

# INDUSTRY PERSPECTIVE – COST RECORDS/COST AUDIT

## **PRAMOD KUMAR**

REGIONAL VALUE LEADER

S I Group-India Ltd

Thane Belapur Road

Opp. Jui Nagar Railway Station

Navi Mumbai

# **Why to maintain cost records? ( Whether it is mandatory or not?)**

**It is a must for :**

- a. Pricing**
- b. Budgeting/Forecasting**
- c. Performance analysis – Usage Variance and its financial impact.**
- d. Margin analysis**
- e. Decision Making**
- f. Statistics**

- **Audited Cost records give authentic picture and are trusted /accepted by management/various authorities.**
- **Use of audited cost records by various government agencies –**
  - a. **Antidumping Authorities**
  - b. **Transfer Pricing**
  - c. **Excise Authorities**
- **Shall we allocate/apportion fixed cost to determine unit cost for day to day decision making?**

# Operational Efficiency/Performance analysis - Example

Primary- RMC -	BOM	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg
Finished Product - F	108.53	116.95	119.43	121.47	119.34	120.66	119.76	121.06	123.27	121.55
Intermediate - E	105.70	108.50	109.60	110.40	108.55	110.40	109.45	109.65	110.75	109.76

What has caused per kg RM cost to go up and down ?

**Is it due to movement in the prices of Raw Material ?**

**Is it due to change in usage of Raw Material?**

**Or is it combination of both?**

**We will see it in next slide**

Principal Product	Part Code	BOM	Sp Consumption								
			Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	
Finished Product F	Input RM - A - Kg/kg	0.017	0.018	0.015	0.018	0.015	0.015	0.016	0.019	0.018	0.018
	Input RM - B- Kg/Kg	0.070	0.080	0.090	0.085	0.095	0.085	0.075	0.096	0.088	0.088
	Input RM - C-Kg/Kg	0.029	0.300	0.310	0.320	0.330	0.290	0.300	0.320	0.330	0.330
	Input Packing - D -No's	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
	Input Intermediate - E-Kg/Kg	0.990	1.000	1.010	1.020	1.015	1.018	1.019	1.021	1.031	1.031
	Finished Product - F- Kgs	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	RM Cost - Rs/Kg	108.53	116.95	119.43	121.47	119.34	120.66	119.76	121.06	123.27	123.27

		BOM	Sp Consumption							
			Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
Intermediate - E	Input RM - AA - Kg/Kg	0.630	0.650	0.640	0.660	0.645	0.660	0.655	0.635	0.625
	Input RM - BB-Kg/kg	0.490	0.500	0.520	0.510	0.505	0.510	0.505	0.525	0.545
	Output Intermediate - E	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	RM Cost - Rs/Kg	105.70	108.50	109.60	110.40	108.55	110.40	109.45	109.65	110.75

Primary- RMC - Rs/kg		BOM	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
		Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg	Rs/kg
	Finished Product F	108.53	116.95	119.43	121.47	119.34	120.66	119.76	121.06	123.27
	Intermediate - E	105.70	108.50	109.60	110.40	108.55	110.40	109.45	109.65	110.75

**Now I would like to ask –**

**Should Cost Accountants in companies be part of Finance or Cost departments only? OR also in Marketing / Sourcing/Operations also?**

**COST ACCOUNTANTS PLAY VERY IMPORTANT ROLE IN ACHIEVING  
ORGANISATION GOALS LIKE COMMERCIAL EXCELLENCE,  
OPERATIONAL EXCELLENCE, SUPPLY CHAIN EXCELLENCE**

Thank You  
**Pramod Kumar**

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