

REVIEWS

Management Accounting Problems in Small Scale Industries. The Institute of Cost and Works Accountants of India, Calcutta, 1975. 183p. Rs. 40.00

This recent study of the Institute of Cost and Works Accounts aims to demonstrate the applicability of the management accounting techniques to the problems of small scale industries. No doubt a study in the area of management of small scale enterprise is a venture in a 'relatively untrodden area' which the Institute admits at the outset. This work is directed towards (a) the Government Institutions set up to help small scale industries, (b) the entrepreneurs themselves, (c) the general body of Cost and Management Accountants who could presumably act as consultants to the small scale units. While this book may serve its purpose of an initial exposure of the various problems that the small scale units face to a relatively fresh audience of cost and management accountants and academicians, the entrepreneurs or the Government institutions dealing with such units may have some difficulties in relating its finding to their operational context.

There are two parts of this book ; part 1 deals with 'Efficiency Appraisal of Running Small Scale Enterprise, and part 2 deals with 'Planning for Investments in New Units'. For researchers and academicians some of the findings of chapter 2, such as 'time devoted by owner managers on various management problems' make interesting reading. But lack of discussion on the methodology for arriving at these conclusions prevents any comments on its universality and robustness.

Since there is no standard definition of 'Management Accounting' which specifies the topics to be covered under its domain, there is an increasing tendency among practitioners and academicians to use the term 'Management Accounting' in a more and more omnibus sense. Therefore, selection of methodology could be the prerogative of the researcher in order to effectively expose the theme. The research team have chosen to proceed through the analysis of balance sheets and profits and loss account of a sample of five units ; such studies do have their appeal to the academicians but have limited utility to the practising community, due to several reasons. The principal one would be that of non-availability of information. Most of the small scale units are either partnership firms who do not have any statutory obligation for disclosing operating results, or private limited companies whose balance sheet only may be referred to by the public. Such lack of information may render all attempts of inter firm comparison impracticable. There is also a more fundamental problem of identification associated with inter-firm comparison which needs to be looked into. The Institute also feels that such ratio analysis when carried out over a period of time would help the entrepreneurs to diagnose potential problem areas. This

reviewer has a somewhat different view point. Such analyses may be helpful to the managers who are away from the operations and hence need such financial control information for diagnosing the problem. But that is a scenario of a large enterprise. An entrepreneur or a manager of a small scale unit is so closely involved with the operations that he is more likely to diagnose the real problem first hand, much before such an exercise is carried out.

Regarding the contents of the study, a number of well thought out ratios have been represented in chapters 5 and 6 but the smallness of the sample (five only) restricts interpretation of the average ratio and its significance. Analysis of funds flow could have received a more elaborate treatment, perhaps through a separate chapter, if necessary.

Understandably the Institute had access to only a small number of units. But the study could have been more useful if each unit had been studied in detail as a case study, and the applicability of a number of micro-analytical tools such as contribution analysis, marginal costing and its application to pricing and product mix decisions etc. discussed in detail. Such an approach perhaps would have been a better help for developing an insight into the management problems of the small scale units. In discussing cash flow forecasting and investment analysis in chapters 3 and 9 such a case study approach has been attempted. But the emphasis seems to be more on the arithmetical computation of certain solutions rather than interpretation of results or evaluation of the underlying assumptions. For example, discussions on assumptions behind preparing a purchase budget could have rendered additional strength to chapter 3.

Chapter 6 recommends and outlines a 'simplified' cost and management accounting system to be followed by the small scale units. Although the formats are quite simple and self explanatory, a note of caution may be in order. In spite of the simplicity of the suggestions, almost in all cases a prescription tends to make a system rather rigid. Perhaps it would have been better if a more flexible approach could have been outlined to study the information need of an unit and develop a tailor made system.

Chapter 8 on the preparation of feasibility report contains some useful information. A more operational guideline on how to prepare a feasibility report would have given this chapter added value.

There are a number of useful annexures, but some of these are mere citations of Government Policy circulars. Since these are available in many Government publications only a reference could have been sufficient. The numerous graphs of the ratio analysis, although help visual interpretation of the tables, do not convey much additional information beyond them. Only a few such examples could have sufficed.

However, in spite of some of the weaknesses in the study, the Institute should be congratulated for undertaking a pioneering venture of this kind. In our secretive culture collection of even final accounts from the small scale units could be trying and there is no undermining the efforts

put in by the research team in analysing them. Notwithstanding its short-comings the present work could be taken as a thought provoking prelude to more intensive and purposeful researches in the same field.

P. K. Sen

Member of Faculty Finance & Control Area
Indian Institute of Management, Calcutta

Central Banking in a Planned Economy : The Indian Experiment. C. R. Basu. New Delhi, Tata McGraw Hill, 1977. pp. 371.

Dr. Basu's book symbolises hard labour and comprehensive coverage. For a non-banker, non-economist like this reviewer it may, therefore, be somewhat presumptuous to review this work. So the task is undertaken with due apologies.

The author begins by saying that ".....very few writers have studied the problems faced by the Central Bank in promoting the growth of a national economy in the context of planning. The present work is an attempt to fill this gap and thus claims to be a genuine addition to the meagre literature on the subject" (p.3). Following this, some of the many interesting hypotheses or points brought up by the author could be highlighted as follows :

1. Whereas a developed economy needs growth, an underdeveloped economy needs development. Thus, growth and development are supposed to be quite distinct. (p. 5) But there is no elaboration of this point.
2. The Reserve Bank of India, in its management of monetary policy, plays a passive role under the dictates of fiscal policy (p. 5). Not much substantiation of this point is made. (see also p. 319).
3. The R.B.I's top management should consist less of civil servants and more of technical men, which could facilitate better coordination between monetary and fiscal policy. This is necessary for the senior officials to have independence of action in the face of ministerial pressures. The hegemony of the heaven-born class (i.e. ICS men) is viewed by the author as almost unshakeable. Even industrialist and businessmen Directors on RBI Board may not be able to express their opinions freely under the present structure. (p. 6. and pp. 306-307).
4. The author finds it difficult to agree with the naive contention that the Indian Institution has been continually 'diluting' the essence of Central banking by extending more and more the scope of its functions beyond the frontiers of Central banking proper (p. 9., p. 163).
5. The author thinks that monetary policy alone can have only a limited impact on inflationary pressures unless steps are taken in the fiscal and administrative fields also