 and since then, the asset quality of RR-Bs has shown significant improvement as may be seen from the Table 4. NPA level has reduced from 43. 1% in 1996 to 23.1% in 2000. It further decreased to 19.2% in 2001. However NPA level of 23.1% is still very high as compared to the internationally accepted standards. The difference between gross and net NPAs has not witnessed significant decline, which perhaps reflects the impact of doubtful advances on the NPAs of RRBS. Table 5 shows classification of NPAs into viability based categories. It depicts that a larger proportion of total NPAs is contributed bv RRBs in the current viability category.

On the whole, we can say that though the decline in percentage terms has been very significant, decline in absolute terms has been very marginal. At the same time, NPAs in both percentage as well as absolute terms are very high and need to be brought down to internationally acceptable standards.

Table - 4

Non-Performing Assets of Regional Rural Banks

Amount in Rs. Crores

Year	Viability based category			All PRBs	NPAs as % to Gross Advances
	1 (55)	11 (107)	III (34)		
March, 96	880.18 (27.23%)	1680.48 (51.99%)	671.66 (20.78%)	3232.32	43.07
March, 97	891.70	1658.33	660.41	3210.44	36.83
March, 98	933.50	1629.19	675.30	3237.99	32.84
March, 99	936.06	1601.39	624.42	3161.87	27.84
March, 2000	902.26(29.66)	1599.41(52.59%)	39.53(17.74)	3041.20	23.07

Source : 'Review of the Performance of RRBs as on 31st March, 2000', NABARD

Note : (i) Figures in brackets represent % of relevant categorv's NI'As to Total NPAs

(ii) Category I - Sustainable viability; Category II - Current viability; Category III - Loss incurring RRBs

Table - 5

Composition of NPAs of RRBs

Amount in Rs. Crores

	1996	1997	1998	1999	2000
Sub standard	693	716	836	927	925
Doubtful	2105	2081	2015	1930	1841
Loss	434	414	387	304	283
Group NPAs	3232	3211	3238	3161	3049
Gross NDA as % to Total Advance	43.1	36.8	32.9	27.7	23.1
Net NPA as % to Total Advance	—	21.3	20.3	16.6	14.3

Source : 'Review of the Performance of RRBs as on 31st March, 2000', NABARD

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BOOK REVIEWS

FINANCIAL ACCOUNTING FOR BUSINESS MANAGERS

Author : **Asish K. Bhattacharyya,** Professor (Finance & Control), IIM-C
M/s Prentice Hall of India Pvt. Ltd., New Delhi, 2002, Price Rs. 275.00

Intended for the first course in financial accounting for the postgraduate students of management, this well-written and systematically organized text discusses the essential concepts, principles and methods of corporate financial accounting. The text is suitable for self-study. No prior knowledge of financial accounting is required to understand the text. To facilitate innovative and creative presentation of the subject and to motivate the students the author has cut out the flab and focussed on the essentials. To enhance student's understanding of the topics, summaries of important topics are presented in a tabular form. To facilitate understanding, definitions are given in boxes. The contents are so structured that they provide flexibility to the teaching faculty to choose the relevant topics, and can be covered in one semester. The book is divided into 12 chapters: Chapter 1 summarises the conceptual framework for the preparation of financial statements; Chapter 2 presents an overview of principles of classification and presentation of the elements of a balance sheet and a profit and loss account; Chapter 3 deals with the Debit-Credit Rule; Chapter 4 deals with the accounting principles of recognition and measurement of assets and liabilities; Chapter 5 discusses the sequential process of preparing a profit and loss account and a balance sheet; Chapter 6 introduces the accounting of limited liability companies; Chapter 7 deals with the final accounts of limited liability companies, presenting the provisions of the Companies Act, 1956; Chapter 8 presents the methods of accounting for investment in associates and joint ventures and also for business combinations and the process for consolidating financial statements of a holding company and its subsidiaries; Chapter 9 deals with the fund flow statement and the cash flow statement; Chapter 10 discusses the 'Earnings Management' and the accounting methods for certain special transactions like construction contracts, government grants, employee benefits, income tax and lease; Chapter 11 deals with contemporary corporate reporting practices; Chapter 12 discusses the concept of common-size financial statements and ration analysis.

While the emphasis throughout the text is on analyzing fundamentals, the book also skillfully analyses a number of advanced topics like accounting for business combinations, lease accounting, deferred tax accounting, segment reporting, consolidated financial statements, accounting policy, trends in corporate reporting, etc. Differences between International Accounting Standards (IAS) and Indian Accounting Standards (AS) have been adequately dealt with at appropriate places. It provides a global perspective even while giving Indian examples. Examples taken from published financial statements of leading Indian companies like Infosys, HLL, Reliance Industries Ltd. etc. give practical exposure to students.

The application of principles and methods is explained through a number of solved problems. Assignments also include practical problems. However, complexity of practical problems is limited to the extent of explaining the relevant principles and methods. Exercises in complex problems have been rightly avoided, as such problems tend to demotivate the students. The overall layout and the print quality of the book are excellent.

The author has claimed that the material contained in the text has been class-tested in regular MBA programmes as well as tested and found extremely useful in executive development programmes. Thus, with its novelty of approach and modern perspective, this book is expected to be very useful to both the management students (aspiring business managers) offering first course in financial accounting and the practicing business managers with a keen interest in corporate financial reporting.

Dr. M.G. Krishnamurthy
Asstt. Professor, Dept. of Management Studies
J.N.N. College of Engineering, Shimoga

Studies in Corporate HRD

By Dr. Shyam Chandra, Varanasi Law Agency, Varanasi, Year 2000, Rs. 125.

Human Resource Development has become reality for almost every Organisation not only in the other parts of the world but in our country too. It is because of the realisation that the people such a unique asset for the Organisation that it does depreciate but appreciate and can be developed to any extent provided right environment is provided to them. Especially in the era of globalisation, there has been massive efforts by the corporate houses to develop the ability and potential of people to survive and compete in the competition. Therefor the HRD professional and trainer are badly in need of adequate literature to facilitate their development efforts. In this context, the present book of Dr. Shyam Chandra is very timely and appropriate to fill the vacuum, particularly experienced based work is a great help not only to the trainers but the students and the faculty interested in the HRD field. The book has 11 chapters and is of 214 pages. Each chapter is very unique and especially suitable for the trainers to design and provide material for the support readings. It well referenced and can be a very useful book for the @ researchers. The cost of the book is also very low to encourage the readers to buy it. However, the book mav not be used as a textbook but can be a very supportive reading for the students of HRD.

Dr. R.P. Das
Reader, Pt. Jawaharlal Nehru Institute of Business
Management, Vikram University, Ujjain (MP)

FINANCIAL ACCOUNTING AND APPRAISAL

Published by A B D Publishers, Jaipur-302015 (Raj.) Price :- 700/- Pages: 305

Financial accounting acts as a language of any business Organisation by providing its end produce "information" to management, share-holders, government, employees, consumers and general public. Financial appraisal provides a method for assessing the financial strengths and weakness of that Organisation through using information found in its financial accounts and statements. In the present book each and every important tools and technique has been discussed in detail and systematic manner.

Financial accounting and its appraisal is mostly regarded as difficult subject but the readers of this book will realise that it is no so, because this book has been written by Dr. N.K. Sharma in simple language and in a most systematic order explaining each and every point at length. In each chapter suitable illustrations have been given to explain various theories of financial accounting and appraisal in a systematic way. In my view selection of practical illustrations in each chapter and placing them in a systematic order is so reasonable, logical, orderly and scientific that even an ordinary man can acquire real, complete, through, latest up-to-date knowledge of appraisal techniques in a very short period of time without any exertion on his part. This book discuss appraisal techniques of financial accounting in non-technical language including managerial aspects.

Basically this book is designed as a reference book, fulfilling the needs of the subject in M.Com., I.C.W.A., C.A., C.S., M.B.A., etc. The aim of the author for writing this book is to present whole range of accounting techniques in one volume with precision and system as well as adequate details necessary to make the book one of the practical utility. This book will also outline briefly the relation of accounting techniques to management theories and policy and consider the usefulness to business executives.

This book builds on the author's experience of over two decades in teaching accountancy, due to this reason discussion in this book is highly interactive.

G.R. BASOTIA
Chief Executive, Konaco Overseas,
207, Shiti Ratna, Panchvati Circle, Ahmedabad.

RESEARCH METHODOLOGY

Author : **K.R.Sharma**, Published by National Publishing House, Jaipur, 2002, PP 514

For growth and development, the importance of research hardly needs to be emphasized. Good quality research is mainly the result of the systematic and objective research methodology used by researchers. As such, the exposure of research methodology to the research scholars becomes inevitable.

In the above backdrop, a book entitled "Research Methodology" by K.R.Sharma is a good addition to the existing literature on research methodology available to guides and research scholars. This book contains fourteen chapters covering all the pertinent aspects of the entire process of research. The text is followed by a glossary of terms and other appendices regarding statistical tables useful for research scholars.

The author has done a very good work to introduce and to explain the concept and the types of researches in the field of Social Sciences, in the first chapter. The entire process of research covering selection of research problem, formulation of research hypothesis, development of research design and analysis of data have been very lucidly explained in the second chapter, The statistical tools of analysis covering Descriptive Measures, Correlation and Regression etc., have been very well introduced in the third, fourth and fifth chapters. Sophisticated analytical tools like Factor Analysis, Discriminant Analysis, Cluster Analysis, Conjoint Analysis and Decomposition Analysis, which are normally not available in many of the books on research methodology, have been lucidly explained by the author in this book. The text on these topics provide full information to the research scholars so that they may get well acquainted with the mechanism and the application of these tools in the process of research and with this background. The research scholars can use these tools for real life research problems through Computer Technology. The author has also taken pains to explain both the parametric and non-parametric tests of hypothesis testing. Chapters on Simulation and Computers in Research have further added value to this book on research methodology.

Looking from all the different angles, the book contains all the information required to adopt the most suitable research methodology by research scholars and guides in the field of Social Sciences. It would not be an exaggeration if one is to remark that the author has written a very good book on research methodology which may be of immense use to research scholars in Social Sciences in general and in the fields of Commerce. Management and Economics in particular. The book may also serve the purpose of a text book for M.Com., M.B.A. and other research oriented P.G. Diploma courses.

Dr. H.N. Agrawal
Professor & Head, Deptt. of Commerce and Bus. Admn.
Surashtra University, Rajkot

ECONOMIC ENVIRONMENT AND HUMAN RESOURCE MANAGEMENT

Editors: Bhabatosh Banerjee, Jita Bhattacharyya, Kanika Chatterjee, Mahalaya Chatterjee

The liberalization and globalization of Indian economy have caused new issues and challenges to the business and economic sectors. The restructuring of Indian economic system, moving from the controlled to the less controlled open economy, with the requirement of WTO and other world economies, have been initiated through the new economic policies and enactment of laws. These policy implementations have significant impacts and changes on the Indian economy over the last decade, especially, on the industry, international trade, agriculture, information technology, labour market, human resources, accounting method and other business activities. These impacts' assessment and evaluation through analytical studies is the need of time.

The book 'Economic Environment and Human Resource Management' a research volume contains high quality of research papers on economic environment and human resource management, contributed by the academician and researchers. The research studies have focussed on the analyzing and finding the impacts, issues and challenges in the post liberalization. Some of them includes economic environment of India: a decade of the new economic policy, Indian public enterprises in emerging economic environment, role of foreign direct investment in Indian economy, corporate financial reporting in the new economy: issues and challenges, from fixed to flexible exchange rates: the case of India, the risk management in Indian banking: a new challenge, managing some aspects of human resources in the times of changes, human resources management in a total quality management environment, human resources management: an accountant's perception, creativity : an important factor for improving quality of work-life etc.

Department of Commerce, University of Calcutta, publishes the book under Special Assistance programs of UGC.

The book is useful to the researchers, academicians, and students of commerce and management. It is also equally useful to the policy makers and analysts.

Dr. D.D. Meena
Reader, Pt. Jawaharlal Nehru Institute of Business Management, Vikram University, Ujjain (MP)

BUSINESS ECONOMICS AND PUBLIC FINANCE

Author: Prof. Alok Shrivastava, Kitab Mahal, Allahabad, 2003, Price Rs.140 Pages 452

Subjects of Economics & Finance are passing through periods of transition so like the respective professions and countries economies. Modern economists & finance managers are experiencing "LPG" effects thus they have to be well equipped & conversant with the concepts of business economics & public finances. The aim of this book is to make better economists with managerial & financial backgrounds rather than making bookworms particularly in an era where economists are coming from diverse academic backgrounds like even engineering background.

The book presents in a concise form the concepts, theories, principles of business economics & public finance. The book has been written mainly to cater the needs of undergraduate & postgraduate students of commerce, management & engineering. This book is divided into eight blocks and two appendices and lastly contains a comprehensive question bank with collection of 262 questions. Written in a very simple language, narrative style, lucid and accessible the book generates a new perspective on conceptually related issues of economics & public finance. The language of the book is very clear & has got logical structures in different blocks.

The unique feature of the book is simplified terse and complicated concepts of business economics & finance presented with simple modern mathematical approach. With the help of frequent analytical diagrammatic approach and mathematical techniques, topics like consumption, cost concepts, revenue & pricing, especially factor pricing economics have been logically explained in sequence. Another important distinguishing feature of the book is the formulae/equations presented in boxes which help in instant understanding.

Seventh block of the book relates to important theories of factor pricing namely distribution, rent, wage interest and profit theories. Likewise eighth block relating to public finance broadly covers principles of public finance, public revenue taxation, public expenditure & debt concept. Two appendices provide deep insight into significance of costing analysis & linear programming. The book rounds off with a detailed chapter wise question bank which is very useful for examiners, academicians and students.

The book is structured in such a way that it can be used in both - the semester/trimester & annual examination patterns of various M.Com., NMA/BE/B.Tech. programmes. It can also be used in courses which focus on purely economics & public finance dimensions like WA/MFC (Master of Financial Administration/Control) Programmes. The book can also serve as an excellent reference for practicing managers/economists in their day-to-day applications arid broad understanding of the subject.

The book undoubtedly achieves the author's prime objective of providing an introduction & conceptual framework of business economics & public finance to researchers, academicians and especially students of commerce, management and even engineering background.

Dr. D. Mehta
Lecturer, Pt. Jawaharlal Nehru Institute of Business Management, Vikram University, Ujjain (MP)

IAA NEWS

26th Annual Conference of IAA

Will be held at

M.G. Kashi Vidyapeeth, Varanasi

For further details contact :

Dr. M.B. Shukla, Conference Secretary

Professor, Dean and Director, Faculty of Commerce and Management, M.G. Kashi Vidyapeeth, Varanasi

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Global Society For Health and Educational Growth, New Delhi

has presented

Meritorious Educational Excellence Award

To Dr. N.M. Singhvi, Vice President, IAA by Shri Ramesh Bais, Information and Broadcasting Minister, Govt. of India On **5th Dec., 02** in Ambedkar Auditorium in Andhra Bhavan

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INTERNATIONAL CONFERENCE NEWS

Emerging Issues In International Accounting and Business 2003

Central For International Accounting Education and Research, Niagara University

July 24-26, 2003

Niagara Falls

Papers should be submitted no later than March 15, 2003 to :

Linda A. kidwell program chair, Niagara University, NY 14109 USA

phone : 716-286-8180, Fax : 716-286-8106, e-mail : lak@niagara.edu

Please visit our web site for conference updates. Further information will be forthcoming at http:/www. niagara.edu/business/conferences.htm

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The third International Seminar On Accounting

Theory and Frontline Practice

October 19-20, 2003

Beijing, China

The **deadline** for receiving paper is **May 30, 2003** through e-mail : account@apfinance-china.com. Each paper shall have more than 3,000 words in English. Papers will be edited for special collection. Registration fees per person is USA $200.

For further details contact :

Vice President, China National Accounting Institute, P.O. Box 129, Beijing, China 100036

E-mail : Account@apfinance-china.com, ***Website :***Http://www.nai.edu.com

Fax : 0086 - 10 -682 193 15

Fifth International Conference on

The Changing Dimensions of Accounting and Finance - Issues and Strategies

February 22-23, 2003

The Research Development Association, in collaboration with the Rajasthan Chamber of Commerce & Industry, is organizing the fifth international conference on "The Changing

Dimension of Accounting and Finance -Issues and Strategies" at Jaipur on February 22 and 23, 2003. The conference will provide an important forum for the interaction of ideas and information between academicians, professionals, industrialists and practitioners in order to enhance the understanding of international accounting issues.

Topics

Papers on "The Changing Dimensions of Accounting and Finance" and other related international business topics are invited. Some major topics of interest are:

— International accounting standards
— Corporate accounting practices
— Strategic cost management
— Credit management
— Risk management
— NPA management
— International accounting & finance
— Segment reporting
— Accounting for financial instruments
— Information technology, e-commerce
— Budgeting (government budgeting, performance budgeting and zero-base budgeting)
— Taxation and tax planning
— Contemporary issues of advanced technology in international accounting such as the impact of enterprise resource planning and e-commerce on accounting systems
— Comparative analysis of financial accounting, managerial accounting, auditing, taxation and finance in various countries
— Other related international business topics

Conference Papers

Papers on the above topics neatly typed in double spacing, along with abstract not exceeding 3000 words, should be submitted in duplicate latest by November 30,2002. All papers will be subject to review by the Technical Programme Committee and information about their acceptance or otherwise will be sent by 15 December 2002. Any paper sent by e-mail not be acceptable.

Delegate Fee (For Indian delegates only)

Rs. 3000 per delegate (Without accomodation). The delegates will have to find accomodation on their own.

Concession in the Delegate Fee

A 50% concession will be given to the member of Research Development Association and the Indian Accounting Association if the delegate fee is received by 31 December, 2002.

Venue - Hotel Clarks Amer, Jawaharlal Nehru Marg, Jaipur

Professor Sugan C. Jain
Honorary Secretary General, Research Development Association
4, Ma 22, Jawahar Nagar, Jaipur 302 004 (India)
Telephones: (91) (141) 652107, (91) (141) 650498, Fax: (91) (141) 653224
E-mail: drjain2001@rediffmail.com

Asian Academic Accounting Association
4th Annual Conference in SEOUL, KOREA
October 20-21, 2003

Key Dates

Deadline for submission of papers	April 15, 2003
Authors notified of acceptance of papers	July 15, 2003
Deadline for submission of full paper and registration	August 1, 2003

Contact person for paper submission, queries, etc.

Professor Changwoo Lee (changwoo@snu.ac.kr)
Director, Center for Accounting Research
AAAA 2003, College of Business Administration, Seoul National University
56-1 Shinlim-dong, Kwanak-ku, Seoul, KOREA 151-742.
Web site :www.foura.org

15th Asian-Pacific Conference on
International Accounting Issues
November 22-25, 2003
Bangkok, Thailand
co-sponsored by
Faculty of Commerce and Accountancy, Chulalongkorn University, Thailand
and
Craig School of Business, California State University, Fresno. U.S.A.
http://www.craig.csufresno.edu/apc

All submissions must be received by **May 15, 2003.** Notification about the decision will be made by **June 30, 2003.**

Please contact the conference headquarter below for additional information :

Professor Ali Peyvandi or Benjamin Tai
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Telephone Number : (559) 278-2921, Fax Number : (559) 278-7336
E-mail Address ali_peyvandi@csufresno.edu OR benjamin_tai@csufresno.edu

Conference Registration Fee - $300 (US Dollars)

The IAAER 10th World Congress of Accounting Educators will be held in Istanbul, Turkey, from November 9-12, 2006.

Further information will be printed in due course. See web site :http://www.iaaer.org

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First Call For Papers
SAAA and IAAER Biennial International Conference
Durban-Kwazulu-Natal, South Africa
30th June -2 July 2004

Papers (hard copy and electronic format), with your full details and the specific title of the paper, conforming to the requirements, must be submitted before **31 January 2004** to Prof. Lesley Stainbank at the address below. it may, however, be E-mailed instead, to stainbankl@nu.ac.za (no hard copy required in such a case). Details of the convenor are :

The convenor, Conference Committee
Southern African Accounting Association, School of Accounting and Finance
University of Natal, King George V Avenue, Durban 4041, South Africa
Tel. : +27(031)260-2164, Fax : +27(031)260-3292, E-mail, stainbankl@nu.ac.za

For more details visit www.saaa.ac.za

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INDIAN JOURNAL OF ACCOUNTING

Indian Journal of Accounting is an official publication of Indian Accounting Association. It is published twice a year, in June and December respectively. The scope of journal encompasses all areas of Accounting including Auditing, Taxation, Management Accounting, Cost Accounting and Information System. It seeks to encourage publication of high quality, research oriented and original articles. Two copies of the manuscript for publication should be submitted by the author(s) along with summary has to be typed in double space. The article should not normally exceed 2000 words. The article should be typed on one side only of A4 paper in double-line spacing with wide margins. Authors are requested to submit articles on disc (using any well known word-processing packages-Word Perfect, MS-Word etc.). Two copies of the printout should be sent to the editor alongwith the disc clearly marked with the software package used including version number, author(s)' name and short title of the article. Both the hard copy and soft copy of the article must match exactly. Papers submitted for consideration in Indian Journal of Accounting should be accompanied by a declaration by the authors that they have not been published or submitted for publication elsewhere. Editorial decision regarding publication of articles will be communicated in 90 days' time. A separate list of references should be used and not made part of the footnotes. The name of the author(s) should not appear on the manuscript to facilitate blind review. Indian Journal of Accounting owns no responsibility for the views expressed by the author(s). For the book review to be included in the Journal, only reference books and research publications are considered. Two copies of each such publication should be submitted. All submissions and editorial enquiries should be addressed to ***The Chief Editor, Dr. Nageshwar Rao, Professor, Pt. Jawaharlal Nehru Institute of Business Management, Vikram, University, Ujjain - 456010.***

Indian Accounting Association, an organisation of academicians and professional from business, industry and government is basically a forum of persons actively interested in the advancement and dissemination of accounting knowledge. Membership of the Association (set up in 1970 vide reg. no. 429/68-69) is open to academics and professional who are willing to assist in achieving the objectives of the Association. Members are entitled to participate in the activities of the Association and receive a free copy of Indian Journal of Accounting and selected research publications.

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