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EDITORIAL

As we emerge from the cocoon of half baked socialism to free enterprise, the service sector in particular accounting profession needs to strengthen itself and take up adequate measures to make itself more competitive at an international level. Accountants can play a vital and valuable role in developing financial products. This issue of journal has discussed various critical issues in this direction. Dr. Achalapati discussed the empirical work on credit rating methodology of two companies. R. Gupta and others have discussed the reasons and remedies of rising NPAs. The conceptual framework of collective action in Indian Corporate Sugar industry was developed by Daxa Gohil. Consensus between preparerers and users of Annual Report is an empirical study and related issues were discussed by Y.V. Reddy and Satish. The managerial issues of dividend policy have been empirically tested by Harish S. Oza. The move from performance appraisal to performance management through balanced score card was justified by Dr. Chundawat and others. The issues like Global Harmonisation of Accounting Standard, Value Added Tax, Corporate Governance, Cost Structure of Aluminium Industry, Customer Friendly approach of Indian Banks, Instalment Purchasing based on Islamic Laws of Iran, and Perception of Professionals and Academicians regarding International Accounting issues were discussed vividly by eminent scholars and practitioners.

Date: 30.06.2004

Professor Nageshwar Rao
Chief Editor

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ICRA AND CRISIL CG RATING METHODOLOGIES - AN EVALUATION

***K.V. Achalapathi**
****Mrs. Rajani D.**

ABSTRACT

The focus of this paper is to study the rating methodology of two leading rating agencies in India (with specific reference to the transparency and disclosure requirements). The paper attempts to apply these rating technologies to analyse the corporate governance reports (CGR) of select companies in the two-wheeler and three-wheeler automobile industry. The key variables that are analysed by ICRA, while arriving at a CGR for a corporate entity are: Shareholding structure; Governance structure and management processes; Board structure and processes; Stakeholder relationship; Transparency and disclosure; Financial discipline. CRISIL evaluates two broad aspects to arrive at Governance and Value Creation (GVC) ratings to satisfy the interests of various stakeholders. The parameters considered are: 1.Value Creation and Distribution. 2.Corporate Governance and Wealth Management. The study observed that most of the companies comply to the statutory requirements.

I INTRODUCTION

Corporate governance guidelines and best practices have evolved over a period of time. The Cadbury report on the financial aspects of corporate governance published in the UK in 1992 was a landmark. This led to the publication of the Vienot report in France in1995. This report boldly advocated the removal of cross shareholdings that had formed the bedrock of French capitalism for decades.

Over the past decade, various countries have issued recommendations for corporate governance. Law generally does not mandate compliance with these, although codes that are linked to stock exchanges sometimes have a mandatory content.

**Professor and Chairman, Board of Studies in Commerce, Osmania University Hyderabad.*
***Lecturer in Commerce, Kasturba Gandhi College for Women, Hyderabad.*

The following are some of the Codes that have emerged in the international scenario:

1. Euro shareholders corporate governance guidelines 2000
2. United Nations Global Compact Programme
3. The OECD (Council for organisation for economic co-operation and development)
4. The combined Code of London Stock Exchange
5. The Blue Ribbon Committee on norms pertaining to Compensation for the Board

In India, SEBI has made it mandatory for listed companies to comply with the requirements of Clause 49 of the Listing Agreement based on the recommendations of the Kumaramangalam Birla Committee. The Government of India by an order dated the 21st Aug, 2002 constituted a high level committee under the Chairmanship of Mr. Naresh Chandra to examine the auditor-company relationship. The committee has since submitted its report. The Government of India has not yet made it mandatory for the Indian companies.

The focus of this paper is to study the rating methodology of two leading rating agencies in India (with specific reference to the transparency and disclosure requirements), which have adopted standards to evaluate the effectiveness of corporate governance practices in companies in India. The paper attempts to apply these rating technologies to analyse the corporate governance reports of select companies in the two-wheeler and three-wheeler automobile industry.

II. ICRA AND CRISIL RATING METHODOLOGIES

The methodology adopted by the two rating agencies namely The Investment and Credit Rating Agency (ICRA) and Credit Rating Information Services of India Limited (CRISIL) have been analysed below.

The Investment and Credit Rating Agency (ICRA) assigns Corporate Governance Rating (CGR) to companies, which accepts and follows the codes and guidelines of corporate governance practices. The emphasis of ICRA rating is on corporate business practices and quality of disclosure standards and the transparency of the transactions.

The focus of the exercise however is on substance over form, and to that extent regulatory compliance is only a starting point.

The key variables that are analysed while arriving at a CGR for a corporate entity are as follows:

- Shareholding structure
- Governance structure and management processes
- Board structure and processes
- Stakeholder relationship
- Transparency and disclosure
- Financial discipline

Criterion	Parameters of evaluation
Shareholding structure	Primarily involves a study of the Distribution Schedule furnished to the stock exchanges
Governance structure and Management processes	Critically examines the quality and timeliness of information supplied to the Board
Board structure and processes	Timeliness, quality of information, comprehensiveness, deliberations to major investments Feedback from independent directors Review of the composition and workings of the specially constituted Board Committees • Audit Committee • Remuneration Committee • Nomination Committee • Investment Committee
Stakeholder relationship	Information to shareholders How investor friendly a company is- Track record of the company being rated in terms of servicing other financial stakeholders like banks, financial institutions and fixed deposit holders
Transparency and disclosure	Statutory disclosures Information regarding quality of management the organisations growth prospects and the associated risk factors
Financial discipline	Creation and maximisation of shareholders value. Factors within the companies control • Business segments • ROCE in each business compared with industry average • Dividend policy • Number of subsidiaries/associates • Nature of transactions with subsidiaries

The key parameters used for assessing a company's transparency and disclosure standards are as follows:

- Accounting quality including compliance with accepted accounting standards
- Changes in accounting policies
- Notes to accounts of a materially significant nature
- Quality and level of detail in accounts, especially with respect to items like Loans and advances, Inter corporate advances and Contingent Liabilities
- Disclosures on transactions with subsidiaries and associates
- Additional information to shareholders
- Quality of disclosures in management discussion and analysis (MDA)

While assessing MDA, ICRA evaluates the extent to which meaningful insights are available on the business segments in which a company operates its growth prospects, and the associated risk factors to facilitate an investor to take an informed decision.

The trends in share prices movements around major corporate announcements are also looked at to evaluate whether price sensitive information is disseminated in a timely manner to all stakeholders.

ICRA does not carry out an audit nor is its rating an indication of statutory compliance by the rated company. Further ICRA does not expect to have any direct correlation between the credit rating of a company and it's CGR.

ICRA assigned the highest rating CGR1 to the corporate governance practices of INFOSYS. The highest CGR reflects the following:

The transparent shareholding pattern

- Sound Board practices
- Interactive decision making process
- High level of transparency and disclosures
- Its emphasis on "substance over form"

The other main aspect that ICRA has credited INFOSYS with was that it holds executive sessions of the independent directors without management presence to discuss the matters of the Audit Committee, Nomination Committee, etc. Under the points pertaining to disclosures the unique features that need to be focused on are

- The informative risk management reports
- Excellent disclosure at AGM and Analyst meets (most of which are web cast live)
- Reporting as per US GAAP
- Compliance with GAAP requirements of six other major countries
- Segmental reporting disclosing both business and geographical segments

It has also commended Infosys on its conservative dividend payout ratio, maintenance of adequate level of fixed assets and the company's philosophy to focus on its core business.

CREDIT RATING INFORMATION SERVICES OF INDIA LIMITED (CRISIL)

CRISIL provides an independent assessment of an entity's performance and future expectation on "balanced value creation through sound corporate governance practices" called the Governance and value creation (GVC) Ratings. The rating balances quantitative value creation measures, with qualitative evaluation and provides a view on the entities expected performance in future. It evaluates the value creation practices for the owners and various stakeholders.

CRISIL evaluates two broad aspects to arrive at GVC Ratings. To satisfy the interests of various stake holders the parameters considered are:

1. Value Creation and Distribution
2. Corporate Governance and Wealth Management

1. VALUE CREATION AND DISTRIBUTION

Under this head, the parameters are

a) Shareholders: ROCE (Return on Capital Employed) is compared with the weighted average capital, Dividend Payout Ratio and the like.

b) Debt Holders: Relative Debt Protection Measures such as credit rating and upgrades in rating

c) Customers: Cost Savings passed on to customers

d) Employees: Growth in average annual salaries, employee stock options, attrition rates and intangible factors

e) Society: Measures of evaluation include expenses on Social infrastructure, environmental, social impact cost, and fair practice

2. CORPORATE GOVERNANCE AND WEALTH MANAGEMENT

i) Assessment of management capabilities - Strategies/Innovations

ii) Financial transparency and Disclosure including Independence and standing of the auditor, Disclosure standards, Timing of disclosures

iii) Evaluation of Transaction - Sources of Receivables, Destination of Payables, GP Transactions

iv) Board Composition and effectiveness including Board meeting processes, Information available and timeliness to the Directors, Board Evaluation, Compensation and Succession Policies.

The above parameters are used by the CRISIL in rating companies at 8 levels and gives detailed write up of analysis and conclusions. The CRISIL's GVC ratings allow companies to benchmark their internal strengths and processes. CRISIL believes that GVC ratings shall become an important input in influencing the shareholders' decision to invest and/or transact with companies.

III. APPLICATION OF RATING METHODOLOGIES ON SELECT COMPANIES IN TWO WHEELER AND THREE WHEELER INDUSTRY IN INDIA

The parameters from ICRA and CRISIL rating methodologies were chosen on suitability and uniformity on data basis and applied on select companies. The data is presented in Table-I.

In Table - I — Interpretation of data represented

1. The proportion of FIIs is high in Hero Honda, TVS & Bajaj as compared to LML & Kinetic Motors.
2. The constitution of BOD for all the companies is as per the statutory norms (not less than 50% of the total no. of directors should comprise of non executive Directors as per Clause 49 of the Listing Agreement of SEBI)
3. Remuneration Committee. Most of the Companies have set up Remuneration Committees over the last two years. TVS has not constituted a Remuneration Committee though a statutory requirement. The remuneration payable to the Chairman and Managing Director is fixed by the BOD within the limits approved by the shareholders.
4. Audit Committee - An analysis was done on the constitution of the members of the Audit Committee on whether they were independent directors & whether the members in the Committee have knowledge in finance.
5. Shareholder / Investor Grievances Cell -- All the Companies have constituted Committees on having the shareholder / Investor Grievances Cell.
6. Means of Communication & Display of official news releases and presentations to institutional investors / analysts: Half-yearly and quarterly reports are published in National and Regional newspapers. LML does not have a website and does not display official news releases and the presentations made to Institutional Investors or to analysts.

   [NOTE: However, as per the comments regarding the requirements of Clause 49 of the Listing Agreement (Article: Chartered Secretary Aug 2001), it is not clear which presentation to financial analysts is contemplated. Moreover what is meant by 'financial analysts' is also not clear.]

Table - II

Table - II reveals that FIIs- and Institutional Investors a component in the shareholding pattern is high in Bajaj, TVS and Hero Honda Companies. The corresponding proportions are less in Kinetic & LML Companies.

Table - III

An analysis of the comparative data of the financial figures for the five companies reveals that for TVS Motors, Hero Honda Motors and Bajaj Auto, the Operative Profit Margins (OPM) for the year 2003 is higher than the average of 3 years which means that the profitability of the firm is increasing on an average.

Table - IV

Table IV reveals that the 3 year Compound Annual Growth Rate (CAGR) percentage (%)

is also high in Bajaj, TVS & Hero Honda as compared to the negative growth rates for LML Ltd and Kinetic Motor Co.

Table - V

Similar trends can be observed in proportionate Distribution of Revenue / Profit before Depreciation, Interest and Taxes and Profit after Tax. Bajaj, Hero Honda and TVS outperform other two companies.

On analysis of the disclosure norms in Corporate Governance Reports, the disclosures in Bajaj Auto Ltd, TVS Motor Co. Ltd and Hero Honda Motor Reports are more than the disclosures in Kinetic Motor Co or in LML Ltd.

IV. CONCLUSIONS

Based on the interpretation of Tables I to V, following conclusions can be drawn.

1. Financially better performing companies would be willing to disclose much. Perhaps, Disclosure of Corporate Governance gets the required corporate image to the companies. Relatively, Financially weak companies prefer to disclose less. The disclosure of corporate governance by Hero Honda, TVS and Bajaj confirm this statement.
2. The companies which have relatively higher proportion of Foreign Institutional Investors disclose more about their corporate governance compared to companies which have lesser proportion of FIIs in shareholding pattern of the company.
3. Most of the companies comply to the statutory requirements. An examination of Management and Discussion Analysis (M&DA) reports of Corporate bodies reveals more about the activities of the companies. Mostly ICRA and CRISIL rating methodologies rely on (MD&A) reports while bench marking companies. The rating methodologies is not a formula based assessment. Though parameters are spelt out in detail, mere examination of Annual Reports do not reveal everything about company to rate them. Impressions about the companies based on general image of the company, its public relations, its news releases and a thorough analysis of management discussion and analysis reports would play a significant role in getting ranks by ICRA & CRISIL.
4. Though corporate disclosures are always at a cost (which ultimately the shareholders have to bear) disclosures are desired by the shareholders. Disclosures increase corporate image.

Table - I
An Analysis of Corporate Governance Reports of 5 Select Companies In Two and Three Wheeler Industry in India by using 2 Rating Techniques

Sl. No.	Compliance by Select Companies of Paremeters of Rating Agencies	Bajaj	TVS	Hero Honda	Kinetic Motors	LML
	GDR	4%				
1	GDR / Foreign Institutions Interests	14%		22.53%	0.02	1.52
2	**Constitution of Board of Directors**					
2a	No. of Executive Directors	4	1	4	4	3
2b	No. of Non-Exeucitve Directors	8	8	12	7	4 (Including Chairman)
2c	Attendance to Shareholders meetg.	Yes	NA	NA	Yes	Yes
3	**Directors' Remuneration**					
3a	Remuneration Committee	Jan-02	No	Jan 16, 2001	1999	Jan 28, 2002
3b	Stock Options Schemes	No	No	No	MD only	No
4	**Audit Committee**					
4a	Independent	Yes Non-ex-dir 4	Yes 3	Yes All non-ex-dir	Majority	Non-exec 3
4b	Knowledge on finance by committee members	Yes 3	NA	Yes. All members have sound knowle-dge	One member with finance knowle-dge is included	NA
5	**Share Holder/Investor Grievances Cell**	Yes	Yes	Yes	Yes	Yes
6	Special Resolution through Postal Ballot	Yes	Not Required	NA	Not Required	Not Required
7	Means of Communication	News paper	News paper	News paper	News paper	News paper
	Websites	FAQ EDIFAR	EDIFAR	EDIFAR	No	No
8	Whether it displays official news releases and presentation to institutional investors/analysts	Yes in websites	Yes in websites	Yes	No	No
9	Whether Management discussion analysis report is part of annual report	Yes	Yes	Yes	Yes	Yes
10	Whether shareholders information forms part of annual report	Yes	Yes	Yes	Yes in detail	Yes not in detail

Table - II
shareholding pattern in Select Companies

Pattern	Bajaj	TVS	Hero Honda	Kinetic Motors	LML
Promoters Holdings	46.06	58.81	52.00	70.19	49.93
Non-Promoters (GDR)	4.65	-	-	-	-
FIIs & Institutional Investors	19.39	17.61	31.06	0.17	2.91
Private Corporate Bodies	2.44	6.18	2.01	4.03	4.76
NRIs/OCBs/Foreign & Others	0.45	0.77	0.08	2.24	6.34
General Public	27.01	16.63	14.85	23.37	36.06

Source: Annual Reports of Respective Companies for the year 2002-03.

Table - III
Comparative Ratio Analysis

Company Name	Op. Profit Margin	Average 3-years	Net Profit Margin	Average 3-years
TVS Motor Co Ltd	9.83%	7.90%	4.73%	3.65%
Hero Honda Motor	17.44%	15.97%	11.37%	9.83%
Bajaj Auto Ltd	18.92%	14.12%	12.73%	11.98%
LML ltd	-1.90%	3.07%	-9.42%	-5.43%
Kinetic Motor Co	3.21%	6.76%	0.36%	3.02%

Table - IV
Financial Comparison

Company Name	Revenues (Rs.Cr.)	3-year CAGR (%)	PBDIT (Rs.Cr.)	3-year CAGR (%)	PAT (Rs.Cr.)	3-year CAGR (%)
TVS Motor Co Ltd	2,704.53	21.87	287.33	38.82	127.95	42.91
Hero Honda Motor	5,103.55	26.78	913.13	39.33	580.78	53.38
Bajaj Auto Ltd	4,229.10	17.83	980.11	—	538.42	40.85
LML ltd	470.42	-10.69	-3.37	—	-44.32	—
Kinetic Motor Co	275.49	-11.86	13.16	-38.35	0.99	-75.00

Table - V
Proportionate Distribution (%) of Revenue/PDBIT/PAT

Company Name	Revenue	PBDIT	PAT
TVS Motor Co Ltd	21.16%	13.12%	10.63%
Hero Honda Motor	39.92%	41.69%	48.24%
Bajaj Auto Ltd	33.08%	44.75%	44.73%
LML ltd	3.68%	-0.15%	-3.68%
Kinetic Motor Co	2.16%	0.60%	0.08%

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RISING NPAS IN PFC AND HFC - REASONS AND REMEDIES

**Reena Gupta*
*** Babita Kumar*
****Sandeep Kapur*

ABSTRACT

State Financial Institutions (SFCs) backed by state governments are into the business of financing small and medium enterprises in the state. The development commitments of SFCs (State Financial Corporations) have resulted in a portfolio saddled with Non Performing Assets (NPAs). NPAs have serious implications on the profitability of state financial institutions as the profits carried have to be diverted towards making provisions for impaired assets. Very few studies have been conducted on the performance of SFCs especially w.r.t. NPAs. This paper analyses and compares the performance of two SFCs- PFC and HFC and finds the reasons for rising NPAs. It also suggests certain remedial measures based on the findings so that the occurrence of NPAs can be reduced.

The IDBI (Industrial Development Bank of India) has classified the loan portfolio of the corporation into 4 different categories as described below, depending upon the risk perception and the age of the arrears in each case. **Standard asset** is one which is not a non-performing asset and it does not disclose any problem and does not carry more than normal risk attached to the business. **Sub-standard asset** is defined as the asset, which has been classified as NPA for a period not exceeding two years. **Doubtful** asset is an asset, which has remained NPA for a period exceeding two years. **Loss asset** is one where loss has been identified by bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly or partly (Sarkar 1995). Out of these, standard assets are called performing assets, whereas last three are called non-performing assets i.e, (NPAs).

NPAs are bad for the economy as whole (Kumar, Naidu and Naidu, 2000). Continuous dismal performance of the development banks in India which were set up to ensure rapid industrial growth, balanced regional development and generation of employment opportunities

**Executive, Hutch, Mumbai*
***Assistant Professors, Department of Business Management, PAU, Ludhiana.*
****Associate Professor, Department of Business Management, PAU, Ludhiana.*

indicates the need for giving a fresh look at their operational scope. SFCs need to immediately change their lending pattern and redefine their role (Majumdar, 2000). Review shows that most of the studies regarding NPAs had been done for banks. Recently studies have been conducted on cooperative banks and RRBs. Very few studies have been conducted on the performance of SFCs especially w.r.t. NPAs because of the mandate of SFCs to assist small and medium enterprises (SMEs) in the state. But over the years due to poor functioning of SFCs, assets had turned non performing leading to losses. To probe the reasons for the deteriorating conditions of SFCs, present study had been conducted.

The study had been limited to two SFCs - Punjab Financial Corporation and Haryana Financial Corporation. To study the performance of both the corporations data was collected from the secondary sources like balance sheets and file records for the past seven years i.e., 1995-2001. To understand the trends of performance, the parameters like- disbursements, sanctions, recovery, overall profitability, incomes, expenses and NPAs were studied. To find the causes and remedies of NPAs census survey was conducted for all the officers of PFC and HFC at AGM level and above, which were 30 in number. These officers at top and middle management level were chosen as they could clearly view the reasons for rise in NPAs which affect performance of SFCs and suggest remedial measures to reduce them. Primary data was collected through a predesigned questionnaire and results were drawn. To make the study more authentic, a brief survey of unit holders/entrepreneurs were conducted. Three non-performing units each from PFC and HFC were chosen from Ludhiana and Panchkula. The reasons for non- payment of loans in time were asked from them through a predesigned questionnaire to compare whether the results matched with observations by officers of SFCs. A study of NPAs is done by classifying the loan asset portfolio into four categories i.e., the standard, sub-standard, doubtful and loss assets. The tables 1 and 2 show the NPA position for PFC and HFC.

Table 1

Loan Asset Classification of PFC

[Amount in crores (Rs)]

Item/year	1995	1996	1997	1998	1999	2000	2001
Standard (I)	182.59 (49.59)	153.23 (38.05)	171.96 (37.56)	170.77 (37.56)	161.15 (34.82)	158.66 (34.04)	133.32 (7.95)
NPAs							
a. Substandard	59.76 (16.19)	103.49 (25.70)	100.21 (23)	94.71 (21)	76.47 (16.52)	57.86 (12.41)	59.59 (13.14)
b. Doubtful	101.87 (27.61)	115.34 (28.64)	134.15 (31)	156.11 (34.3)	176.81 (38.21)	195.55 (41.95)	195.90 (43.20)
c. Loss	24.28 (6.51)	30.61 (7.61)	28.24 (6.44)	33.00 (7.14)	48.29 (10.45)	53.99 (11.6)	64.66 (14.25)
Total NPAs (II)	**185.91 (50.41)**	**249.45 (61.94)**	**262.61 (60.43)**	**283.53 (62.43)**	**301.57 (65.17)**	**307.4 (65.95)**	**320.15 (70.60)**
Total loans and Advances (I+II)	**368.89 (100)**	**402.69 (100)**	**434.58 (100)**	**454.61 (100)**	**462.72 (100)**	**466.06 (100)**	**453.47 (100)**

Note: Figures in parentheses indicates % to total loans and advances

Table - 2

Loan Asset Classification of HFC

[Amount in crores (Rs)]

Item/year	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Standard (I)	314.68 (79.91)	448.76 (82.05)	418.48 (69.44)	387.92 (64.95)	309.17 (52.86)	269.27 (49.63)	210.08 (41.89)
NPAs							
Substandard	56.75 (14.41)	61.36 (11.22)	114.41 (18.98)	112.81 (18.89)	136.94 (23.40)	92.58 (17.06)	60.61 (12.08)
Doubtful	12.40 (3.14)	33.28 (6.08)	61.60 (10.22)	86.22 (14.43)	127.40 (21.78)	164.34 (30.29)	205.29 (40.94)
Loss	9.95 (2.54)	3.46 (0.65)	8.09 (1.36)	10.28 (1.73)	11.34 (1.95)	16.30 (3.02)	25.44 (5.09)
Total NPAs (II)	**79.11 (20.08)**	**98.12 (17.94)**	**184.12 (30.55)**	**209.31 (35.04)**	**275.68 (47.13)**	**273.22 (50.36)**	**291.33 (58.10)**
Total loans and Advances (I+II)	**393.78 (100)**	**546.88 (100)**	**602.60 (100)**	**597.23 (100)**	**584.85 (100)**	**542.49 (100)**	**501.41 (100)**

Note: Figures in parentheses indicates % to total loans and advances

The performance of PFC is bad since 1995.In the year 1995 NPAs were 50.41% of the total loans and advances. It has risen continuously for all the years till 2001 when NPAs became 70.61% of the total loans and advances. As far as HFC is concerned, it is clear that increasing percentage share of NPAs has badly hit its overall profitability position. HFC, which comprised 80% of the standard assets in the loan portfolio in 1995 now accounts for only 41% in the same category leading to larger provisioning for lower graded NPAs. The NPAs have shown a rapid increasing trend and in 2001 it amounts to about 58% of loans and advances. So there is an urgent need to not only reduce the NPAs but also to arrest the fall of the lower graded NPAs to the next higher level.

CRITICAL APPRAISAL OF NPAS

As loan descends down to a lower category the percentage share of provisions to be made on them starts increasing.

Table - 3

Provisioning of NPAs for PFC (As recommended by RBI)

[Amount in crores (Rs)]

Item/year	Rates for Provision in -g (%)	1995	1996	1997	1998	1999	2000	2001
Standard	0.25% from 2000 onwards	-	-	-	-	-	0.39 (0.27)	0.33 (0.22)
Substandard	10%	5.97 (9.08)	10.34 (12.81)	10.02 (11.92)	9.47 (9.39)	7.64 (6.09)	5.78 (4.09)	5.95 (3.88)
Doubtful	Upto1 yr 20% Upto 2 yrs 30% Upto 3 yrs 50%	35.49 (53.98)	39.77 (49.26)	45.81 (54.50)	58.35 (57.87)	59.56 (47.47)	80.78 (57.28)	82.45 (53.75)
Loss	100%	24.28 (36.94)	30.61 (37.93)	28.24 (33.58)	33.00 (32.74)	48.25 (46.44)	53.98 (38.36)	64.66 (42.15)
Total provisioning for NPAs		**65.75 (100)**	**80.73 (100)**	**84.07 (100)**	**100.83 (100)**	**125.47 (100)**	**141.03 (100)**	**153.40 (100)**

*Value in parenthesis indicates percentage to total provisioning for NPAs

Table - 4

Provisioning of NPAs for HFC (As recommended by RBI)

[Amount in crores (Rs]

Item/year	Rates for Provision in -g (%)	1995	1996	1997	1998	1999	2000	2001
Standard	0.25%from 2000 onwards	-	-	-	-	-	0.67 (0.87)	0.52 (0.48)
Substandard	10%	5.67 (27.38)	6.13 (25.85)	11.44 (29.33)	11.28 (23.93)	13.95 (21.79)	9.26 (12.08)	6.06 (5.64)
Doubtful	Upto1 yr 20% Upto 2 yrs 30% Upto 3 yrs 50%	5.08 (24.53)	14.11 (59.51)	19.47 (49.92)	25.58 (54.26)	38.73 (60.50)	50.41 (65.78)	74.34 (69.24)
Loss	100%	9.95 (48.09)	3.46 (14.64)	8.09 (20.75)	10.28 (21.76)	11.4 (17.71)	16.30 (21.27)	25.44 (24.64)
Total provisioning for NPAs		**20.71 (100)**	**23.71 (100)**	**39.00 (100)**	**47.14 (100)**	**64.02 (100)**	**76.64 (100)**	**107.36 (100)**

*Value in parenthesis indicates percentage to total provisioning for NPAs

Table 3 and 4 indicate that the provisioning to be made for NPAs as per the guidelines of RBI. From the table it is clear that total provisioning for the year 2001 stand at Rs 141 crores and Rs. 107 crores for PFC and HFC respectively. Comparing this figure with the total disbursements and total sanctions for both SFCs show a very gloomy picture regarding the performance of the SFCs. However these guidelines of RBI are not followed and the same is shown in table 11. The table shows that for the year 2001 the actual provisioning made by PFC is just Rs. 12.38 crores as compared to the requirement of 153 crores. The same figures for HFC are Rs. 29.73 crores against recommended provisioning of 107.36 crores.

Table - 5

Comparison between actual provisioning made by SFCs for NPAs and Provisioning as recommended by RBI

	Item/year	1995	1996	1997	1998	1999	2000	2001
PFC	Bad debts W/o and provision for bad/doubtful debts (Actually made)	12.31 (22.29)	29.69 (37.79)	25.68 (33.10)	16.93 (22.05)	25.01 (28.18)	15.44 (19.24)	12.38 (16.18)
	Provisioning for NPAs (Recommended by RBI)	**65.75 (100)**	**80.73 (100)**	**84.07 (100)**	**100.83 (100)**	**125.47 (100)**	**141.03 (100)**	**153.40 (100)**
HFC	Bad debts W/o and provision for bad/doubtful debts (Actually made)	0.91 (2.02)	2.99 (4.20)	15.45 (13.89)	13.12 (11.32)	16.94 (15.84)	12.55 (12.41)	29.73 (27.66)
	Provisioning for NPAs (Recommended by RBI)	**20.71 (100)**	**23.71 (100)**	**39.00 (100)**	**47.14 (100)**	**64.02 (100)**	**76.64 (100)**	**107.36 (100)**

The local media also reported that despite the deteriorating condition, PFC is not implementing the RBI guidelines and the Punjab Industrial Policy, 2003, notification on the one time settlement with defaulting industrial units numbering about 8,000. PFC has NPAs to the extent of 72% mainly due to mismanagement and its fleecing attitude. (Anonymous,2003).

REASONS OF NPAS

Reasons for NPAs as per their importance are:

Table - 6
Causes of NPAs (Weighted average mean score (out of 10))

Reasons	Officers of PFC and HFC	Entrepreneurs
Lack of experience & technical knowledge of the management	8.13	8.33
Poor follow up of the units	7.40	5.50
Slow and time consuming legal system	7.27	5.33
Delay in disbursement of amount	7.17	6.33
Absence of R & D consciousness	6.96	4.67
Political uncertainties/interference	6.47	2.17
Defective production planning and control	5.46	5.00
Inadequate quality control measures	4.73	3.33
Disbursement of loan before compliance of conditions of sanctions	4.33	2.33
Non-availability of audited financial statements	4.00	2.00
Problems faced by units on account of pollution control measures	3.90	4.17
Wrong valuation of security	3.67	3.00

The correlation coefficient between the scores (regarding the causes of NPAs) given by officers of SFCs and the entrepreneurs is 0.76. The significance of the correlation coefficient is tested at 95% level of confidence and it is found significant. Hence we can conclude that the observations of the officers of SFCs and the unit holders are in agreement regarding the reasons for rising NPAs. But still slight differences were observed in their opinions. Maximum importance was assigned by both the officers and the entrepreneurs to the aspect of management of units which comprised of lack of experience and poor technical knowledge as the most important factor. The second most important reason was "poor follow up by the corporations (yearly basis)" given by the officers whereas delay in the "disbursement of the loan amount" was the second most important reason for the unit holders.

The emergence of NPAs is not just the fault of one party rather it is a result of failure of all aspects in one way or the other pertaining to management of units and some lacuna on the part of SFC.

REMEDIES OF NPAS

The following table depicts the remedies for NPAs reduction/ elimination as perceived by the officers of PFC and HFC.

Table - 7

Remedies of NPAs

Remedies	Weighted average mean score (out of 10)
Correct appraisal of project	7.93
Efficient follow up procedure	7.91
Rephasing unpaid loan installments	7.90
Focus on promoter and the proposal	7.83
Loan compromise	7.43
Rehabilitation of units	7.23
Checking financial projections	6.73
Efficient reminder system	6.23
Proper valuation of security	6.17
Providing timely assistance	5.77
Obtaining regular reports	5.75
More frequent infection	5.27
Ensuring vigilant management	5.16
Shifting to legal recourse	4.90

In the view of the officers of PFC and HFC the best way to reduce NPAs is to be vigilant in pre-sanction exercise which includes correct appraisal of manufacturing process, installed capacity and technology, and proper focus on promoters, manpower and soundness of the proposal itself.

Another important cure for NPAs is the non legal measures like rephasing and loan compromise. Thirdly the post disbursement exercise of efficient follow up of units by the corporation and timely assistance can help in preventing slippage from standard to sub-standard category. Lastly the legal aspect which involves a correct valuation of security is also an important preventive system for NPAs.

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CONCEPTUAL FRAMEWORK OF COLLECTIVE ACTION IN INDIAN CO-OPERATIVE SUGAR INDUSTRY

**Daxa Gohil*

ABSTRACT

This paper makes as attempt to discuss the concept of 'Collective Action' adopted by Indian Cooperative Sugar Industry. A number of empirical studies by many scholars around the world have been discussed. The present study has a very close look at the functioning of sugar cooperation in our country. The crucial role of government, mill owners and employees has been highlighted. Important problems faced by Indian cooperative sugar industry like supply of quality canes to the mill, pricing aspects and stakeholders viewpoint have also been covered in this study.

The owed goal of Indian Planning Process is not only the economic development but also the rural transformation. All the planning documents so far implemented enshrined this principle. The planners in their efforts to achieve this end selected cooperatives as the main tool. Though, the movement started in 1904, it puts its tactless in almost all walks of life. The cooperatives endowed with peoples' participation and govt. support thrive to achieve the basic principle laid down in the plans. The most important being in this endeavor is the agro-processing cooperative units. The cooperative agro-processing unit next to textile industry is one of the biggest sectors in our economy. Of these units, the sugar cooperatives dominate the sugar economy for a quite long time and considered as one of the most effective economic domains in developing the total rural economy. The sugar industry employed about Rs. 16000 crores having a turnover of Rs. 20000 crores. The total cane price paid to the growers was around Rs. 12000 crores. The total contribution to central and state exchequer was to the tune of Rs. 1600 crores. Further, it provided direct employment to five lakh people and indirectly engaged about 45 million people in its operation which approximately covering 7.5% of the total rural population. Cooperative sector made this gigantic growth as possible in our country. Out of total 426 factories 249 were under the fold of cooperatives, producing 57.7% of the total

**Reader, Department of Commerce, Saurashtra University, Rajkot - 360 005 GJ*

sugar production. The total capacity of sugar factories was 86.17 lakh tonnes as against the total industry capacity of 150.87 lakh tonnes.

The theory of collective action found to be so useful to explain the process of cooperation among the various stakeholders. The 'user-owner' is not alone the stakeholders of the cooperatives but also many constituents like customers, suppliers, workforce, management, bankers, investors, community, government and the future generations. Although not all of these stakeholders groups will have a direct financial interest in the enterprise, they all, nevertheless, stand to benefit from or to be adversely affected by the operations of the business. In the investor-driven company the investors are, of course, the cardinal stakeholders group in the business. On the other hand, the essential feature of the cooperative business is that it exists primarily to serve the interests of a stakeholder group that is actively involved in the business, either as a user or provider of the service being offered by the business. Edgar Parnell stated that the group of stakeholders for which the enterprise was established to serve. The main benefits should go to, and control should rest firm with, the coordinal stakeholder group. Nevertheless in particular, the work force and any outside investors in the business should expect and receive fair treatment (this will usually mean a "fair market" as the basis of their period for their contribution to the success of the cooperative), (Edgar Parnell, 1995, pp. 10-16).

Cooperatives are able to provide better incentives to growers because of the very mode of their organization as growers' cooperatives. This allowed them to make the return to the grower for his cane as the residual profit rather than a fixed cost of production. In return, the individual farmer, who is a member of the sugar cooperative, gives up some of his control over the cane output on his farm in favor of the factory. Cooperatives are thus enabled to coordinate supply of inputs according to processing requirements of the mills (Atindra Sen, 1996).

But one of the important problems faced by the sugar cooperatives was the supply of cane to the mills. Supply of cane means the good quality of cane with rich sucrose content in sufficient quantity so as to enable the mills to ensure full capacity utilization. Unfortunately, every cane grower want his cane accepted by the factory not according to the mills' schedule but according to his own cropping schedule. The arms' length relationship may not lie in harmony under this situation.

Another major area of concern is the pricing of sugar cane. Usually, the central government would fix the Statutory Minimum Price (SMP) to be paid by the sugar mills. But in practice it is not the case. The state government and the mills on its own are fixing price, which is over and above the SMP as incentive cane price. This incentive cane price is usually fixed or given for sheer political compulsions, which put the mills under black carpet. The cost of cane alone accounted for more than 70% of the total cost of production. The next important stakeholder is the employee of the mills. The employees of mills play a crucial role in the processing activities and appointed by the members and the Government appoints few employees. The main interest of the employees in any organization is to maximize their salary and wages and also the residual returns.

The third issue the study tries to address is the role of government. It is a well-known fact that the sugar industry in our country is fully controlled by the Government. Right from fixing the cane price to marketing of sugar, the industry is bound by the rules and regulation of the govt. More so in cooperatives, the govt. also contributing equity, having power to control the affairs of the mills through various legal framework. These legal frameworks curtailed the autonomy of the institutions.

CONCEPTUAL FRAMEWORK OF CA

Collection action reforms to activities that require the coordination efforts by two or m ore individuals. As such, collective action [hereinafter CA] involves group actions intended to further the interests or well being of members (Sandler, 1993). With the passage time and developments, the individuals started to form a group not merely for fulfilling their self-needs but for future safety also. This is what precisely termed as collective action problems. The problems of collective action assume prime importance in the case of pure public goods and Common Resource Property.

Professor Mancur Olson defined CA as "the achievement of any common goal or the satisfaction of any common interest means that a public or collective good has been provided for that groups." He strongly felt that a goal or purpose is common to a group means that no one in the group is excluded from the benefit or satisfaction brought about by its achievement (Olson, 1965). His definition largely surrounding around that the individual's contributions in a group equally distributed among others and no one should be excluded from it. Elster (1996) defined the CA as "the choice by all or most individuals of the course of action that, when chosen by all or most individuals leads to the collectively best outcome." Elster stressed the importance of acceptance of choice of action by the individuals collectively leads to best outcome.

Raimo Tuemela (1992) stated that, "CA simply to be an action by a collection or group of people, where these people (at least many of them) act with the aim of achieving a common end or goal (this notion understood very broadly so as to include e.g. following norms, practices and customs). Raimo stated that the group follows the norm and practices suggested by the group. Taylor viewed CA as "a CA problem exist where rational individual action lead to a strictly Pareto - inferior outcomes, i.e. an outcome which is strictly less preferred by every individual than at least other outcome." Mustapha K. Nabli and Jeffrey B. Nugent defined CA as "the likelihood of success by a given set of individuals in undertaking activities, including the establishment of rules, which may benefit them collectively.

ROLE OF CA IN SUGAR CO-OPERATIVES

In any kind of economic or social organization 'Ownership' plays a dominant role in deciding the current and future course of action in either to enjoy the outcomes or to borne the losses if any. That is, the institution of ownership accompanied by secure property rights is the most common and effective institution for providing people with incentive to create, maintain, and improve assets. (Paul Milgrom & John Roberts, 1992). In the processes of doing so, the two important issues assume greater role to play. First to avoid the dilution of the concept of ownership that is the possession of residual decision rights and the allocation of residual returns and tying together residual returns and residual control which is the key to the incentive effects of ownership.

In a small business firm or in a single proprietary business the owners would certainly have a complete control in residual assets and in returns. But in a firm, which engages labor, supplier, Government and other internal and external actors had to necessarily go for contractual agreements in pursuing its objectives or goals. The actors of different kind move within the organization for various purposes and interests. The perfect match between the residual controls and residual returns under this condition could not happen. When the residual returns to an asset are widely shared no one person has a sufficient interest to bear the cost of maintaining and increasing its value. In such cases, concentrating the ownership rights can lead to increased efficiency (ibid, p. 294). Apart from the above, the externalities are also the central force in deciding the residual control and residual interest. The external factors and the decision taken by a firm are crucial in achieving its goal. For instance, according to a study of 100 of the best companies in Japan, only 19 had any directors who were not employees, and of the 2,737 directors of these companies, only 55 were outsiders. In contrast, in U.S. Firms, 75 percent of the directors are outsiders, and the ratio is almost as high in the U.K. Naturally under this condition, the residual control will be in the hands of the employees and who are always try to maximize their residual returns. It is revealed by two surveys reported in 1990 revealed that the managers and the employer directors purely working in the organization for to safeguard the welfare of the employees and the society not the shareholders (ibid, pp. 317 - 318). This attitude of the employees in hijacking shareholders' interests and work in tandem with employees for their welfare leads to conflict. The owner-managers conflict further complicated in sharing the residual control and residual returns. In a condition under which both parties individually tried to get more, one might win and other might loose.

APPLICABILITY OF CA IN SUGAR COOPERATIVES

The owed goal of Indian Planning Process is not only the economic development but also the rural transformation. All the planning documents so far implemented enshrined this principle. The planners in their efforts to achieve this end, selected cooperatives as the main tool. The cooperatives endowed with peoples' participation and govt. support thrive to achieve the basic principle laid down in the plans. The most important being in this endeavor is the agro-processing cooperative units. The cooperative agro-processing unit next to textile industry is one of the biggest sectors in our economy. Of these units, the sugar cooperatives dominate the sugar economy for a quite long time and considered as one of the most effective economic domains in developing the total rural economy. The sugar industry employed about Rs. 16000 crores having a turnover of Rs. 20000 crores. The total cane price paid to the growers was around Rs. 12000 crores. The total contribution to central and state exchequer was to the tune of Rs. 1600 crores. Further, it provided direct employment to five lakh people and indirectly engaged about 45 million people in its operation which approximately covering 7.5% of the total rural population. Cooperative sector made this gigantic growth as possible in our country. Out of total 426 factories 249 were under the fold of cooperatives, producing 57.7% of the total sugar production. The total capacity of sugar factories was 86.17 lakh tonnes as against the total industry capacity of 150.87 lakh tonnes.

The main factors responsible for this success were the effective members' participation (though here and there) and the preferential treatment given by the Govt. No doubt, the sugar cooperatives achieved a quantitative success but if one put it into rigorous test, we found that qualitatively it failed to deliver the goods. Because, more sugar factories are concentrated in Maharashtra and Gujarat and their uneven success.

The theory of collective action found to be so useful to explain the process of cooperation among the various stakeholders. The 'user-owner' is not alone the stakeholders of the cooperatives but also many constituents like customers, suppliers, workforce, management, bankers, investor's community, government and the future generations. Although not all of these stakeholders groups will have a direct financial interest in the enterprise, they all, nevertheless, stand to benefit from or to be adversely affected by the operations of the business. In the investor-driven company the investors are, of course, the cardinal stakeholders group in the business. The main benefits should go to, and control should rest firm with, the coordinal stakeholder group. Nevertheless in particular, the work force and any outside investors in the business should expect and receive fair treatment. (Edgar Parnell, 1995).

Further, the new way of motivating the employees and making them a part of the firm has gained momentum in late 1980s. Most of the firm provided an equity stake to their divisional managers, encouraging them to behave like the managers of highly leveraged firms but retaining sufficient resources in the central office to bail out failing divisions in hard time. This is what is practiced in Japan and called as Keiretsu, or group of firms. The independent companies that are the members of these groups are bound together by mutual ownership arrangements, frequent meetings of the company's presidents, physical proximity, common finance and direction from a main bank and trading company, and a complex web of social relations among their employees. The exchange of business information among group members and the ready availability of qualified partners and financiers for economically sensible joint ventures give these groups an unusual ability to identify opportunities and to respond quickly and flexibility to them. But one closer look at the functioning of sugar cooperatives in our country revealed that the coordinal stakeholders group relegated to second position and the government and other externalities dominates the cooperatives and diluted the very basic foundation of cooperatives. Thus, the concepts of free riding and over exploitation of the institution by a select group of people reflect the need for collective action in sugar cooperatives.

VALIDATION AND VIEWS ON COLLECTIVE ACTION

There are number of empirical studies on collective action is developed by many scholars around the world in recent times.

[A] Mancur Olson basically developed the collective action theory. The following are the important themes developed by Olson in his famous work on **The Logic of Collective Action, 1965**.

1. Group size is, in part, a root cause of collective failures
   a. Large group may not provide themselves with a collective good; hence, no individual or coalition within the group may satisfy the sufficient condition of a privileged group.
   b. Larger the group, ceteris paribus, the greater the departure of individual uncoordinated behavior from optimality; that is, the more sub optimal is the equilibrium.
2. Group asymmetry, in terms of individuals' tastes and/or endowments, is related to collective failures.
   a. Larger members will bear a disproportionate burden of collective provision.
   b. Asymmetric groups are more likely to be privileged.
3. Collective failures may be overcome through selective incentives & institutional design (Sandler Todd, 1995).

This theory is very much relevant to cooperatives, as benefits from cooperatives are collective goods. His proposition on larger group size holds good as the free riding is quite possible and no one can notice the less contribution of the individual members. One aspect, which Olson fails to bring his idea, is the size of the group or the number of people who can form the group.

[B] Sandler Todd (1995) stated that individual rationality is not sufficient for collective rationality. His entire approaches revolve around this proposition. Further, he tested the Olson's propositions in detail in his work. He opined that collective action is the most important theory in helping the policy makers to draw policy guidelines and framework to solve many problems. He also applied the theory in real life problems and analyzed those problems in detail.

[C] Garrett Hardin (1968) mentioned that the individuals calculate that whether they support a collective endeavor or not, the result will be much the same, and so they end up by not supporting, but one willing to take advantage of the efforts put in by others. He argued that in a common grazing pool, each member's reasons that by adding just one more animal he would not be making a difference, but the sum total of these individual calculations result in the destruction of the common property.

[D] Ostrom Elinor (1993) underlined the element of "choice" in most human contexts. Human beings, in her opinion, have the capacity to think, about formulate, and select different ways of structuring situations. Baviskar and Attwood (1995) found that the Middle Path tried to highlight the leadership issue individual interest & also focused on the dominant caste structure & their behavior in cooperatives.

[E] Jonathan Ishan (1999) found evidence from Sri Lanka and India threw a light on the success of the continuity based water services in designing and the improvement in water supply by involving the community members at all levels. He analyzed the role of members & employees in sugar cooperatives and how far the collective action increases its profitability.

[F] Samar K. Datta (2000) analyzed the three functions of sugar cooperatives namely, procurement of cane, processing and marketing of sugar by adopting the Michel Porter's Value Chain analysis. They studied all the sectors of sugar industry and found that the economic efficiency of the sugar cooperatives in these three functions was better than the other sectors.

Thus, there were number of empirical studies are undertaken to study the collective action but most of the studies were in the field of irrigation, fish tanks grazing lands etc., which are basically dealt with multiple user with single sue. But no study has been undertaken to study the collective action process in agro-business units.

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CONSENSUS BETWEEN PREPARERS AND USERS OF ANNUAL REPORT

**Y.V. Reddy*
***R. Antony Sathish*

ABSTRACT

The basic purpose of corporate disclosure is to communicate information about the financial performance of the company to the persons who are concerned with the company. As an information system, the accounting process serves persons both inside and outside the organisation. The information needs of various users differ from one another. Every effort has to be made through the financial statement to communicate as much information as possible to the interested parties. Every company makes the best possible efforts to "disseminate" information such that the actual supply of information matches with the "expectations" of the users of annual reports. The specific objectives of the study are; to analyse the consensus between the companies and users of the annual report; to examine the consensus among the various user groups of annual report and to analyse the consensus among the various selected categories of shareholders, regarding the various items of corporate disclosure. The present study covers a sample of 125 public Ltd companies as preparers and 200 respondents as users of information.

INTRODUCTION

In recent years, the scope of corporate reporting has undergone a remarkable change. It is now widely agreed that a company is a socio-economic entity. Therefore, accountability of a company in the new regime has two distinct aspects. One is 'Legal' and the other is 'Social'. Importantly, in this new regime, the accountability of a company extends to such other "public" as the employees, suppliers, customers, government and public at large. In short, a company is at present accountable for its performance and affairs not only to the shareholders but also to the other "stakeholders". The information needs of various users differ from one another.

**Head, Department of Commerce, Goa University, Goa.*
***Sr.Lecturer in Commerce, Govt. College, Quepem, Goa.*

THE OBJECTIVES OF THE STUDY ARE

1. To study the consensus between the companies (preparers) and users of the annual report regarding the various items of corporate disclosure.
2. To examine the consensus among the various user groups of annual report regarding the various items of corporate disclosure.
3. To analyse the consensus among the various selected categories of shareholders regarding the various items of corporate disclosure.

METHODOLOGY

In order to achieve the aforesaid research objectives:

a) A sample of 125 public ltd companies from various industries in India have been selected as preparers or suppliers of information.

b) For measuring user's preferences regarding information disclosure, a sample size of 200 respondents, consisting of shareholders (104), financial institutions (26), financial analysts (39) and suppliers (31) were interviewed.

a. PRIMARY DATA

The required primary data for the study was collected through interview schedule. Using a 4 (four) - point scale, responses on the perceived importance of items have been obtained from a sample of 200 different users.

The questionnaire consists of two parts. Part I, consists of information on six main categories, viz i. General information, ii. Financial information, iii. Personnel information, iv. Marketing information, v. Production information, vi. Reports, Part II, consists of Item-wise information on 55 items. The maximum score (weight) applicable to an item for the sample size of 200 users is 600.

b. SECONDARY DATA

The secondary data is drawn from the annual report of the companies. An "Index of importance of items disclosed by the companies" was prepared. The number and nature of the items are identical to the one used for different users (part II). The only difference here is that, the information from the companies was collected in an objective manner. Part I: details on main information disclosed by the companies have been computed from the 'index of disclosure'. The required data is collected for the year ended 31st March 2000.

All the items included in the index of importance of items disclosed by the companies have been assigned a score of either zero or 1 (one). If an item is disclosed in an annual report, it has been assigned score 1. In case an item is not disclosed, score zero has been given.

Further, for the purpose of comparative analysis both the weighted and unweighted scores are converted into per cent.

ANALYSIS OF DATA

For the purpose of analysis of data and testing various hypotheses, the following statistical techniques have been used.

a) To find out whether the importance of items as perceived by the companies and the users are significantly different from each other t-test and F-test have been applied.

b) To ascertain the relation between the two groups on importance of items perceived by them, Spearman's rank correlation has been applied.

CONSENSUS BETWEEN PREPARERS AND USERS OF ANNUAL REPORT

Every ***company*** makes the best possible efforts to ***"disseminate" information*** such that the actual supply of information ***matches*** with the ***"expectations"*** of the ***users*** of annual reports. The objective of this area of research study is to investigate the degree of consensus between the preparers and users of annual reports on the information disclosed in the annual report of a company.

To study the consensus between the attitudes of companies and those of different users towards the main information disclosed in the annual report, the following null hypothesis has been formulated, which has been tested by applying 't- test', 'F-test' and spearman's' rank correlation co-efficient at 5 per cent level of significance.

H_0 1.1 - There is no difference in the disclosure of main information in annual report and the expectations of users of annual report.

It is noteworthy that the highest disclosed item by the companies is 'production information' (mean rating of 78.4 %) and that by users is 'financial information' (mean rating of 97%). On the other hand, the lowest disclosed item by the companies is 'marketing information' (mean rating of 45.37%) and that by users is, 'personnel information' (mean rating of 35.50%).

The hypothesis has been rejected at 5 per cent level of significance for 4 out of 6 main items. The value of observed correlation co-efficient is as low as 0.13. These findings, therefore, imply that the ***degree of association*** between the views of preparers and users of annual reports is ***very low.***

To study the consensus between the attitudes of companies and those of different users towards item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.2 - There is no difference in the disclosure of item-wise information in annual report and the expectations of users of annual report.

The hypothesis of no difference in the disclosure of item-wise information in the annual reports of companies and the expectations of users of annual reports has been ***rejected*** at 5 per cent level of significance ***for 39 items out of 55 items.*** This implies that there exists significance difference in the disclosure of 39 items.

In order to examine, the inter-group association in terms of a vertical analysis, spearman's rank correlation co- efficient has been calculated. The value of observed correlation co-efficient is only 0.269 and is found to be statistically non-significant at 5 per cent level of significance.

CONSENSUS AMONG THE VARIOUS USER GROUPS OF ANNUAL REPORT

To study the consensus among the various user groups of annual reports towards main information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.3 - There is no difference among the various users of the annual report regarding the main information disclosed in the annual report.

The highest rated main information by 'shareholders', 'financial institutions, and 'financial analysts' is "financial information" (mean rating of 99.68%, 100% and 96.58% respectively) followed by "general information" (mean rating of 84.62%, 98.72% and 88.89% respectively) and that by suppliers is "production Information" (mean rating of 100%) followed by "financial information" (mean rating of 86.02%).

The lowest rated main information by 'shareholders', 'financial institution' and 'financial analysts' is "personnel information" (mean rating of 16.99%, 92.31% and 42.74% respectively) and that by suppliers is 'report' (mean rating of 38.71%).

The t-test and F-test in case of shareholder (SH) & financial institution (FI), financial institution & financial analysts (FA) and financial institution & suppliers (SLR), reveals the null hypothesis, viz., "there is no significant difference among the various users of the annual report regarding the main information disclosed in the annual report", has been rejected for 4 items out of 6 items. In case of SH & FA and FA & SLR, the null hypothesis has been rejected for 3 items out of 6 items at 5 per cent level of significance. In case of SH & SLR, the null hypothesis has been rejected for 5 items out of 6 items at 5 per cent level of significance.

It is obvious from the above findings that there is no general consensus among the attitudes of various users of annual report (examined individually).

To study the consensus among the various user groups of annual reports towards item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.4 - There is no difference among the various users of the annual report regarding the item-wise information disclosed in the annual report.

It can be observed from the t-test and F-test value for all the 6 possible user group combinations. The results of these tests reveal that the hypothesis of no difference among the various users of the annual report regarding the item-wise information disclosed in the annual report has been rejected at 5 per cent level of significance for only 20, 18, 24, 5, 17 and 14 items respectively for SH & FI, SH & FA, SH & SLR, FI & FA, FI & SLR and FA & SLR.

It is very clear from the above analysis that ***there is general consensus*** among the attitudes of various users towards the items disclosed in the annual report (examined individually). Spearman's rank correlation co-efficient has clearly shows that there exists a very positive, strong and statistically significant association at 5 per cent level between different possible user group combinations, except between shareholders and suppliers. So it can be concluded that there ***exists a great degree of consensus*** between the two groups of various combinations of user groups.

CONSENSUS AMONG THE VARIOUS SECTIONS OF SHAREHOLDERS

To study the consensus among the various age groups of shareholders towards main information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.5 - There is no difference among the various age groups of shareholders towards the main information disclosed in the annual report.

The highest rated main information by all the age groups is, 'financial information' (mean rating of almost 100%). The lowest rated main information by the age group of 20-30, 30-40 and 40-50 is, 'personnel information' and that by 50 and above age group is, 'production information' (mean rating of 13.33%).

It can be observed that, there is complete consensus among the different age groups of shareholders on all the items of main information. This can be proved from the ranking of different main items by different age groups. Almost all the ranks assigned to each of the main items by the different age groups is the same.

In order to examine research hypothesis numbered H0 1.5, t-test and F-test has been applied on horizontal basis (on an item by item basis). The results of these tests reveals that the above stated ***hypothesis has been accepted*** at 5 per cent level of significance for all the main items. The value of observed correlation coefficient is almost 100 per cent. So it can be concluded that there is ***complete association*** and that a ***consensus*** exists among the different ***age groups of shareholders*** regarding main information.

To study the consensus among the various age groups of shareholders towards the item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.6 - There is no difference among the various age groups of shareholders towards the item-wise information disclosed in the annual report.

The highest rated item-wise information by all the age groups are, "details on dividend, earning per share, market value of share, net profit and shareholders information" (mean rating of 100%). The lowest rated item-wise information by the age group of, 30-40, 40-50 and 50 and above is, 'details of social activities' (mean rating of 4.27%, 2.08% and 0% respectively) and that by 20-30 age group are, 'conservation of energy and details about employees' (mean rating of 1.85% each).

It can be observed that there is complete consensus, agreement among the different age groups of shareholders on almost all the item-wise information. This can be understood from the fact that the rank assigned to each of the item-wise information by the different age groups is almost identical.

The results of t-test and F-test clearly show that the above stated ***null hypothesis has been verified and accepted*** at a level of 5 per cent significance, for all the items by different age groups of shareholders.

The value of observed correlation coefficient clearly reveals that there exists an almost 100 per cent inter-group association among the various age group combinations. It implies that ***there is complete consensus*** among the different age groups of shareholders regarding the item-wise information disclosed in the annual report.

To study the consensus among the shareholders from different shareholding categories towards the main information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.7 - There is no difference among the shareholders from different shareholding categories towards the main information disclosed in the annual report.

It appears that the overall picture of the results of 1.7 hypotheses is similar to the results of the 1.5 and 1.6 hypothesis. The t-test and F-test results at 5 per cent level of significance for all the main items ***justify and accepts the null hypothesis.***

The observed values of spearman's rank correlation coefficient are almost equal to 100 per cent for all the possible combinations.

To study the consensus among the shareholders from different shareholding categories towards the item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.8 - There is no difference among the shareholders from different shareholding categories towards the item-wise information disclosed in the annual report.

The results of t-test and F-test at 5 per cent level of significance for all the items of information ***prove and accept the null hypothesis.*** It is obvious from the above that there is complete consensus among the attitudes of various shareholding categories of the shareholders regarding the item-wise information disclosed in the annual report. It can be concluded that ***there exists a strong, positive, statistically significant association*** as also a ***consensus*** among the different shareholding categories of the shareholders regarding items of information disclosed in the annual report.

To study the consensus among the shareholders from different years of shareholding towards the main information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.9 - There is no difference of opinion among the shareholders from different years of shareholding towards the main information disclosed in the annual report.

The result of t-test and F-test clearly indicates that at 5 per cent level of significance for all the main information, the ***null hypothesis is accepted.*** It implies that the opinion and attitudes of shareholders from different years of shareholding on main information is similar to each other.

The above stated null hypothesis has been tested in terms of a vertical analysis by using the results of spearman's rank correlation co-efficient. The value of observed correlation coefficient is as high as 0.9951. These findings, therefore, imply that the ***degree of association*** between the views of shareholders from different years of shareholding is ***very high*** and ***there is consensus*** between the groups on the relative value of main information.

To study the consensus among the shareholders from different years of shareholding towards the item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.10 - There is no difference of opinion among the shareholders from different years of shareholding towards the item-wise information disclosed in the annual report.

The highest rated item-wise information by all the categories of shareholder is, 'net profit' (mean rating of 100%). The lowest rated item-wise information by all the three categories of shareholders is, 'details of social activities', that by, below 1 year and 1 year to 5 years shareholding is, 'employees' welfare activities' and that by only 'below 1 year' shareholding is, 'brand value statement'. The results have shown that there is ***very strong association*** of opinion among the shareholders from different years of shareholding.

The results of t-test and F-test at 5 per cent level of significance for all the 55 items of information, ***accepts the null hypothesis.*** The inter-group association has been examined by applying spearman's rank correlation coefficient. There is ***positive, statistically significant association*** and that a consensus exists among the shareholders from different years of shareholding on the relative value of item-wise information.

To study the consensus among the shareholders from different educational qualifications on the relative value of main information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.11 - There is no difference of opinion among the shareholders with different educational qualifications on the relative value of main information disclosed in the annual report.

The results of t-test and F-test clearly indicates that at 5 per cent level of significance for almost all the main information, ***the null hypothesis is accepted.*** Few instances of exceptions where the null hypothesis is rejected are - 'personnel information' by 'below HSC & Degree' group of shareholders and "marketing information, personnel information and production information" by 'below HSC & Professionals' group of shareholders. In case of the above two combinations, the null hypothesis has been rejected at 5 per cent level of significance only for items 1 and 3 respectively. It implies that the opinions and attitudes of shareholders with different educational qualifications on the relative value of main information are similar to each other.

In fact, the value of observed correlation co-efficient has been placed from 0.9593 to 0.9990. These findings therefore, imply that the degree of association between the views of shareholders with different educational qualifications is very high and there is consensus between the groups on the relative importance of main information.

To study the consensus among the shareholders from different educational qualifications on the relative value of item-wise information disclosed in the annual report, the following null hypothesis has been formulated.

H_0 1.12 - There is no difference of opinion among the shareholders with different educational qualifications on the relative value of item-wise information disclosed in the annual report.

The results of t-test and F-test clearly indicates that at 5 per cent level of significance for almost all the item-wise information, ***the null hypothesis is accepted.*** The only one item for which the null hypothesis is rejected is -'director's report' by 'below HSC & Professionals' group of shareholders. As per the 'below HSC qualified shareholders the director's report mean rating is 95.56 per cent and that by professional qualified shareholders mean rating for the same item of information is only 54.17 per cent. This clearly shows that the opinion and attitude of shareholders with different educational qualifications on the relative value of item-wise information is similar to each other.

In fact, the value of observed correlation co-efficient has been placed from 0.9639 to 0.9188. These findings therefore, imply that the ***degree of association*** between the views of shareholders with different educational qualifications is ***very high*** and there is ***complete consensus*** between the groups on relative importance of item-wise information.

To study the consensus among the users of annual report from different zones towards the main information disclosed in the annual report, the following null hypothesis has been formulated.

CONCLUSION

To sum up, the analysis of results in this section has led to the following inferences:

i. There is no great degree of consensus between the attitudes of suppliers of the information [company] and the consumers of the information [users] towards disclosures in corporate annual reports. Stated alternatively, the results reveal that preparers [company] of annual report do not understand the informational needs of the users. The companies are not capable of meeting the corporate reporting obligations towards users. The results on the association of actual disclosure with the perception of users, suggest either a general corporate ignorance of users' informational needs or a lack of wit and will on the part of companies to fulfill the informational needs of different users.

ii. There is a moderate level of consensus among the attitude of various users of annual reports towards disclosures in corporate annual reports. Stated alternatively, the results reveal that the level of importance placed on each and every item of information by different categories of users of the annual report are almost identical to each other.

iii. There is a very high degree of association and consensus among the shareholders [users] from different categories [years of shareholding, educational qualifications, number of shareholding and age group] on the relative value of information disclosed in the annual reports.

iv. There is a consensus among the users of annual report from different zones towards disclosures in corporate annual reports. The results reveal that there isn't a very high level of consensus with reference to a few combinations of zones. One of the likely reasons for a lack of consensus among these few combinations of zones could be the data, from a particular zone might have been collected dominantly from a specific group of users of annual report. This might lead to a lack of consensus among users of annual report from different zones.

v. The results of hypothesis formulated for main information and item-wise information of an analysis has been almost similar to each other.

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DIVIDEND DECISION: A MANAGERIAL APPROACH

**Harish S. Oza*

ABSTRACT

The twin objectives of the paper are to find out the determinants of dividend policy and the issues involving in corporate dividend policy. The research design is well prepared for analyzing the viewpoints of 30 companies by survey method. Out of several issues involving dividend policy, relevance of previous year's dividend policy and Lintner's model have highest preferences in the survey. The managers have also accepted signaling effect of dividend.

The theory of corporate dividend is a relatively new topic in economics and finance. In 1961, Miller and Modigliani (M&M) have initiated rigorous analysis of the topic. However, it is only in the last two decades the topic has come into full bloom and "Dividend Policy" becomes one of the most controversial subjects in finance. Finance scholars have engaged in extensive theorizing to explain why companies should pay or not pay dividends. The questions of "Why do companies pay dividends?" and "Why do investors pay attention to dividends?" have puzzled both academicians and corporate managers for many years. The study primarily aims to (i) identify determinants which managers consider important in deciding their dividend policy, (ii) to ascertain views of managers on issues having influence on dividend policy.

RESEARCH DESIGN

We confirm our investigation to selected companies listed on Ahmedabad and / or Bombay Stock Exchanges and operating in the state of Gujarat. The study covers the period of ten accounting years beginning from the year 1991. A sample of 100 companies has been selected after the careful study of their overall workings and declaration of dividends during the period. Criteria for sample selection are as follows:

**Director, S.D.School of Commerce, Gujarat University, Ahmedabad-380 009.*

(1) Trusts, financial institutions and banks are excluded.
(2) The sample companies should be continuously listed on the stock exchanges and should have financial data for ten year. (1991-2000)
(3) The sample companies should have declared the dividends for more than five years during the period of the study.

The sample of selected companies will represent diversified industries for an in-depth study of managerial perspectives on the dividend policy of the firms. The study is based on specially drafted questionnaire for this purpose. It is also supported with secondary data comprised of annual reports and other published material available from the various sources for better understanding of the topic. Personal interviews of financial managers are also arranged for data collection. We mailed the questionnaire to 100 financial managers of sample firms to get information about how they view various dividend policy issues. A questionnaire similar to that of Baker, Farrelly and Edelman (1985) is designed into two parts to know the perceptions and views of management about (1) the determinants of dividend and (2) issues involving corporate dividend policy.

SURVEY RESULTS

The survey findings are divided in two parts

Part-I Determinants of Dividend Policy

Table-1 highlights the findings of the present survey (as per C.V. rank). The results are as follows.

(1) The respondents have the highest preference to "Current Earnings" (D-4). As per C.V. Rank of the analysis. It occupied 1st rank in the factors. In another words, the EPS is the most important determinants in framing the dividend.
(2) While deciding the dividend rate for current year the companies are serious about the "patterns of past dividends" (D-1). Out of total 30 companies 28 companies have given very important (4 to 7) preference to this factor and it got 2nd rank in the analysis as per C.V. rank.
(3) The liquidity is always vital factor in deciding the dividend decision. The factor "Availability of cash" (D-3) secured 3rd position as per the percentage ranking of C.V. analysis. In India, dividend is paid only in cash. Thus, there is no doubt about the importance of this factor.
(4) The dividend is normally paid from the profits - current years or accumulated of the past years. However, the "expected future earnings"(D-2) is also an important determinant in financial theory. If the future is bright one would like to distribute the profits or otherwise to retain the profits for future dark times. Analysis reveals that it occupied 4th rank out of total 10 factors. Therefore, we conclude that the managers are very much cautious about the expected future earnings of the firms and 25 mangers have considered this factor very important in the survey.

(5) If the company has good opportunities in future, it would like to use the profits for "Capital expenditure requirements" (D-5). As per the survey analysis, it showed 5th rank in all analysis which taken for study. The need of retention of profits also has importance in framing the dividend policy of the company.

(6) We find that "impact on share price" (D-9), "achieving target payout (D-8) and "restrictions imposed by lenders" (D-6) statements have moderate response in the survey. The Indian managers have less considered these determinations in framing the dividend policy of the companies. D-9, D-8 and D-6 indicated 6th, 7th and 8th position respectively as per the C.V. analysis of the study.

(7) The last and final observation of the study is less importance of "Bonus issue" (D-10) and "industry practice" (D-7) in the survey. The Indian managers are not serious about the bonus issue. Therefore, "the bird in the hand theory" is more important in India and the external industrial environment has lowest preference in deciding the dividend policy of the firms.

Therefore, the questionnaire results show that the most important determinants of a firm's dividend policy are the level of current and expected future earnings and pattern of past dividends.

Table 1
DETERMINANTS OF DIVIDEND POLICY (C.V. BASED)

F/D	1	2	3	4	5	6	7	C.V.	RANK
1	0	0	2	8	13	3	4	**21.33**	2
%	0	0	6.67	26.7	43.3	10	13.3		
2	1	1	3	3	12	9	1	**28.63**	4
%	3.33	3.33	10	10	40	30	3.33		
3	0	1	2	3	6	9	9	**24.82**	3
%	0	3.33	6.67	10	20	30	30		
4	0	0	0	2	6	16	6	**13.96**	1
%	0	0	0	6.67	20	53.3	20		
5	1	1	3	10	7	6	2	**29.95**	5
%	3.33	3.33	10.00	33.3	23.3	20	6.67		
6	3	3	3	9	3	4	5	**44.35**	8
%	10	10.00	10	30	10	13.33	16.7		
7	5	4	9	7	0	4	1	**50.42**	10
%	16.7	13.3	30	23.3	0	13.33	3.33		
8	4	0	5	11	7	2	1	**38.29**	7
%	13.3	0	16.67	36.7	23.3	6.67	3.33		
9	1	2	5	10	9	2	1	**30.95**	6
%	3.33	6.67	16.67	33.3	30	6.67	3.33		
10	3	6	6	7	5	2	1	**44.86**	9
%	10	20.00	20	23.33	16.67	6.67	3.33		

Part-II Issues Involving Dividend Policy

The Part II contains five issues involving corporate dividend policy of the firms in the survey. There are so many issues regarding dividend policy in the financial literature, however, the following four different major issues have been included in the questionnaire (S-1 to S-18) considering the Indian environment:

(1) Dividend Policy and Value of Share (S-1 to S-5)

(2) Relevance of the Previous Year's Dividend Policy (S-6 to S-10)

(3) Dividend policy as a Signal (S-11 to S-15)

(4) Payout Clientele (S-16 to S-18)

Table - 2 exhibits the results of the survey. The findings as per positive response - agreement - (Prop>0) results are as under in respective section/issue:

Table 2

RESPONSES OF RESPONDENT COMPANIES (PROP > 0 BASED)

STAT	LEVEL OF AGREEMENT			PROP>0	RANK
	DIS	IND	AGRE		
S - 1	23.33	10	66.67	0.67	9
S - 2	20.00	3.33	76.67	0.77	6
S - 3	40.00	6.67	53.33	0.53	13
S - 4	23.33	23.33	53.34	0.53	14
S - 5	33.33	23.33	43.34	0.43	15
S - 6	16.67	0.00	83.33	0.83	3
S - 7	10.00	23.33	66.67	0.67	10
S - 8	6.67	23.33	70.00	0.70	7
S - 9	3.33	0.00	96.67	0.97	1
S - 10	6.66	6.67	86.67	0.87	2
S - 11	13.34	6.67	79.99	0.80	5
S - 12	16.67	13.33	70.00	0.70	8
S - 13	26.67	36.67	36.67	0.37	17
S - 14	23.33	13.33	63.33	0.63	11
S - 15	6.67	10.00	83.33	0.83	4
S - 16	65.21	26.09	8.70	0.09	21
S - 17	47.82	26.09	26.09	0.26	19
S - 18	26.08	30.43	43.49	0.43	16

(1) Dividend Policy and Value of Share

The analysis of the manager's response shows that they favour the view that the dividend policy influence on the share prices of the firms. The main findings are as under: (i) We find that the statement - dividend per share affects the price of the share (S-2) - shows the highest strong agreement in the section and overall 6th rank in the questionnaire. Over and above, the statement - higher the dividend payout higher would be the price of equity share (S-1) - also indicates relatively strong agreement (overall 9th rank) in the survey analysis. Therefore, it clears that the dividend payments have impact on valuation of shares. (ii) However, remaining three statements (S-3, S-4 and S-5) have overall minor agreement in the analysis and obtained 13th, 14th and 15th rank respectively. Thus, we find that other statements have not strong impact on valuation of shares.

(2) Relevance of the Previous Year's Dividend Policy

The Lintner, partial adjustment model indicates that firms establish their dividend in accordance with the level of current and future expected earnings as well as dividend of the previous year. The survey responses are generally consistent with Lintner's model. The following are important findings: (i) We find the highest level of agreements in the statements of the section, i.e. a company should strive to maintain an uninterrupted record of dividend payment (S-9) (97%) and a company is generally reluctant to decrease dividend rate and it prefers a stable pattern in its dividend policy (S-10) (87%). Thus, the above 1st and 2nd rank statements show the complete relationship with the previous year's dividend policy. (ii) Further, we found two of the statements - a company should avoid making changes in dividend rate that might have to be reversed in a year or so (S-6) and a company should have target dividend per share and slowly move towards this target (S-8), are fully fit with Lintner's model. (iii) Managers of sample companies also have strong agreement on the proposition that a company should have a target payout and periodically adjust the payout towards this target (S-7) (67%).

3. Dividend policy as a Signal

With some exceptions, empirical studies indicate that dividend changes convey some unanticipated information to the market. The following are findings of the study: (i) The respondents strongly agree that dividend payment provides signal for company's future prospects to shareholders (S-15). This statement obtained 4th rank, which shows high degree of agreement in the survey. (ii) Further, we find that managers also strongly feel that stock markets use dividend announcement as information for assessing the value of shares (S-12) and therefore, changes in dividend policy should be adequately disclosed to investors (S-11). These statements have 70% and 80% level of agreement respectively, which confirm the signaling effects. (iii) We observe that management should be responsive to its shareholders preferences regarding dividends (S-14) has good agreement (63 %) while a change in existing dividend payment is more important than the actual amount of dividend per share (S-13) has less importance (37 %) in the survey.

(4) Payout Clientele

As per Miller & Modigliani (1961) the dividend policy has no effect on the value of the corporation in a world without taxes, transaction costs or other market imperfections. The important findings are as under: (i) The respondents strongly agree with the statement that investors in low tax brackets are attracted to shares having high dividend yield. The statement has overall 16th rank in the study which consider high payout clientele effects of dividend policy. (ii) Response to the statement that investors in high tax brackets are attracted shares having low dividend yield indicates that managers disagree with the presence of low payout clientele. The statement has the last position in the ranking of the questionnaire i.e. 21st rank. (iii) However, their disagreement (74%) with the statement that investors are attracted to companies which have dividend policies appropriate to their tax environment seems to contradict their perception about the existence of overall payout clientele in our research study.

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PERFORMANCE APPRAISAL TO PERFORMANCE MANAGEMENT (Through Balance Score Card)

**D.S. Chundawat*
***C.M. Jain*

ABSTRACT

Appraisal is not an end in itself but a tool for more effective management. The results of performance appraisal will tell about what happened, not why it happened or what to do about it. In order to make effective use of the results of performance assessment, it must be able to make the transition from assessment to management. It must also be able to anticipate needed change in the strategic direction of the organization, and have a methodology in place for effecting strategic change. In this paper an attempt has been made to discuss the process of movement from performance appraisal performance management through BSC.

Successful accomplishment of performance appraisal these two tasks represents the foundation of good performance management. This can be greatly facilitated by use of the Balance score card (BSC). In other words besides simply assessing performance, the BSC provides a structure of framework for performance management. The present article has been divided into two sections: (a) Section first covers the basic about BSC and its creation (b) Section second described moving from Performance Appraisal to management.

(a) ABOUT BALANCE SCORE CARD AND ITS CREATION

The BSC is a management system (not only a measurement system) that enables organization to clarify their vision and strategy and translate them into action. If provide feed back around both the internal business process and external out comes in order to continuously improve strategic performance and results. Paul Arversion describes balance score card as

* *Associate Professor, Dept. of Business Administration, ML Sukhadia University, Udaipur.*
** *Assistant Professor, Dept. of Accountancy and Business Statistics, M.L. Sukhadia University, Udaipur.*

"An approach, which provides information to the management and assist them in foundation of organisation mission and strategy. As a tool of management it assists companies to assess overall performance improve operational process and enable management to formulate better plan improvement. Traditional performance measurement focusing on external accounting data was quickly becoming obsolete and something more was needed to provide the information age enterprises with efficient planning tool. For this purpose Kaplan and Norton introduced four different perspectives from which a company's activity can be evaluated in BSC.

- Financial perspective (How do we perceive our share holder?)
- Customer perspective (How to we perceive our customer?)
- Internal business perspective (In what processes should we excel to successes?)
- Learning and in notation perspective (How will we sustain our ability to change and improve?)

The Process of creating a BSC begins with identification of vision. Where is the organization going? By identifying strategies an organization may learn about how he will get there. Critical success factors and perspective should be defined, which means company has to ask what does he has to do well in each perspective. Thereafter how does Company measures that everything is going the expected way? Then it is necessary to think about evaluating score card. Based on this work company should create action plans and plan reporting and operation of the scorecard. How does company manage the score card? Which persons should have report and what should the report look like ? The procedure of creation of BSC can be presented in the following figure.

Step 1	**Identify vision**	→ **Define vision for the company/entity/enterprises**
Step 2	**Identity Strategies**	→ **Which strategies shall company follow?** **Which areas shall company focus on?**
Step 3	**Identify CFS's & Perspective**	→ **What company has to good at in each perspective?**
Step 4	**Identity Measures**	→ **What should company measures in each perspective?**
Step 5	**Evaluate**	→ **How does company evaluate his scorecard?**
Step 6	**Create Action Plan**	→ **Which action should be intitiated to reach company targets?**
Step 7	**Follow up & Mange**	→ **How do company follow up, up date & maintain his scorecard?**

(b) MOVEMENT FROM APPRAISAL TO MANAGEMENT

Appraisal can provide the basis for an organization to assess how well it is progressing towards its predetermined objectives, help it identify areas of strength and weakness, and decide on next steps, with the ultimate goal of improving organizational performance. It can also provide the data necessary for showing how activities support broader goals, and provide the data necessary for supporting requests for additional resources or for supporting new initiatives. But it is the effective use of this data by decision makers at all levels of the organization to aggressively improve products and services for customer and stakeholder, that is the hall mark of leader in performance management.

To effectively more from performance appraisal to performance management, two key components need to be in place :

(1) The right organizational structure.

(2) The ability to use performance measurement results to actually bring about change in the organization.

1. RIGHT ORGANIZATIONAL STRUCTURE

In order to move from measurement to management, organization must posses on organizational structure that facilitates the effective use of assessment results, for this purpose the following attributes must exist in organization.

- Senior leadership should be actively involved in both the creation and implementation of their organizations system. Clear, consistent and visible involvement by senior executives is a necessary part of successful performance measurement and management system.
- Measuring performance, analyzing results and incorporating the results into new management initiatives will be to no avail if the results cannot be suitably communicated both within and outside the organization. Hence effective and open communication with internal and external parties is probably the most important.
- Accountability for result that is clearly assigned and well understood.
- Providing a clear link between achieving a specified performance target and some form of meaningful compensation, reward serves as a positive performance incentives. This type of linkage is very clear and straight forward.
- While sensitive information generally must be protected, performance measurement system information should be openly and widely shared with an organization's employee, customer, shareholders, vendors and suppliers to the greatest extent practicable.

2. USING PERFORMANCE MEASUREMENT RESULTS TO EFFECT CHANGE

There are certain significant aspects of using the result of Performance measurement that should be kept in mind when deploying a performance management system.

(a) Performance measure should be limited to those that relate to strategic organization goal and objective and that provide timely, relevant and concise information for use by decision makers at all levels to assess progress toward achieving predetermined goals. Hence, Performance Measurement system must provide intelligence for decision makers, and not just complete data.

(b) Assessment are often followed with little effective analysis of results or honest attempts at improved performance. The following represent some of the ways that leading organizations, use performance information to improve performance, manage risk and support decision-making.

- Performance result can be used to determine gap between specific strategic objectives and/or annual goal and actual achievement. The root causes of these gaps are analyzed and counter measures developed and implemented. Whenever BSC result indicate performance gap in the area of timeliness, purchasing cost or efficiency process flow analysis is useful.
- Kaplan and Norton recommend that in addition to tracking progress on post result manager can use BSC to learn about the future. Managers should discuss not only how they achieved past results but also whether their expectations for the future remain on track.
- An organisation can use BSC to benchmark its performance against other organization. The organization should identify, study, analyse and adopted the "best practices" that led to the best performance.
- BSC data together with other report and statistics can help the activity anticipate and resolve issue before they become problem or at least minimize the effect of problem by early action.
- In addition to strategic feedback and learning, manager can also use the BSC to build a strong, sound business case to support proposal for change on request for resources.

CONCLUSION

Once assessment result have been correctly analyzed communicated internally and externally, used for development of any corrective action, and for revising performance measures, as needed effective performance management require that the organization consider strategic goals. The BSC as an assessment methodology is unique in its emphasis on placing the organization's strategic vision at the centre of the performance assessment structure. In fact, when using the BSC, development of strategic goal is the first step in creating a performance assessment process that is designed to support accomplishment of the strategic vision. Only after the organisation knows where it wants to go can it develop the performance measure that will help ensure accomplishment of the strategic vision.

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GLOBAL HARMONISATION OF ACCOUNTING STANDARDS: AN EMPIRICAL RESEARCH

**Pramod Kumar*
***M. Kulshertha*

ABSTRACT

There is an emerging issue in International Accounting i.e.`Harmonisation of Accounting Standards. In this paper, an attempt has been made to discuss the need and other relevant issues involved in Harmonization along with an empirical study of Infosys and Satyam Computers to examine the effect of USGAAP.

In the recent past, the profession of Accountancy had seen a tumultuous phase arising out of the collapse of a corporate giant, Enron in the US which resorted to accounting malpractice of hiding losses (window dressing) through off balanced sheet items. The failure of Enron, Worldcom and few others in US, this challenges the relevance of USGAAP. The companies which are listed in any US Stock Exchange are required to present their financial statements on USGAAP in addition to International Accounting Standards or domestic or national Accounting Standards. To some extents USGAAP and IAS are similar.

GAAP: AN OVERVIEW

The double entry system of modern accounting is based on a set of principles which are called Generally Accepted Accounting Principles (GAAP). These principles enable to certain extent standardization in recording and reporting of information so that the users, once they are aware of the principles, can read and understand financial statements prepared by diverse organizations. Statement No.4 of Accounting Principles Board of USA on `Basic Concepts' and Accounting Principles Underlying Financial Statements of Business Enterprises describes accounting principles as Generally accepted accounting principles incorporate the consensus at a particular time as to which economic resources and obligations should be recorded as assets and liabilities by financial accounting, which changes in assets and liabilities should be

**Dean,Faculty of Commerce,D.E.I. Deemed University, AGRA*
*** Cost Consultant, MKK Associates, Ghaziabad*

recorded, when these changes are to be recorded, how the assets and liabilities and changes in them should be measured, what Information should be disclosed and which financial statement should be prepared'.

INTERNATIONAL ACCOUNTING ISSUES

International Accounting has two fold issues:

(a) Issues related to International Financial Accounting that is Foreign Currency Translation, Consolidation etc. or say issues which are related to preparation of financial statements.

(b) Issues related to International Management Accounting such as transfer pricing, foreign currency risk management etc.

This paper deals with the first kind of International Accounting issues.

Several organizations throughout the world are involved in attempts to harmonize or standardize accounting especially due to market forces. `Harmonization's a continuous process of ensuring the GAAP are formulated, aligned and updated to international best practices(that is GAAP in other countries) with suitable modifications and fine tuning considering the domestic conditions (Mogul,2003) while standardization appears to imply the imposition of a more rigid and narrow set of rules. Both the terms are technical and former tends to be associated with the transnational legislation emanating from the European Union, Standardization is often associated with the IASB.

REASONS FOR HARMONIZATION

The pressure for international harmonization comes from those who regulate, prepare and use financial statements of multi-national companies. The harmonization is mainly required due to the (i) Globalization of businesses and services and (ii) increase in cross-border investments and borrowings. Some of the reasons of harmonization are as follows:

- Investors and financial analysts need to be able to understand the financial statements of multi-national companies whether they are reliable and comparable or not.
- The tax authorities across the globe have their work greatly complicated when dealing with foreign incomes by differences in the measurement of profits in different countries.
- World Bank also faces the difficulties of comparing financial position while providing international credit guarantee.

The most fundamental of obstacles to harmonization is the size of the present differences between the Accounting Standards of different countries. To bring down the size of the present differences, there is an urgent need to develop such accounting standards whichj will fulfill the need of the organization/country or will minimize the gap of differences. The accounting practices in India regarding depreciation, in recent times has tended to change the most. As reported by The Economic Times(ETIG, Reliance Industries which has been regularly changing the method of depreciation on certain assets and for the current year that is 2002-03 too, it has changed the method of calculating depreciation on certain assets from the straight line method to written down value. This situation can be avoided by implementing 'no option' accounting standard.

EMPIRICAL RESEARCH

It has become common for multinational companies to present their accounting results with reference to an internationally accepted approach. This has been perceived as being more acceptable and comparable to the investing public and to the stock exchange regulator where such companies are listed. Currently, most of the companies have two internationally recognized approaches that is USGAAP and International Accounting Standards from which they can choose any approach. To justify the need of harmonization, an empirical research was conducted to examine the effect on few financial information elements if compared to domestic and USGAAP. The study is related to two multi-national companies namely Satyam Computers and Infosys which are listed on recognized stock exchange in India and US.

Refer to the financial items as mentioned in the financial statements if we compare the position of Satyam Computers it shows the negative results in 2001($27912) on the basis of USGAAP while account prepared and presented on Indian GAAP it depicts the profits instead of loss. Earning per share on both bases that is USGAAP and Indian GAAP are also different due to accounting procedure adopted for calculating the same. In balance items shareholder equity in place of share capital, investments in associated companies are shown under USGAAP. The similar stories of differences in financial items are found in Infosys. The significant differences between USGAAP and Indian GAAP are as follows as revealed from the study:

- In India financial statements are prepared in accordance with the presentation requirements of Schedule VI of the Companies Act while no specific format is required for the preparation of financial statement as long as they comply with the disclosure requirements of US accounting standards.
- In India, the tax payable method is used for providing for taxation while as per the USGAAP deferred tax assets or liabilities should be booked using the asset liability approach.
- In India, investments in own shares is prohibited. Buy back of shares is now permitted but only for reduction of capital and nor for treasury operations while under the USGAAP investments in own shares is permitted which is shown as a reduction from shareholders equity.
- In India the R&D costs can be capitalized subject to the conditions of Accounting Standard issued by ICAI for this purpose while on the other hand under the USGAAP R&D costs are incurred as expenditure.

- In India the preoperative expenses are allowed to be deferred and written over a period of 3-10 years while under the USGAAP the concept of preoperative expenses does not exist.
- In India the exchange fluctuations on liabilities incurred for fixed assets can be capitalized while under the USGAAP exchange gain or loss is taken to the income statement. The concept of capitalization of exchange fluctuations arising from foreign currency liabilities incurred for acquiring fixed assets does not exist.
- In India the capitalization of lease is not required while under the USGAAP the financial leases are required to be capitalized.

However, recent corporate debacles in USA, as earlier mentioned in the study we need to realize that these cases involved incorrect accounting treatment and for these cases USGAAP should not be blamed.

SUGGESTIONS

For harmonizing the Accounting Standards the following steps may be considered:

- USGAAP and IAS should be matched. For this in October 2002 FASB (USA) and the IASB(for IAS) signed an agreement.
- Conducting peer reviews with international norms, should be followed.
- Domestic GAAP should be formulated on the line of IAS or USGAAP and updated regularly.
- Harmonization should be in a phase manner that is Accounting Standards should be matched with IAS in first phase and then other financial reporting elements in the other phase.

The need of the day in the accounting literature is 'Cooperation' by framing accounting standards for all. The objective of harmonization of AS can only be achieved by the sincere efforts of Accountants, financial analysts and regulators however it is an uphill task.

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VALUE ADDED TAX

***Nand Singh Naruka**
***M.L. Gupta**

ABSTRACT

With the advent of global economic liberal scenario in early nineties, a Tax reforms committee headed by Dr. Raja J. Chelliah was constituted by GOI in 1992 to bring Indirect Tax system in the country in tune with international standards and competition. The committee recommended VAT as the best alternate to the existing conservative tax systems, to enable our products to compete in the international markets. In this paper, an attempt has been made to discuss VAT as proposed in April 2003.

First time in 1921, F VON Siemans proposed VAT as a substitute for the established German Turnover tax. VAT has become a subject of considerable interest after the European Economic Community (EEC) gave acceptance to it an instrument of tax harmonization within the community. France was the first European country who adopted VAT in 1954, which largely paned the way for its being accepted as a common market tax. Than it implemented in UK in 1973. At present more than 120 countries adapted VAT.

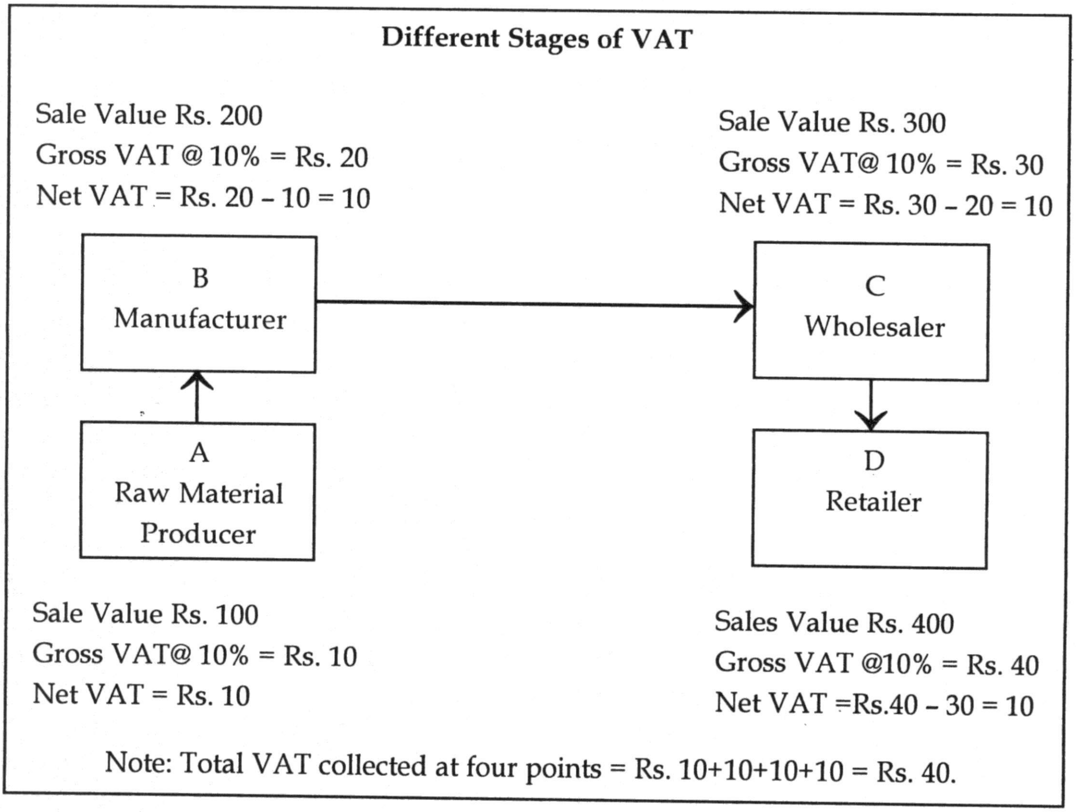
VAT is a multiple point sales tax with set-off for tax paid on purchases. It is collected in installments at each transactions from production to distribution. It does not have cascading effect due to the system of deduction or credit mechanism. Being a tax on consumption, the final burden of tax is fully borne by domestic consumer of goods and services. It is in many respects equivalent to a last-point retail sales tax.

Value added tax is a multi-stage sales levied as a proportion of the value added (i.e. sales minus purchases which is equivalent to wages plus profits). To illustrate, let us assume dealer A to be producer, B to be manufacturer, C to be wholesaler and D to be retailer.

Dealer A, as shown above, sells his produce at Rs. 100 and pays tax at the rate of 10 per cent. As dealer A is a producer of primary product his inputs could be assumed to be zero. The sale price of Rs. 100 would be the purchase price of dealer B, who is a manufacturer. This dealer would use wages, salaries, other manufacturing expenses and to all this he would add

**Sr. Lecturers in Accounting & Finance, Govt. J.D.B. Girls (PG) College, KOTA(Raj.)*

interest and his own profit. Assume that after adding all these costs his sale price is Rs. 200. On this sale price the gross tax (at the rate of 10%) would be Rs. 20 As dealer A has already paid tax on Rs. 100, dealer B would get credit for this tax. Therefore, his net VAT liability would be Rs. 20 minus Rs. 10 That is, dealer B would pay Rs. 10 only. Similarly, the sale price of Rs. 300 by dealer C would have net VAT liability of Rs. (Rs. 30 - Rs. 20 = Rs. 10). and the sale price of Rs. 400 by Dealer D would also have net VAT liability or Rs. 10 (Rs. 40 - Rs. 30 = Rs. 10). This illustration indicates that the VAT is collected at each stage of production and distribution process and, in principal, its burden falls on final consumers only. Thus, it is a broad based tax covering the value added of each commodity by a firm during all stages of production and distribution. Briefly put, VAT is a multipoint tax system with the facility of rebate or set off at each point.



In VAT system tax burden on customer will be less where total revenue collection will be higher as comparison to present tax system. It can be understand by the following example.

Simply calculation of tax on Raw Material is taken 3 percent under RST rule 10(1) and rate of tax on sales is taken 10 percent. At present tax system customer is paying Rs.444.32 and tax revenue is being received Rs.36.60. But when VAT system of tax will applied customer would pay Rs.435.60 of the same commodity and revenue will be received Rs.39.60 by the Government. Therefore adoption of VAT is beneficial for both Government and customer.

Tax collection authorities and Government view for the VAT :

1. Liabilities of tax will be decentralized so tax burdon on a man will be less as compare to present position.
2. Tax procedure will be easy so any businessman can easily calculate his tax burden and to deposit it into government office.
3. There will be no harassment by the department because every thing will be in clear position.
4. The cost of a item will be less so customer will be also benefited.
5. Tax collection authorities would properly obtain information on sales, purchase of each enterprises from the returns furnished by other respectively enterprises. For tax authorities cross verification will be done possible.

BUSINESSMAN'S CONCERN

1. They said it is sweet poison which will affect slowly our business.
2. It will be a hard work to maintain each and every record not only there concern but previous concern also.
3. Small scale and retailers will also involved in this critical tax procedure which generally avoid it.

Though VAT is better as compared to present system. Almost all states were ready to implement it since 1 April, 2003 but couldn't do so. Without political willingness it is very difficult to implement VAT in India. For the evasion of tax and welfare of state it is advisable that VAT should implement as soon as possible. Therefore all political parties should come ahead to implement VAT.

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INTERNATIONAL ACCOUNTING ISSUES IN THE EYES OF INDIAN ACCOUNTANTS, MANAGERS AND ACADEMICIANS

**A. K. Chakrawal*

ABSTRACT

Accounting is the area where arbitrary practices exist to considerable extent. To avoid such arbitrary practices International Accounting Issues needs to be propagated. End of the 20th century and the beginning of the 21st century have witnessed tremendous growth of Multi National Corporations all over the world; such growth of MNCs increases the magnanimity of International Accounting Issues. In this backdrop, what can be different International Accounting Issues which needs to be standardized? There is wide spectrum of Accounting Issues and it is a difficult task to consolidate these issues. An effort has been made to know that in what ways Indian Accountants, Managers and Academicians perceive different International Accounting Issues.

The researcher has tried to identify International Accounting Issues in the eyes of Indian Accountants, Managers and Academicians. The three professions have been selected for the purpose because they are closely associated with the International Accounting Issues and they are the real reflector of the problem at global level. For the purpose, a questionnaire was developed by the researcher (specimen is attached in the form of appendix). This questionnaire was administered to the population of 30 cross section samples. 43.33% respondents were accountants (Chartered Accountants) by profession, 23.33% were working as managers in different forms of organizations whereas 33.33% were belonging to higher education community. 90% respondents were male members whereas 10% were female members. In terms of experience, 20% respondents were less experienced(less than 5years), 36.67% respondents were moderately experienced (6 to 15 years), 23.33% respondents were adequately experienced (16 to 25 years) and 20% respondents were highly experienced (more than 25 years). Looking to age of the respondents, 26.67% respondents were beginner in their profession (30 years and below), 46.67% were very well settled in their profession (31 to 50 years) and

**Assistant Professor, Department of Commerce & Business Administration, Saurashtra University, Rajkot 360005 (Gujarat) INDIA*

26.67% were patron in the profession (above 50 years). 23.33% respondents were working in Public Limited Company, 6.67% were belonging to Private Limited Company, 3.33% were part of the Government Agency, 26.67% were working in the Semi-government Organization and 40.00% respondents were working with either partnership firm or sole proprietorship. Out of the total respondents 46.67% were having access to the information technology with e-mail ID whereas 53.33% respondents were not having such access to the information technology.

MAJOR FINDINGS OF THE STUDY

The major findings of the study are discussed here below:

Are you aware of International Accounting Issues (IAI)?

Out of total respondents, 90% respondents were aware of the International Accounting Issues and 10% respondents were not aware of the issue (Figure-1). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the test it was found that the relative frequency of the respondents for the awareness of the issue was different.

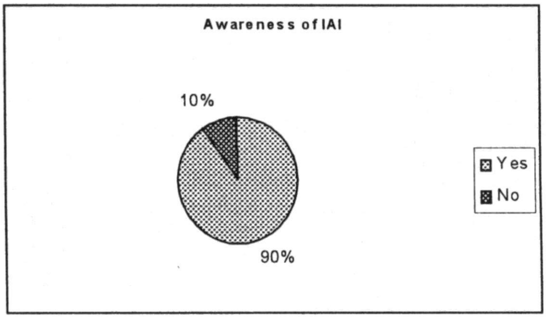

Figure-1

How did you come across International Accounting Issues (IAI)?

37% respondents were aware of the issue from more than one source (including the first four alternates), 33% respondents came across the issue from periodicals and journals, 22% professional could come to know about the issue from their colleagues, 4% respondents were having knowledge of the issue form books (others) and 4% respondents could have access to the issue from internet and t. v. news channels (Figure-2). When Kolmogorov-Smirnov One Sample Test was applied at 5% level of significance to know whether the responses given by the respondents differ substantially or not, it was found that the fluctuation in the frequency was because of sampling fluctuations. Therefore, null hypothesis is accepted and the opinion of the respondents does not differ substantially.

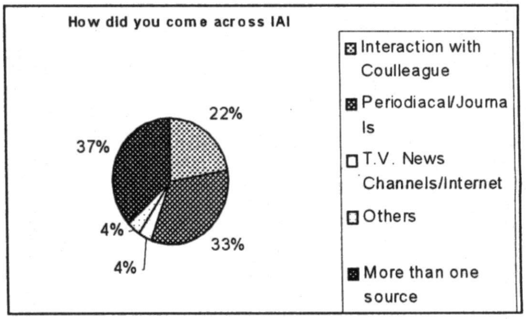

Figure-2

Do you feel International Accounting Issues are serious matter (IAI)?

Almost 89% of the total respondents found International Accounting Issues as a serious matter and 11% were of the view that it is not a serious matter (Figure-3). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 5% level of significance. According to the test it was found that the relative frequency of the respondents for different degrees of seriousness was different.

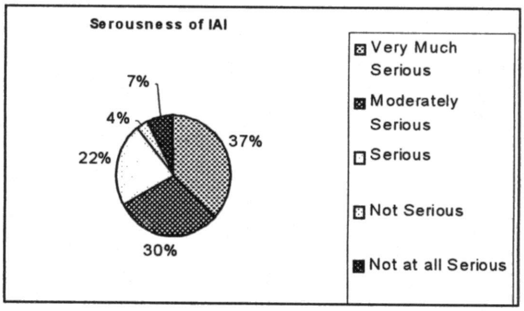

Figure-3

International Accounting Issues (IAI) will enhance common practices at international level?

When it was asked to the respondents whether International Accounting Issues will enhance common accounting practices at international level, 76% respondents said yes it will enhance common accounting practices at global level whereas 17% were of the negative opinion; 7% respondents were indecisive about the matter (Figure-4). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequency of the respondents was different.

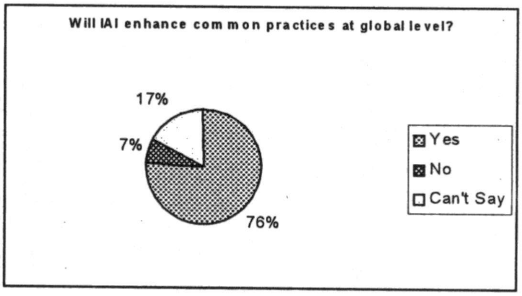

Figure-4

International Accounting Issues (IAI) will benefit the Multi National Corporations (MNCs) the most?

When it was asked to the respondents whether International Accounting Issues will benefit the Multi National Corporations the most, 76% respondents said yes, 17% respondents said no, whereas 7% respondent were not in a decisive state of mind (Figure-5). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequencies of the respondents were different.

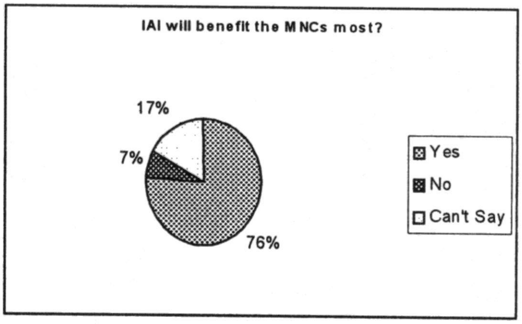

Figure-5

Do you feel that International Accounting Issues (IAI) will affect Indian Accounting Practices (IAP)?

79% of the total respondents said that International Accounting Issues will affect the Indian Accounting Practices, 14% respondents were negative in this regard, whereas 7% were neutral respondents (Figure-6). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequencies of the respondents were different.

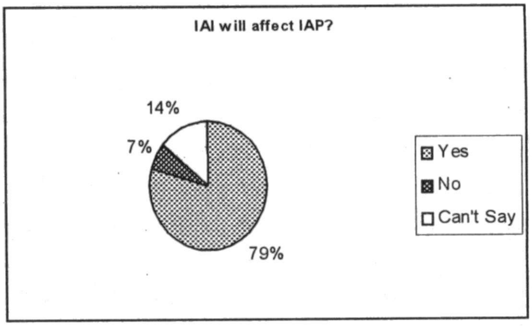

Figure-6

Which countries will be benefited the most by resolving International Accounting Issues (IAI)?

54% of the total respondents were of the opinion that International Accounting Issues will benefit the developing countries the most, 42% respondents were in favour of developed countries, whereas 4% respondents said that the third-world countries will be benefited the most (Figure-7). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 5% level of significance. According to the, test it was found that the relative frequencies of the respondents were different.

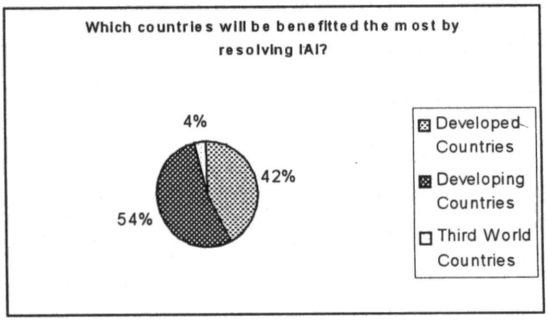

Figure-7

International Accounting Issues (IAI) will affect the Indian economy

When the question was asked whether International Accounting Issues will affect Indian Economy to the respondents, 76% said yes whereas 24% respondents said no (Figure-8). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequency of the respondents was different.

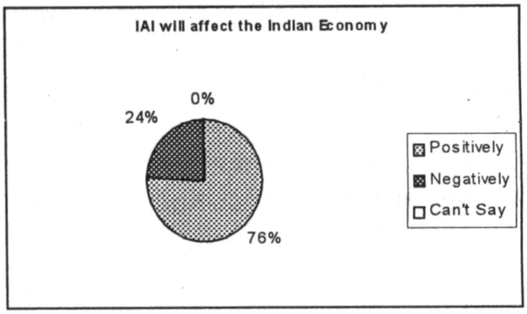

Figure-8

Are you aware of Accounting Standards (AS)?

In relation to the International Accounting Issues it was asked to the respondents whether they know about Accounting Standards, 83% of the respondents were aware about Accounting Standards whereas 17% were not having any idea of Accounting Standards (Figure-9). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequency of the respondents was different.

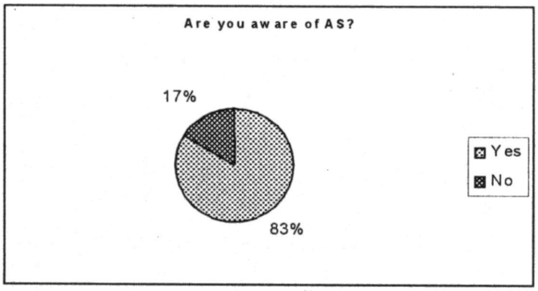

Figure-9

Aware to which Accounting Standards (AS)?

In relation to the previous question, respondents were asked about specific Accounting Standards. 80% respondents were aware of more than two Accounting Standards (including Indian Accounting Standards), whereas 20% respondents were aware of only Indian Accounting Standards (Figure-10). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the, test it was found that the relative frequency of the respondents was different.

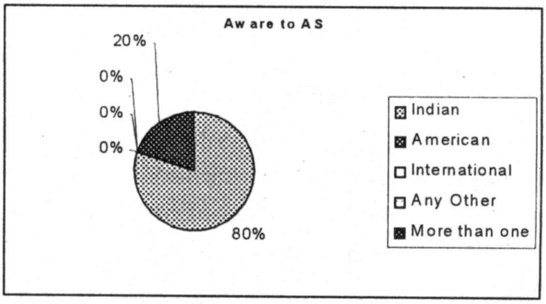

Figure-10

Do you feel that International Accounting Standards (IAS) are able to cater to the needs of International Accounting Requirements (IAR)?

It was asked to the respondents whether International Accounting Standards are able to cater to the international requirements. 50% respondents said yes in response to the question, 37% said no, whereas 13% were indecisive about the question (Figure-11). In order to know, whether the responses given by the respondents differ substantially or not, a non-parametric test for equal distribution viz. Kolmogorov-Smirnov One Sample Test was applied at 1% level of significance. According to the test, it is found that null hypothesis has been accepted and relative frequency of the respondents is not different.

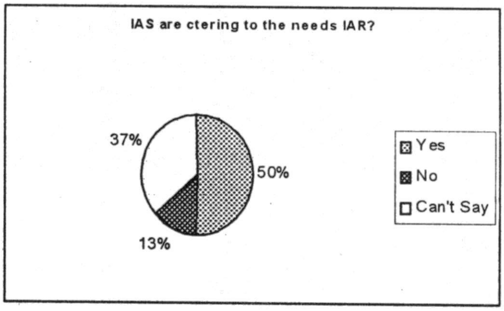

Figure-11

On which important areas you want the International Accounting Standard Board (IASB) to issue new Accounting Standards?

When it was asked that on which areas you want the IASB should either modify the existing International Accounting Standards or issue altogether new standard, the respondents have 27 areas for the consideration. The top five issues for issuing/modifying International Accounting Standards are as follows:

1. Valuation of Common Currency
2. Valuation of Inventories
3. Human Resources(Intellectual Property)
4. Transfer Pricing Mechanism
5. International Depreciation Issues

Indian accountants, managers and academicians feel more concerned about the above five points as they have shown their opinion in the survey work. The three professionals want the International Accounting Standards Board to issue/modify the International Accounting Standards.

Enlist the most important (five) International Accounting Issues (IAI) in your opinion

When the respondents were asked about the most important International Accounting Issues (IAI) as per their opinion, they responded around 33 International Issues or to arrive at top five International Accounting Issues, rank sum order method is used and the result as per the analysis is as follows:

1. Valuation of Inventories
2. Disclosure of Accounting Policy(Disclosure Practices)
3. Depreciation Accounting
4. Common Currency/ Intellectual Property Accounting
5. Common Accounting Practices/ Foreign Exchange Accounting/ Price Level Accounting

There were joint ranking for the fourth and fifth position and the issues have been shown in fourth and fifth points in the oblique form.

Ranking of the following International Accounting Issues

The respondents were asked to rank the International Accounting Issues from the following list (respondents were allowed not to rank all the issues):

a. Disclosure Practices ( )

b. Price Level Accounting ( )

c. Common unit of Accounting ( )

d. Forms of Business Organization ( )

e. Intellectual Property Accounting ( )

f. Measurement of Business Income ( )

g. Accounting Practices for Bad Debts ( )

h. Accounting Practices for Deprecation ( )

i. Treatment for Capital Gains and Losses ( )

j. Accounting Practices for Inventory Valuation ( )

k. Treatment for Social Security & Labour Welfare ( )

l. Any other(specify)________________________ ( )

In response to the above question, available responses were analysed and on the rank sum order method the top five issues were found out as follows:

1. Disclosure Practices
2. Common unit of Accounting
3. Measurement of Business Income
4. Intellectual Property Accounting
5. Accounting Practices for Inventory Valuation

CONCLUSION

In depth analysis of the collected from the cross section respondents of the Indian society reveals that the Indian professional associated with the Accounting affairs are very well aware of the International Accounting Issues. Some of the very important issues according to the Indian professionals which require immediate attention are Common Currency, Valuation of Inventory, Measurement of Business Income, Common Accounting Practices, etc. The present research article may be helpful in drawing international attention towards Indian professional concern regarding International Accounting Issues.

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ANALYSIS OF POWER AND FUEL COST IN ALUMINIUM COMPANIES IN INDIA

**M.S. Poonia*

ABSTRACT

The paper specially makes an attempt to analyse the cost of power and fiel in aluminium companies in India.

In an aluminium plant, power is an essential requirement and not only an adequate supply but a continuous availability without any fluctuation in voltage, at an economical cost, is needed. As compare to other industries, where interruption in power affects the working only for the duration of the disturbed period, in an aluminium plant continuous and uninterrupted supply is of primary importance for efficient working, especially for the production of electrical grade metal.

Table 1

Percentage of Power and Fuel to Total Cost of Aluminium Companies in India during 1990-91 to 1999-2000

Year	HINDALCO	INDAL	BALCO	NALCO	Aluminium Industry
1990-91	24.36	35.20(H)	27.92	22.20	26.71 (H)
1991-92	24.41	28.98	26.64	20.96(L)	24.82
1992-93	21.71(L)	21.50	27.41	24.56	23.61
1993-94	25.45	17.46	29.17(H)	24.82	23.67
1994-95	24.36	17.22(L)	23.43(L)	24.41	22.50(L)
1995-96	28.47 (H)	20.79	24.78	22.56	23.84
1996-97	26.70	17.53	26.67	23.68	23.22

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

1997-98	26.48	20.58	28.27	25.48(H)	25.00
1998-99	23.68	19.80	26.10	23.26	23.08
1999-2000	22.65	21.86	28.05	24.45	23.99
2000-2001	24.75	21.08	26.85	23.78	23.92
Range	6.76	17.98	15.74	4.52	4.21

** Source: Annual Reports and Accounts of Related Companies under study from 1990-91 to 1999-2000*
Note: H = Highest, L = Lowest

In aluminium industry in India, during the period of study from 1990-91 ti 1999-2000 the proportion of power and fuel to total cost varied in a range of 4.21 from 22.50 per cent in 1994-95 to 26.71 per cent in 1990-91. Due to increase in other elements of costs also the proportion of power is not showing so much increased, but the power rates have increased substantially during the period of the study. The proportion of power and fuel registered a fluctuating trend due to continuous power cuts and deteriorated quality of power supply.

In HINDALCO during the period of study from 1990-91 to 1999-2000 the proportion of power to total cost varied from 21.71 in 1992-93 to 28.47 in 1995-96. During 1990-91 its proportion was 24.36 per cent. "The performance of the power plant was satisfactory throughout the year except for a labour problem in December, 1990 resulting in interruption of power supply."

The Partial shut down of Renusagar Power Plant bought down the proportion of the company in 1992-93 to 21-71 per cent, the lowest during the period.

However, the proportion increased in 1993-94, 1994-95 and 1995-96. It was 24.45 per cent, 25.50 per cent and 28.70 per cent respectively. All of which was due to the enhanced power generation capacity of Power Plant from 350 MW to 500 MW. But during the later years from 1996-97 to 1999-2000 it registered a decreasing trend. The proportion was 26.70 per cent, 26.48 per cent, 23.68 per cent and 22.65 per cent in 1996-97, 1997-98, 1998-99 and 1999-2000 respectively. The decrease in proportion of power during these years was due to the expenditure on other items, of which some are of fixed nature, did not decrease resulting in lower proportion of this expenditure.

In INDAL the proportion of power and electricity charges to total cost varied from 35.20 per cent in 1990-91 to 17.22 per cent in 1994-95. Constituting a range of 17.98 with an average of 22.09 per cent for the period of the study from 1990-91 to 1999-2000. The company faced frequent power cuts and inadequate supply due to increased power tariffs first by the Orissa Government and more harshly by the Karnataka Government.

In 1990-91 the company registered the highest proportion of 35.20 per cent during the period of the study. The proportion came down to 28.98 per cent in 1991-92 as- "there was significant deterioration in the quality of power supply. Interruption in supply increased by 4% compared to the previous year" The proportion further decreased to 21.50 per cent, 17.46

per cent and 17.22 per cent in 1992-93, 1993-94 and 1994-95 respectively. "Extensive power cuts and interruptions adversely affected metal output at 38,559 tonnes, was only 33% of capacity."

The proportion of power and electricity charges showed a fluctuating trend during the later years of study. Inspite of the total power cut, the proportion increased to 20.79 percent in 1995-96, came down to 17.53 percent in 1996-97. And it was 20.58 percent in 1997-98, 19.80 percent in 1998-99 and 21.86 percent in 1999-2000.

The proportion of power and fuel in BALCO during the period under study was higher as compared to other aluminium companies under study. It was 26.85 per cent. The percentage varied from 23.43 per cent in 1994-95 to 29.17 per cent in 1993-94 constituting a range of 5.74. The proportion of expenditure marked a fluctuating trend from 1990-91 to 1999-2000. The frequent shortage of power with interuption in power supply caused damage to the smelter and increased the consumption of costly chemicals like Cryolite and Aluminium Fluoride.

The proportion in 1990-91 was 27.92 percent with came down to 26.64 percent in 1991-92 due to power outages and anode formations in the Cell Lines in the first half of the year and problems of power supply form the Captive Thermal Power Plant coupled with power interruptions and restrictions of power supply from MPEB during the latter half of the year. The proportion increased to 27.41 percent in 1992-93 followed by 29.17 percent in 1993-94, the highest during the period under study.

However, the proportion came down to 24.43 percent in 1994-95 being the lowest during the period. "Following the setback faced till 1993 due to excessive built up of inventories and consequential slump in the prices of aluminium, in early 1994 lending Aluminium producing countries agreed to voluntary cut back Aluminium production to prevent further decline in process." This in turn led to lower consumption of power and thus leading to lower proportion.

The proportion again increased during 1995-96 to 1997-98 and was 24.78 per cent, 26.67 per cent and 28.27 per cent respectively. But it substantially decreased to 26.10 per cent in 1998-99. "During the month of October, 1998 the hot metal production suffered severely due to power failure during the month owing to the collapse of 3 transmission towers of BCPP-BALCO lines on the night of the 30th September, 1998 resulting in total disruption in power supply and further interruption and restrictions in the smelter which continued until restoration of power supply to the transmission of power supply to the transmission lines." The management of the company took necessary steps effectively to arrange necessary power by drawl from MPEB with a view to keep the pots in smelter in molten condition and subsequent stepping up of production. The proportion increased to 28.05 per cent in 1999-2000, inspite of the absence of uninterrupted supply of power.

In NALCO the proportion of power and electricity charges to total cost varied from 20.96 per cent in 1991-92 to 25.48 per cent in 1997-98 constituting a range of 4.52. The problem of power supply in the company in most of the years was due to grid failure of OSEB. The proportion in 1990-91 was 22.20 per cent which came down to 20.96 per cent in 1991-92, the lowest during the period under study. It was 24.56 per cent, 24.82 per cent, 24.41 per cent in 1992-93, 1993-94 and 1994-95 respectively. The marginal fall in proportion in 1994-95 was due to complete power outage on account of grid failure of OSEB. It further came down to 22.56 per cent in 1995-96 followed by an increase of 23.68 per cent and 25.48 per cent in 1996-97 and 1997-98 respectively. As was stated in the Director's Report - "NALCO does not face power shortage problem, infact, NALCO's surplus power is sold to state grid."

In 1998-99 due to off-take restriction by GRIDCO and lower power off-take by the smelter plant the proportion came down to 23.26 per cent during the year. Inspite of off-take by GRIDCO the proportion of power to total cost increased in 1999-2000 and was 24.45 per cent.

It will be seen from table no. 2, that the 'F' ratio is 17.33. The table values of F at 1% and 5% levels of significance for $V_1 = 3$ and $V_2 = 36$ are 3.78 and 2.60 respectively. This shows that the differences in the percentage expenditure on power and fuel in the four companies are significant.

Table 1

Analysis of Variance of Proportion of Power and Fuel in Aluminium Companies in India

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square of Variance	
Between	149.22	3	49.74	F = $\frac{49.74}{2.87}$
Companies Within	103.44	36	2.87	
Companies	252.66	39	-	= 17.33

The following are the suggestions made for improving power supply to aluminium industry :

1. It would be desirable to phase the implementation of power programme in such a way that the actual requirements of the aluminium can be readily fulfilled.
2. It would desirable for Government to examine the question of electricity tariffs in detail particularly with a view to determining the range of disparities between on state and another and to advise means for bringing about ways and means for bringing about such uniformity as may be possible without affecting the financial interests of the companies concerned.

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INDIAN BANKING SERVICES: CUSTOMER FRIENDLY APPROACH

**A.K. Aggrawal*
***D. Mehta*

ABSTRACT

Indian banks are transforming themselves to customer centric and competitive branch seeing. The paper narrates a few emerging areas in this field. This paper discusses that now ATMs, e-enabled services, electronic transfer system, telebanking etc. benefits have changed the servicc orientation of Indian Banking Sector. The service sector has been the fastest growing sector in the post liberalization period. Indian Banking is now changing its face.

Indian banking has already entered in the third wave of banking reforms in its attempt to be more closer towards international standards. Third generation reforms are popularly known as 'era of regeneration & consolidation.' It must be kept in the mind that not everything is fine in the Indian banking industry or system, but certainly overall going mood is positive, service oriented & customer centric. Off late Indian banks too have realized that - "consumer is king". After "VRS" & technology upgradation Indian banks are becoming more customer friendly & breathing somewhat easy - a good omen for all concerned.

SERVICE ORIENTATION

The service sector has been the fastest growing sector in the post liberalization phase. Indian banks will have to transform themselves from the earlier called "Social Banking Era" to newly conceived technology based "Customer Centric" & competitive branch banking. In our country were more than 70% people live in rural areas, 34% of population still illiterate and economy is agro-based, Indian banking sector has to be more "customer-savvy" & help in social-economic development along with the present day dictum of international norms.

**Reader, Faculty of Mgt. Studies, Banaras Hindu University, Varanasi.*
***Faculty Member, Pt. JNIBM, Faculty of Management Studies, Vikram University, Ujjain*

Most of the banks have realized that they are no longer simply lenders. All traditional & existing methods of banking are giving way to new thinking & focus. Many banks have realized that lending is just like value destroying for the shareholders & the bank itself. Bankability of more & more corporate houses is reducing due to the continued recession in the economy. Indian banks are trying to increase the flow of transactions through their customers which provides them a fee based income at comparatively lower risk. Statistically speaking demographic changes during the next 3-5 years are likely to bring down the median age of Indians to around 35 years. It is hoped that by the year 2006-2007 the population of Indian people aged below thirty years would be reaching 50 crores mark.

CUSTOMER FRIENDLY MARKETING ORIENTATION

It is said that "put yourself in the shoes of the customer". This befits with the marketing orientation of Indian banks be it public sector banks or private sector banks. It clearly shows that retail banking has to developed and undergo a massive structural change in Indian banking industry.

All over India, particularly in metros & big cities like Pune, Indore, Baroda, Kota, Amritsar, Nagpur, Nasik, Ranchi, Surat, Udaipur, Jodhpur, Mysore, Guntur, Vishakapattanam, Cochin & many more, customers are now experiencing banking transactions with comparatively more ease & less constraints of time - (saving in service hours) emergence of direct banking channels like AIMs across the length & breadth of the country have added value in banking services. Indian banks must realize that a visit to a bank by customer must be "a pleasure visit" not "a painful/panic experience" i.e. standing in ques, with a token or name being announced several times for transaction formalities.

- e-enabled services to provide 24/7/365 days services to customers.
  hrs. days.
- Extension of shifts/transaction hours/working hours from 4 hrs. to 6 hrs. in a day.
- Quick disposal of NPA cases.
- Safe storage & data/preservation with handy retrieval system.
- Electronic fund transfer system for money transfer.
- Introduction of telebanking & SWIFT (Society for Worldwide Interbank Financial Tele.) networking. (presently more than more than 4800 branches covered.

CRM & OTHER FINANCING MODES

- The competition has made relationship banking essential. Relationship is important to be sellable to sell standard products which are not very distinct from one to another. Relationship in banking is also important from client's angle i.e. providing customized banking solutions.
- Channel financing is another emerging area where win-win situation exists for every part involved - the bank, the corporate & channel partner.

- Banks are providing internet banking to customers which can not only be used for enquiries but also for transaction initiations.
- Indian banks are also providing "End-to-End' solutions to corporates interested in personal banking requirements of their organisation's employees i.e. easy accessibility to employees' home loans, salary a/cs and may other similar facilities.

ATMs (AUTOMATED TELLER MACHINES) AND RETAIL BANKING TIME

India is one of the world's lowest users of ATMs. People still prefer cash & cheque transactions. From a small installed base of just 500 ATMs in 1998. There are nearly 7500 ATMs today. India has witnessed a 16 fold jump in ATM installations in the last 5 years. India has current ATM density at a mere 7 ATMs per million population compared to 1200 ATMs per million in US & 44 ATMs per million in China. Indian society is still a predominantly cash society with cash transactions accounting for more than 50% of total transactions. Indian banks should go for higher usage of ATMs and mobile ATM vans for customer convenience and cost saving in comparison to in branch visit operations.

Retail banking finance in India accounts for merely 2.6% of the GDP as compared to average 30% to 40% in South-East Asian countries. Indian banks will have to extract and tap this potential for younger generation who have got ambition driven anxieties to achieve everything in a relatively younger age.

DIGITAL CHEQUES

There is a huge opportunity or electronic/digital cheque clearing in India. It eliminates fraud possibilities also. Electronic Cheque Presentment Image Exchange (ECPIX). The Negotiable Instruments Act Amendment 2002 has already introduced the concept of digital cheques which is likely to result in cost savings worth close to Rs.500 crores for Indian banking system. There are two major benefits of digital cheques to consumers:

i) Doing away with the cost of physical handling of cheques.

ii) Reduction in clearing time of outstation cheques to 1 day from 2-3 weeks presently.

Over a billion cheques are cleared every year in India, while in US about 60 billion cheques are cleared. Cehque issuance in India is growing at a rate of 10-12 percent every year but in US "cheque payments" are losing their relevance due to increasing users of credit/debit cards & other instruments of payment. According to NCR corporation, the world's largest manufacturer of ATMs, very soon bank customers in India too would be able to make cheque & cash deposits over ATMs without having to go through the monotony of sealing them in filled out deposit envelopes rather they can enjoy technology in which deposit cheques are scanned and an image of cheque appears on the ATM screen, allowing the customer to immediately verify the cheque amount.

PLASTIC MONEY/DEBIT CARD VS CREDIT CARD

Plastic money is also getting wider acceptance in India. The number of credit card holders are now more than 50 lacs and still likely to rise further. Credit & debit cards allow customers to shop without paying cash at the point of purchase. A debit card actually restricts one's spending to the amount balanced in one's account. At the same time there are credit limits for credit cards & deduction for debit card. In case of credit card's loss or theft anyone can take the signature & cause us loss. While in case of debit cards 'without punching' identification no theft or loss can happen. All major banks including nationalized banks offer credit cards. Since Indian society is considered "credit averse" debit cards are likely to be more popular product than credit card.

Features	Debit Card	V/s	Credit Card
Maintain outstanding	No		Yes
Cash advances	No		Yes
Security on losses/thefts	More		Less
Monthly settlements	No		Yes
Rewards/benefits	No		Yes

Source : "Plastic Money" - Playing the Right Card - Prashant Verma A&M, 15 Sept. 2001, Pg.24

CONCLUDING REMARKS

Above discussed "Customer Friendly" tendencies clearly indicate that apart from providing regular banking products & services, Indian banks will have to become "One Stop Financial Shop" providing a large basket with full of "Customer Centric" - financial products like mutual funds, government securities, several bonds like RBI Relief Bonds and Insurance Products. The days are not far as mobile ATMs move - mobile Indian banks - so called new generation banks with slogans like "Your bank at your door step". The Indian banks will have to adjust to these paradigms shifts and response to their customers.

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ACCOUNTING OF INSTALLMENT PURCHASING, BASED ON ISLAMIC LAWS IN IRAN

***S. Husain Ashraf**
****Khosro Faghani Makrani**

ABSTRACT

The present method of accounting in Iran draws from the method and principles of accounting, as applied in U.K. and U.S.A. Those principles of accounting are mostly inconsistent with the cultural and economic texture of Iran.

This study tries to analyze the Islamic Laws on Installment Purchasing in which most companies are engaged, especially after the approval of the Interest-free Banking Operation Laws in order to achieve the most proper accounting method.

It was not possible to change the methods before Ac Islamic Revolution. But now these changes are possible, and the knowledgeable persons both in and out side the Majlis have been trying to compile the methods of accounting according to Islamic Laws.

The researcher has tried to suggest the best accounting method for Installment Purchasing keeping in view the Islamic principles of financial accounting. The Paper is divided into two parts: The first pan deals with the concept and principle of Installment Purchasing based upon the Islamic laws, and the second part discusses the method and procedure of installments purchase accounting.

THE PRINCIPLES AND CONCEPTS OF INSTALLMENT PURCHASING

Installment Purchasing is a kind of transaction in which the seller should deliver the commodity to the buyer-the buyer can pay the price of commodity to the seller in installments- On Installment Purchasing the ownership of the commodity is transferred to the buyer at the time of transaction. This kind of transaction is synonymous to On-account Transaction or Credit Transaction in Islamic law prescribing for interest -free banking operation.

**Reader, Dept. of Commerce, Aligarh Muslim University, Aligarh.*
***Research Scholar, Dept. of Commerce, Aligarh Muslim University, Aligarh.*

Installment Purchasing according to the Civil Lae of Iran

Installment Transaction is not mentioned in the Civil Law of Iran. But the credit account has been described in Article Nos. 341, 344, 363, 377 and 395. For example, in Article No. 341, it has been said that transactions may be absolute (unconditional) or conditional and that they may take time lo deliver the commodity or to pay the price of the commodity.

The Conditions of the correct Installment Transactions

All conditions, mentioned on Article No. 19 of the Civil Law should be observed in any Installment Purchasing. Further, in this kind of transaction the price of the commodity and the date of payment should be paid down clearly, otherwise the transaction will be deemed nil and void.

The Article says:

The basic conditions of correct transactions are: a) Satisfaction of the two sides to the transaction, b) Eligibility of the subject of transaction and c) Legitimization of the transaction.

Installment Purchasing on the basis of Free-interest Banking Operation Laws

Article Nos. 10, 11 and 13 of the Interest-free Banking Operation Law in Iran define an Installment Transaction. The Cabinet of the Government approved in October 1985 the executive methods of Installments Transaction in Article 56, Chapter 3. According to the Article, utilization of Banks' resources is limited in relation to Installment Selling for financing a part of working capital and capital expenses of production units, service units and also construction of cheap houses for selling. The kinds of Installments Transaction, based on the consumption of cash resources of Banks are as given below:

a) Installment Selling of Raw Materials, Tools and Equipment,

b) Installment Selling of Production Machinery,

c) Installment Selling of Houses

THE ACCOUNTING PROCEDURE IN INSTALLMENT PURCHASING

At the present time, the accounting of Installment Purchasing in Iran is by and large derived from U.K. and USA, because the method and principles of accounting of Installment Purchasing on the basis of Islamic law is not wholly available. Thus, people are by and large taking to use Islamic method of Installment Purchase Accounting.

Basis and Procedures of Accounting for Installment Purchasing

Basis and procedures of accounting for Installment Purchasing are described and summarized in two sections:

a) Subjects of Installment Purchasing
b) Conclusion and Suggestions.

SUBJECT OF INSTALLMENT PURCHASING IN IRAN

Nowadays due to the changed market and financial conditions. Installment Purchasing is performed through Banks. Therefore, the subject of Installment Purchasing is described under the framework of Bank Contracts. The activities of Banks in relation to Installment Selling of assets are limited to the satisfaction of the needs of production units, manufacturing units, agriculture units, service units and also construction of cheap houses for sale.

Accounting Records of Installment Purchasing

Accounting records of installment purchasing are of four types:

(I) **Debit Assets** (with the cash amount of commodity or present value of liability)

Credit Seller (with the cash amount of commodity or present value of liability)

The problem of this method is mat a part of the amount of transaction is not recorded. According the Accrual Basis of Accounting the application of this method is problematic-

(II) **Debit Assets** (with the cash amount of commodity or present value of liability on Purchase of Assets)

Debit Financial Expenses (with the difference between cash price and credit price of the commodity)

Credit Seller (with the credit price of commodity)

In this method the commitment of the buyer is recorded correctly. According to the matching principle, this method is not correct because a pan of the amount of transaction is recorded as the financial expenses at the beginning of the time of transaction. As those assets will be used later the result of applying this method is not clear especially when the amount of transaction is so high or the buyer takes pan in it before starts-up and exploitation

(III) **Debit Assets** (with the cash price of commodity or present value of liability)

Debit Deferred Expenses (i.e. with the difference between cash price and on-account price of commodity)

Credit Seller (with the On-account price of commodity)

This method is based on the accrual basis of accounting. But the problem is to divide the price of the commodity into two parts, namely, assets and deferred expenses. The un-expired pan of the deferred expenses should be reduced from the amount of debt of customer, then the net debit of the customer be shown on the balance sheet.

(IV) **Debit Assets** (On-account price)

Credit Seller (On-account price)

The characteristics of this method are as follow:

- The amount of transaction and the commitment of buyers is also in full accordance with the concepts and principles of Islamic Laws.
- However, /it is to be matched with the principles of Banks' Interest-Free Operation.
- In this method, all accounting information, every need of investors and owners of equity is recorded, prepared and presented.
- The calculation of this method is very easy, and none can inject his/her personal opinion.

CONCLUSIONS AND SUGGESTIONS

According to Islamic Law Installment Transaction in countries which follow the Islamic laws, is a mixture of lawful and unlawful elements It is lawful, because a transaction occurs with a clearly defined subject. It is unlawful because of the recognition of the interest. Therefore, its accounting method is also not correct.

According to Islamic laws, it is necessary to clarify the amount and price of transaction to understand, whether the transaction is cash or On-account (transaction), because it is one of the conditions, considered for the correctness of transactions.. Therefore, it is not recommended that the amount of the On-account Transaction be divided into pans viz., cash amount and interest, etc. To conclude, it can be said that the application of the method, mentioned above, is the best procedure according to Islamic Law.

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VALUE ADDED TAX: AN OVERALL VIEW

***Dr. Arvind Kumar**
****Puspendra Mishra**
****Bhupesh Kumar Shah**

ABSTRACT

In America it is commonly termed as "Added Value Tax", and French and Germans call it as "Tax on Value added". The Most commonly terminology used for Value Addition Tax is "VAT" (Value added tax). The Concept of VAT was first introduced in the year 1918, when F. Von Siemens, a German economist, proposed it as a substitute for German Turnover Tax. "VAT" can be defined as a "Tax levied, on the value added, to a product or service each time it changes hand." It would to surprising to know that most of the countries around the world have adopted VAT except for India and America, where it is still in the process of implementation. Adoption of "VAT" will have two fold advantages- one being avoidance of cascading effect of indirect taxation and the other being control over tax evasion. In this paper, we would like to throw light on the concept and methodology of collection of tax under VAT regime.

VAT has been introduced largely to cover up the loopholes in the current sales tax system, where the former is a multi point taxation system whereas the latter is a single point taxation system.

"VAT" can be defined to mean a "multi point turnover tax imposed at each stage of production and distribution on the sales of business firms minus cost incurred on the purchase of goods and services from other firms."

"VAT" is sometimes also referred as "improved turnover tax" or "refined turnover tax" as it avoids the pyramiding effects of tax in production, i.e. it seeks to tax only the additions made by the firm in terms of labour, depreciation, expenses and profits.

**Professor Lucknow University*
***Lecturer, Lucknow University*
****Chartered Accountant, Department of Commerce, Lucknow University. Lucknow-226007 (India)*

Let us take an example to understand the concept of VAT. There are three firms- A, B. C- engaged in the production and distribution of an article "X", where A is the manufacturer, B is the whole seller and C is the retailer.

"A's" cost of manufacturing comes to say Rs. 100/- and he sells it for Rs. 150/- to "B'. "B's" cost of selling plus profit comes to Rs 50 and sells it to "C" tor Rs. 200/- and "C" sells it tor Rs. 250/- to the ultimate customer.

The VAT on the Three shall be as follows:

Firms	Cost	Selling price	Value addition	VAT @ 10%
A	100.00	150.00	50.00	5.00
B	150.00	200.00	50.00	5.00
C	200.00	250.00	50.00	5.00
Total	450.00	600.00	150.00	15.00

VARIANTS OF VAT

The variants of VAT can be understood in the context of the expenses incurred by a firm in the process of manufacturing or setting its goods. Every firm whether engaged in manufacturing or trading generally incurs two types of expenses

(1) Revenue expenses tike rent, salaries, wages, interest, and other overheads

(2) Capital expenses tike equipment, plant and machinery, building etc.

The treatment of capital expenses while calculating VAT demarcates the variants of VAT, which can be divided into 4 categories on the above basis

I. Gross Product Type

In this type of VAT system the additions to the existing cost wilt include capital expenses and no allowance for depreciation is allowed as deduction (depreciation should be allowed as deduction because it is similar to purchases of raw material), which tends to collect more tax than any other type of variant discussed hereafter.

Let us take an example on this:

Suppose the firm B above, whose cost of purchases comes to Rs. 150/- and selling expenses (including depreciation of Rs. 20/-) and profit is Rs. 70/- for which total setting price wilt be 220/-. In this case no allowance for depreciation will be allowed (whereas depreciation should be treated at par with purchases), hence the VAT will be applicable on Rs.70/- and not on Rs. 50/-.

Firm	Purchases (Raw Material)	Add depreciation	Total	Selling price	Amount on which VAT is applicable
B	150.00	0.0	150.00	220.00	70.00

II. Income Type Variant

In income type variant depreciation is treated at par with cost of purchases and shall be allowed as deduction.

Consider the above example:

Firm	Purchases	Add depreciation	Total	Selling price	Amount on which VAT is applicable
B	150.00	20.0	170.00	220.00	50.00

III. Consumption Type VAT

In this type of variant capital expenses are allowed as deduction on their actual cost along with purchases.

It can be explained as follows (capital expenses are assumed to be Rs. 40/-here):

Firm	Purchases	Add capital expenses	Total	Selling price	Amount on which VAT is applicable
B	150.00	40.0	190.00	220.00	30.00

IV. Wage Type VAT

In this type of variant besides capital expenses other expenses along with profits are allowed as deduction, which means that only wages are subjected to VAT.

It can be explained as follows (capital expenses are assumed to be RS. 40/- and profit and other expenses Rs. 20/- here):

Firm	Purchases	Add profit and others	Add capital expenses	Total	Selling price	Amount on which VAT is applicable
B	150.00	20.00	40.0	210.00	220.00	10.00

METHODS OF CALCULATING VAT LIABILITY

The VAT liability can be calculated in the following 3 ways

- Addition Method
- Subtraction Method

- Invoice or Tax Credit Method

a) Addition Method: In the addition method all the value adding items are added to form the basis for computing VAT liability.

b) Subtraction Method: in this method purchases are deducted from the soles to arrive at the base for computing VAT.

c) Tax Credit Method: in this method, VAT is firstly calculated on the sales of the succeeding firm and tax paid by the preceding firm is allowed as deduction.

Note: in all the above three methods the amount of tax will be the same which can be demonstrated with the help of the following example:

Particulars	Manufacturer	Wholeseller	Retailer	Total
ADDITION METHOD				
Wages	500.00	300.00	200.00	1000.00
Rent	100.00	50.00	20.00	170.00
Interest	10.00	5.00	5.00	20.00
Profit	10.00	5.00	5.00	20.00
Total	620.00	360.00	230.00	1210.00
VAT @ 10%	**62.00**	**36.00**	**23.00**	**121.00**
SUBTRACTION METHOD				
SALES	620.00	980.00	1210.00	2810.00
PURCHASES	0.00	620.00	980.00	1600.00
VALUE ADDED	620.00	360.00	230.00	1210.00
VAT @ 10%	**62.00**	**36.00**	**23.00**	**121.00**
TAX CREDIT METHOD				
SALES	620.00	980.00	1210.00	2810.00
VAT	62.00	98.00	121.00	1600.00
VAT paid by the preceding firm	0.00	62.00	98.00	1210.00
VAT @ 10%	**62.00**	**36.00**	**23.00**	**121.00**

VAT has a strong inbuilt control system which deters the evasion of tax by a vat payer, this system 's well balanced in the tax credit system where the seller is required to issue the invoices to the buyer. The buyer needs to have the invoices in order to enjoy the tax credit benefit. This helps the tax official to cross check the declared transactions between the taxpayers and consequently the propensity of the tax evasion gets reduced.

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CORPORATE GOVERNANCE PRACTICES

***Brijeah Kumar**
****R.K. Singh**
****Vinay K. Srivastava**

ABSTRACT

The emphasis on Corporate Governance increased with the result of business scams and failures in the World as well as in Indja. This concept is neither new nor has acquired any novel or special meaning, all of a sudden. It is as old as corporates themselves. The publication of the Cadbury Committee Report in 1992, activated the movement of Corporate Governance. It provoked considerably intense consideration of the concept in India too. In India, the Corporate Governance came into limelight with the introduction of economic reforms in 1991 and the need for capital market regulation. Based on recommendations of Kumar Manglam Biria Committee, set up by SEBI, the Companies (Amendment) Act, 2000 introduced a new section 292 A.

Corporate Governance, the buzzword today, is steadily becoming a determining factor in investment decision globally. A good corporate governance is the key to efficiency in a competitive environment and improvement in the prospects for attracting long term capital by instilling confidence in the investors. It is rightly staled by Basudeb Sen That "The improvement in corporate governance is to serve me shareholders' interest alone because, it is out of the shareholders money that the employees, suppliers and the government will derive the benefits." Growing emphasis on the corporate governance is the result of business scams and failures. The Junk Bond fiasco in USA and the failure of Max well, BCCI and Polypeck in UK resulted in the Tread way Committee and the Cadbury Committee in USA and UK respectively to find out the reasons.

To win the confidence of investors, it is quite necessary to have a transparent and an effective corporate governance S. Aravanan has pointed out the following underlying principles of an effective Corporate Governance:

**Reader in Commerce, C.M.P. Degree College, University of Allahabad, Allahabad*
***Senior Lecturer in the Department of Commerce and Business Admin., University of Allahabad, Allahabad*
****Lecturer in Commerce, Iswar Saran Degree College, University of Allahabad, Allahabad.*

- It should be effective in protecting shareholders* interest, yet should leave managers free to run and develop business and to take risks and show entrepreneurship.
- It should provide transparency in terms of full disclosure of information to enable share holders to evaluate managers in their stewardship functions and to be decisive if managers are not performing as per expectations.
- It should not affect adversely investors' liquidity and must allow shareholders to buy and sell shares freely.
- It must be essentially a network of accountability relationship between Board of Directors, shareholders and auditors.
- It should strive to achieve the right balance between shareholders and management itself.

NEED FOR CORPORATE GOVERNANCE IN INDIA

Recently, there has been a large number of scams in the companies of India, involving crores of rupees. They have shaken the investors' confidence in the Indian companies considerably. So much so that the primary stock market is quite dull and the funds raised by Indian companies from the investors in the primary market has gone to the lowest ebb. The various aspirant companies are even afraid of raising funds by issuing shares to the public. The needs for effective corporate governance, as enumerated by Devi Singh, are as follows; Assertion of rights by the shareholders, Significant presence of foreign institutional investors who are demanding greater professionalism in the management of Indian corporates, Concern on the part of lending institutions about the functioning of companies financed by them, Integration of India with the world economy, which demands that Indian. Industry conforms to the standard set of international rules.

CORPORATE GOVERNANCE PRACTICES

Recently, companies in India have started laying emphasis on better and more effective corporate governance. Such efforts are more apparent after the legal provision for the establishment of Audit Committees was made by an amendment in the Indian Companies Act in 2000, It would be better to hove a brief idea of corporate governance practices as followed by a selected companies of India.

- Corporate Governance in Reliance Industries Ltd. (RIL), RIL believes in adopting the best global practices in the area of corporate governance, and follows the principles of fair representation and full disclosure in all its dealings and communications there by protecting rights and interests of all its stakeholders. RIL recognize the proper communication as a key element of the overall corporate governance framework, and therefore, emphasizes continuous, efficient, and relevant communication to all external constituencies. The company has constituted an Audit Committee, comprising four independent, Non-Executive Directors. The constitution of Audit Committee also meets with the requirements under section 292 A of the Companies Act, 1956.

- Corporate Governance in Colgate-Palmolive (India) Ltd., Colgate-Palmolive (India) Ltd. believes that good Corporate Governance is essential for achieving long term corporate goals and to enhancing stakeholders' value. The Company constituted the Audit Committee in April 2000 consisting of three independent Non-Executive Directors. Tie Members of the Committee are well versed in finance matters, accounts, company law and general business practices.
- Corporate Governance in the Arvind Mills Ltd., The company's philosophy on Corporate Governance is to attain the highest levels of transparency, accountability, and integrity. The Audit Committee of the Company comprises of 4 members all of whom are Non-Executive Independent Directors. The committee members are professionals having requisite experience in the fields of Finance and Accounts, Banking Management.
- Corporate Governance in the Great Eastern Shipping Co. Ltd., The company believes that sound corporate practices based on openness, credibility and accountability is essential to its long-term success. The Company constituted the Audit Committee consisting of three independent Non-Executive Directors.
- Corporate Governance in Mahindra Gesco Developers Ltd., The Company believes teat for a company to succeed on a sustained basis, it must maintain very high standards of corporate conduct towards its constituents. The company has always focused on good Corporate Governance, which is a key driver of sustainable corporate growth and long-term value creation to its shareholders. The company set up the Audit Committee in May, 2000, which comprises of 4 Non-Executive Directors.
- Corporate Governance in Jindal Steel, A Power Ltd. The company believes that corporate Governance is not mere compliance with the applicable laws, but its success is dependent on the attitude and conduct of the people manning the company towards customers, government, business partners, stakeholders, shareholders, intermediaries etc. The Company constituted, the Audit Committee on 22nd January 2001 as per section 292 A of the companies Act' 1956.
- Corporate Governance in SBI, The State Bank of India is committed to the best practices in the area of corporate governance. The Bank believes that proper corporate governance facilitates effective management and control of business. The Audit committee of the Board was constituted on July 27,1994.
- Corporate Governance in McDowell & Company Ltd., The Company's philosophy on Corporate Governance continues to be the attainment of highest levels of accountability and equity in all its actions and enhancement of values of all its stakeholders. The company is totally committed to good corporate Governance by adopting best corporate practices to achieve excellence in its dealings. The Company constituted Audit Committee on April 19, 2001 to meet the requirements under both the Listing Agreement and section 292 A of the Companies Act. 1956.
- Corporate Governance in Moser Baer India Ltd., Moser Baer India Ltd. is committed to adhere to the code of corporate governance as it means adoption of best business practices

aimed at growth of the Company coupled with bringing benefits to investors, customers, creditors, employees and the society at large. The company constituted the Audit committee under the chairmanship of Mr. H.D. Wahi. The Audit Committee meetings were held on 30th April. 2002. 25th July, 2002, 16th August, 2002, 30th October, 2002 and 23rd January, 2003.

It is to mention that all above mentioned Indian companies have also established Remuneration Committee as per provision of the clause 49.

CONCLUSION

In the era of globalization and changing scenario of global business, there is considerable debate about what actually constitutes corporate governance. However, there is consensus that its key rectors include improved performance through monitoring and ensuring acceptability of management to various stakeholders. The companies, today, are required to adopt healthy corporate governance practices so as to win me confidence of various stakeholders moreover, it would also have to be understood that a proper corporate governance would certainly facilate effective management and control of the business operations. This would, however, required me requisite change in the belief; attitude and conduct in the management

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APPLICABILITY OF ACCOUNTING STANDARD: 20

***Prof. N. S. Rao**

ABSTRACT

The paper makes an attempt to study applicability of Accounting Standard: 20 with illustrative example. The author has classified the enterprises in three categories.

Earning per share (EPS) is an important ratio which measures the net earning available to a unit of equity share. Some times this ratio is used to predict the market price of share with the help of Price Earnings Ratio (PER), which is obtained using EPS, and market price per share.

$$\text{PER} = \frac{\text{Market Price}}{\text{Eps}} \quad \text{OR PER x EPS = Market Price}$$

Price Earning Ratio is difficult to interpret and it is further difficult to prescribe uniquely its' limit as too high or too low. However, a very high PER suggests that the shares of the Company are over priced and a low ratio implies a state of under priced stock. It is not very uncommon to use PER to assess the expected market price of a firm share with reference to industry average or normal size of PER. For example, if the EPS of a share is Rs. 10/- and price earning ratio is 15, the expected market price of the stock would be Rs. 150/-. The limit of expected market price can also be obtained using a range of PER in the industry as a whole. For example, if the industry PER ranges between 20-25, than the stock having EPS say 12, may expect a price range ofRs. 240/- to Rs. 300/-.

According to part IV of schedule VI of the Complains Act 1956, companies are required to disclose information as regards their EPS. Looking to the significance and relevance of this information, it is realized that a uniform methodology be followed in ascertainment of this ratio.

**Professor and Head, Department of Accountancy and Statistics, Mohanlal Sukhadia University, Udaipur.*

It is very common to find the companies having convertible financial instrument which are supposed to be converted in equity at a future date. If the EPS is calculated on the basis of equity outstanding at a particular date with reference to existing outstanding equity shares only without taking into consideration the impact of potential conversion, it will be misleading.

It is, therefore, necessary that present and prospective investors are informed about the dilutive effect of potential conversion.

The I.C.A.I. had issued AS: 20 which become effective since 1-4-2001. Its mandatory in nature and was applicable to following types of companies.

- To companies whose equity or potential equity share are listed on recognised stock exchange in India.
- To enterprise although do not have equity shares or potential equity shares but discloses EPS.

However, now so far as the applicability of "AS" in India is concerned the fundamental policy changes have been introduced recently in the 236th council meeting held on September 16-18, 2003. As regards the applications of "As$_s$", the enterprises are classified into three categories viz. Level I, Level II, Level III.

The enterprises falling in the category of Level II and III are considered as small and medium size enterprises (SMEs). It is important to note that level I enterprises are required to comply with all "AS". However, some exemption and relaxations have been made in respect of SMEs. So far as the application of AS-20 is concerned level II and III enterprises are not required to disclose information as regards dilulted EPS as directed by paragraph 48 of AS-20. It is important to note that all companies are required to comply with requirement of AS-20 in pursuance to part IV of schedule VI of the companies act, 1956, the position now is that the companies which do not fall in level I category will not be required to disclose diluted EPS, but the basic EPS only.

CLASSIFICATION OF ENTERPRISE

Three categories of the enterprises are detailed as follows:

LEVEL I ENTERPRISES

Enterprises which fall in any one or more of the following categories, at any time during the accounting period, are identified as Level I enterprises:

(i) Enterprises whose securities are listed in India or outside India.

(ii) Enterprises which are in the process of listing their securities.

(iii) Banks including co-operative banks.

(iv) All financial institutions.

(v) Enterprises engaged in insurance business.

(vi) All reporting enterprises whose turnover for the immediately preceding accounting period exceeds Rs. 50 crore.

(vii) All reporting enterprises having borrowings, including public deposits over Rs. 10 crore during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above during the relevant period.

LEVEL II ENTERPRISES

Enterprises which are not in category of Level I enterprises but fall in any one or more of the following categories are designated as Level II enterprises.

(i) All reporting enterprises with turnover exceeding Rs. 40 lakhs but does not exceed Rs. 50 crore.

(ii) All reporting enterprises having borrowings. (including public deposits) more than Rs. 1 crore but not more than Rs. 10 crore during the account period.

(iii) Holding and subsidiary enterprises of any one of the above.

LEVEL III ENTERPRISES

Enterprises which are not covered under Level I and Level II are considered as Level III enterprises.

Two types of EPS are required to be informed as per original version of AS-20.

$$\text{(a) Basic EPS} = \frac{\text{Net profit or loss for a period attributable to equity shareholders}}{\text{Weighted average no. of equity outstanding during that period.}}$$

$$\text{(b) Diluted EPS} = \frac{\text{Diluted earning}}{\text{Potential outstanding equity shares}}$$

Diluted earning is calculated by adding back to earning after tax the amount of preference dividend on convertible preference share. Besides, the amount of interest net of tax effect charged on FCD8 and PCD8 or loan. Similarly the weighted average number of equity shares outstanding on a particular date is calculated keeping in mind number of shares issued, shares bought back and time magnitude of movement of resources. It has been explained with the help of following example:

Example l: Following is the movement in the equity shares in case of X Ltd. for the year ended March 31, 2003.

Date	Particular	No. of shares issued	No. of shares bought back
1-4-2002	Balance at the beginning of the year	20,000,000	-
31-5-2002	Shares issued	2,00,000	-
31-8-2002	Buy back	-	60,000
1-12-2002	Share issued	1,00,000	-
28-2-2003	Buy back	-	80,000
31-3-2003	**Balance at the end of the year**	**23,00,000**	**1,40,000**

Calculate the weighted average number of shares to be used as denominator for the calculation of the EPS.

Solution: Determination of weighted number of shares

Date	Particular	No. of Share Issued	No.of Share bought Back	No. of out-standing Shares	Weight Factors	Weighted number of Shares
1.4.2002	Balance at the Beginning of year	20,000,00	-	20,00,000	2/12	3,33,333
31.5.2002	Share issued	2,00,000	-	22,00,000	3/12	5,50,000
31.8.2002	Buy Back	-	60,000	21,40,000	3/12	5,35,000
1.12.2002	Share Issued	1,00,000	-	22,40,000	3/12	5,60,000
28.2.2003	Buy Back	-	80,000	21,60,000	1/12	1,80,00
31.3.2003	Balance at the end of year	23,00,000	1,40,000	21,60,000		21,58,333

Alternatively, the weighted number of share outstanding may be calculated as follows:

Date	Particular	No. of Share Issued	No.of Share bought Back	Weight Factors	Weighted number of Shares
1.4.2002	Balance at the Beginning of year	20,000,00	-	12/12	20,00,000
31.5.2002	Share issued	2,00,000	-	10/12	1,66,667
31.8.2002	Buy Back	-	60,000	7/12	(35,000)
1.12.2002	Share Issued	1,00,000	-	4/12	33,333
28.2.2003	Buy Back	-	80,000	1/12	(6,667)
31.3.2003	Balance at the end of year	23,00,000	1,40,000		21,68,333

Example 2: Capital structures of X Ltd. contain Equity shares as well as 10% preference shares as follows:

Equity Share capital - 30,00,000 shares @ Rs. 10 each

10% preferences shares -10,00,000 shares @ Rs. 20 each

(Convertible into 2 equity shares @ Rs. 10 each)

Profit available to equity shareholders - Rs. 50,00,000

Calculate the Basic EPS & Diluted EPS.

$$\text{Basic EPS} = \frac{\text{Earnings available for equity shareholders}}{\text{No. of Equity shares outstanding}}$$

$$= \frac{\text{Rs. } 50,00,000}{30,00,000 \text{ shares}} = \text{Rs. } 1.67$$

Adjusted earnings after conversion of

Preference shares = Rs. 50,00,000 + Rs. 20,00,000 (10% dividend on preference share capital Rs. 20,00,000)

= Rs. 70,00,000

New shares after conversion of

Preferences shares = 30,00,000 + 20,00,000 = 50,00,000
(Existing) (issued for Preference share)

Diluted EPS = Rs. 70,00,000/50,00,000 = Rs. 1.4

Example 3: The capital structure of a company is given below:

Particulars	**Amount**	
	No. in lacs	Rs. in lacs
Equity shares outstanding on 1-1-2003	2000	20,000
10% convertibles: each to be converted into 8 equity shares	400	40,000
Net Profit after Tax		2,000
Basic EPS	**=2000/2000**	**1**

Convertibles is termed as dilutive if full conversion is assumed at the beginning of the year that will reduce basic EPS. Assume that tax rate is 40% calculation of diluted earning per share will be as follows:

Particular	**No. in lacs**
Equity shares outstanding on 1-1-2002	2,000
Assumed conversion [400x8]	3,200
Total	**5,200**

Restatement of net profit after tax on assumed conversion:

Particular	**Rs. in lacs**
Net Profit	1,000
Add: Interest net of tax (4000x(1-0.4)	2,400
- after conversion interest will not be paid but tax liability will increase.	-
Adjusted Earnings	3,400
EPS (3400/5200)	0.65

Since the EPS on assumed conversion is reduced as compared to the basic EPS. Conversion is termed as dilutive to EPS.

In this Example if each convertible debenture is convertible into equity then EPS would be Rs. 1.06, so convertibles become anti-dilutive as shown below.

Particular	No. in lacs
Equity share outstanding on 1-1-2001	2,000
Assumed conversion = 4000 x 3	1,200
Total	3,200
EPS = 3400/3200 = 1.06; this is more than basic EPS Rs. 1	

BOOK REVIEW

CASES IN HUMAN RESOURCE MANAGEMENT

Authors: Dr. Nageshwar Rao, Dr. R.P. Das, Edition: First, 2002
Publishers: Himalaya Publishing House, Mumbai, Price: Rs. 90, Pages: 102

The case method of teaching is considered one of the most powerful tool to prepare future managers with effective decision making skills. There are eight chapters in this book. The first chapter is mainly devoted to introduction of case method as a pedagogical tool. The book is having altogether 62 cases. The book covers the cases from public and private sector organisations. The unique feature of this book is that the suggested hints for the selected cases have been provided in the appendix which can be highly useful for the students and instructors. This book is highly useful to the HR trainers, academician, management educators, EDP consultants, HR executives and students.

Dr. Ashutosh Verma, Asst. Professor, Institute of Rural Management, Anand

PRINCIPLES AND PRACTICE OF AUDITING

Author: Dinkar Pagare, Edition: Tenth, 2004
Publishers: Sultan Chand & Sons, New Delhi, Price: Rs. 130, Pages- 400+Three section.

Over the years, there has been an impressive growth in terms of the scope, objects and techniques of auditing and auditing profession is also passing very crucial stage. This book has five sections. It has 23 chapters. This updated edition deals with latest theories and practices of Indian Auditing Procedures. The unique feature of this book is that it also contains essay type, short Answer type and objective type questions at the end of each chapter. Case laws have been liberally quoted to bring the finer points of the topic concerned. This book is useful to the academicians, students of commerce, management, auditing, CA, CS and ICWAI.

Dr. Omjee Gupta, Reader, Dept. of Commerce, Feroze Gandhi P.G. College Rai Bareli

MANAGEMENT ACCOUNTING-PERFORMANCE MANAGEMENT

Authors: V.K. Saxena, C.D. Vashist, Edition: Foundation First Feb. 2004
Publishers: Sultan Chand Dropadi Devi Education Foundation, New Delhi, Price Rs. 225

The threat of competition in global market is throwing challenge before managerial performance with special reference to management accountants. This book has two parts - namely A and B. Part 'A' covers performance management related issues like marginal costing, transfer pricing, budgeting control, standard costing. Part 'B' of the book deals with quantitative techniques being used in performance management namely - linear programming and transportation. A variety of theoretical and practical from various professional examinations have been supplemented at the end of each chapter. This book can be highly useful to the academicians, students of commerce, managements, CA, CS, ICWAI and practicing management accountants.

Dr. Atul Panday, Head, Department of Business Management, APS University, Rewa

27th All India Accounting Conference

The 27th All India Accounting Conference will be held on 18th-19th December, 2004 at Utkal University under the joint auspices of the Department of Commerce, Utkal University and Bhubaneswar branch of the Indian Accounting Association with the following topics:

International Seminar :	Accounting Education and Research ***- Prof. B.M. Lall Nigam, Delhi School of Economics, Delhi***
Technical Session - I :	Corporate Mergers and Acquisitions ***- Prof. K.V. Achalapati, Osmania University, Hyderabad***
Technical Session - II :	Environmental Accounting ***- Prof. T.C. Saha, The University of Burdwan, Burdwan***

You are welcome to send the paper to Conference Secretary through e-mail attachment in MS-Word file to: ramana@ximb.ac.in latest by October 31, 2004.

Registration

The registration of delegates is being done on a payment of Rs. 400/- for the members of IAA, RDA and IAA Research Foundation (Late fee for registrations received after November 18, 2004 is Rs. 200/-). The non-members of IAA are required to pay Rs. 700/- (Rs. 400/- + Rs. 300/- for membership fee). Fee for accompanying person is Rs. 300/-. The foreign delegates are required to pay US$ 200. All payments are to be made through crossed demand draft in favour of Conference Secretary, 27th All India Accounting Conference, payable at Bhubaneswar. The draft along with the registration form be sent to: Dr. Ranjan K. Bal, Professor & Head, P.G. Department of Commerce, Utkal University, Bhubaneswar - 751 004.

For further details, please see the website: **www.ucomfc.org**.

Professor Ranjan K. Bal
Conference Secretary
Head, P.G. Department of Commerce
Utkal University, Bhubaneswar - 751 004

Ph. - 0674-2582078 (R), 2582251 (O)
Fax - 0674-2585185, Mobile - 94370 77178

e-mail - ranjankbal@hotmail.com / ranjan_bal@yahoo.com

IAA NEWS

ANNUAL GENERAL MEETING NOTICE

The Annual Meeting of the IAA General House is tentatively scheduled to be held at 12.30 p.m. at the Venue of 27th IAA Annual Conference, Bhubaneswar, on 19th December, 2004, to transact the following agenda:

1. Consideration of the minutes of AGM meeting held at Kasi
2. Consideration of the Accounts of the Association
3. Topics for the next IAA Annual Conference
4. Election as per the Constitution
5. And any other item with the permission of the Chair.

All the members are requested to attend the meeting.

June, 20, 2004

(D. Prabhakara Rao)
General Secretary, IAA

EXECUTIVE MEETING NOTICE

A Meeting of the IAA Executive Committee is tentatively scheduled to be held at the Venue of 27th IAA Annual Conference, Bhubaneswar, on 18th December, 2004, at 8.30 p.m., to transact the following agenda:

1. Consideration of the minutes of EC meeting held at Kasi
2. Nomination of EC members to constitute panel nominating the Jr. Vice President.
3. Consideration of the election of the members on vacancies as per rules.
4. Co-option of members to EC.
5. And any other item with the permission of the Chair.

All the Executive Members are requested to attend the meeting.

June, 20, 2004

(D. Prabhakara Rao)
General Secretary, IAA

SPECIAL GENERAL MEETING NOTICE

A Special Meeting of the IAA General House will be held at the Venue of 27th IAA Annual Conference, Bhubaneswar, on 19th December, 2004, at 11.30 a.m., to transact the following agenda:

Consideration of constitutional amendments relating to sharing of branch subscription.

All the Members are requested to attend the meeting.

June, 20, 2004

(D. Prabhakara Rao)
General Secretary, IAA

UDAIPUR BRANCH NEWS

New Office Bearers

President:	Dr. P.R. Somani	*Vice President:*	B.L. Hada, R.L. Tamboli
Secretary:	S.L. Menasia	*Joint Secretary:*	Dr. Rakesh Dashora
Treasurer:	S.L. Gupta	*Members:*	K.A. Goyal, Anita Shukla, Ashok Kothari

INDIAN ACCOUNTING ASSOCIATION

PAST SECRETARIES

Prof. H.S. Kulshreshtha
(1969-78)

Prof. Mukund Lal
(1978-1993)

Dr. S.K. Singh
(1993-94)

BRANCH SECRETARIES

AHMEDABAD BRANCH
Dr. H.S. Oza
10, New Readers Qtrs.
Gujarat University,
Ahmedabad - 380 009

AJMER BRANCH
Dr. N.M. Singhvi
IAA Ajmer Branch
B-3, Mayur Colony
Ajmer - 305 001

BANGALORE BRANCH
Dr. B.C. Sanjeevaiah
Commerce Department
Central College Campus
Bangalore University, Bangalore

BARREILY BRANCH
Dr. N.L. Sharma
Dept. of Commerce
Barreily College, Barreily (U.P.)

BHUSAWAL BRANCH
Dr. A.M. Agrawal
North Mahl Branch
Bhusawal (Maharashtra)

BHUVANESHWAR BRANCH
Prof. R.K. Bal
Dept. of Commerce, Utkal University
Bhuvaneshwar (Orissa)

DELHI BRANCH
Dr. J.L. Gupta
Dept. of Commerce
Delhi University, Delhi

DIBRUGARH BRANCH
Dr. A.B. Saha
Dept. of Commerce
Dibrugarh University, Dibrugarh

GOA BRANCH
Dr. B. Ramesh
B-10, Staff Quarters
Goa University, Goa

GUWAHATI BRANCH
Dr. Sujit Sidkhar
Commerce Department
Guwahati University
Guwahati - 781 014

HYDERABAD BRANCH
Prof. Achalapati
Dept. of Commerce
Osmania University
Hyderabad

JAIPUR BRANCH
Prof. S.C. Jain
4, Ma-22, Jawahar Nagar
Jaipur

JODHPUR BRANCH
Dr. G.L. Dave
Bhadrajoon House
Barlown Ka Chowk
Jodhpur - 342 002

ASSAM BRANCH
Dr. B.C. Saikia
C.K.B. College
Jorhat - 785 001
(Assam)

KOLKATA BRANCH
Dr. J.B. Sarkar
104-E, Madhusudan Park
(Karunamoyee Ghat Rd)
Kolkata - 700 082

LUVKNOW BRANCH
Prof. J.N. Shukla
75, Sundar Bagh
Lucknow - 302 004

MUMBAI BRANCH
Dr. P.G. Gopalakrishnan
110, 'Sai Deep'
N.G. Acharya Marg
Chembur, Mumbai - 400 074

PUNE BRANCH
Dr. Anil. Pandit
Commerce Department
SNDT University for Women
Karve Road, Pune - 411 038

PATIALA BRANCH
Dr. G.S. Batra
828, Tripuri Town
Patiala - 147 001 (Punjab)

RAJKOT BRANCH
Dr. Pratap Sinh Chauhan
Dept. of Bus. Management
Saurashtra University Rajkot - 360 005

SALEM BRANCH
Prof. S.S. Sundaram
Commerce Dept., Madras University
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