



# A STUDY ON COST ACCOUNTING INFORMATION AND ITS MANAGERIAL USES IN TEA FACTORIES OF DIBRUGARH DISTRICT, ASSAM

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## ABSTRACT

**KEYWORDS:**  
*Tea, Industry, cost, Records, accounting, dibrugarh*

*Tea industry being one of the most important sources of revenue for the state of Assam has been undergoing various changes to improve the system of record keeping over the last decade. Cost information is a fundamental and vital tool that helps a manager to make a number of decisions, which may have enormous impact on the profitability of the entire organisation. Cost accounting also helps in controlling inefficiency by minimising wastages. This study explores the record keeping system of cost information and their uses in managerial function of the tea manufacturing units in the Dibrugarh District of Assam.*

## INTRODUCTION

Cost Accounting Information has a great role to play in decision making. It also serves the major task of management like calculating the cost of production, fixing the price of different varieties of product in the same factory, controlling costs and wastages etc. All these factors necessitate the systematic and accurate records of all expenses in factories. As the tea Industries of Assam play a big role in the country's economy, it is strongly felt that developed cost accounting practices and costing tools will surely help the managers in their major tasks. Moreover, many industries in developing countries have considered and implemented developed cost accounting practices and costing tools. This study is a humble attempt towards this which attempts to find out the existing system of cost information and their use in decision making in the tea manufacturing in the area under study at Dibrugarh District.

## RESEARCH PROBLEM

In this era of globalisation and intensive competition, Indian companies seem to recognize the importance and utility of managerial and cost accounting practices. Managerial accounting is closely related and tied up with cost accounting. The strong connection between them has been derived from the use of contemporary managerial and cost accounting practices and techniques which have not been properly implemented to face the new production and market competition. However, in this implementation process they often do not rely on current requirement and prefer to develop their own methods, tools and techniques that suit their specific activities. Sometimes, they consider mostly on traditional

practices and techniques, neglecting contemporary and recently developed tools. It is urgently required to investigate the adequacy and adoption level of cost accounting practices that has been followed in all important industries of our countries. As tea industry has been one of the very important industries for the country as well as for the state of Assam and has been making a significant contribution in the national exchequer; the need is felt to investigate into the adequacy of the cost accounting practices therein. In Assam the district of Dibrugarh plays a vital role in the tea industry hence this area is exclusively selected by the researcher for the study.

## OBJECTIVES OF THE STUDY

- To evaluate the costing information system and to find out whether the cost records are adequately maintained
- To assess whether the information are recorded as per requirement of reporting and tax filing purpose only.
- To assess what are the uses the cost information to the managers.

## RESEARCH QUESTIONS

- Ñ whether costing records are maintained by the tea manufacturing units in the area under study
- Ñ whether the costing records are maintained for basically reporting and tax filing
- Ñ whether the managers mostly use cost information for cost calculating or decision making or price fixing or budgeting.

**METHODOLOGY****Primary Data**

In this study, information retrieved from face to face interviews with Managers, Accountants, office assistants and employees, forms the primary data. Mailed Questionnaire has also been used.

**Population**

Population includes the tea manufacturing units in the Dibrugarh District of Assam. There are 299 tea manufacturing units licensed by the Tea Board of India under the revenue district of Dibrugarh as per the latest information. Out of the total 299 manufacturing units, there are 157 manufacturing units which are garden-factory type and the rest 142 units are bought leaf factory type.

**Sample**

The sample size is 40 where 14 numbers of factories have been taken from bought leaf factory group (BLF) and 16 numbers of factories have been taken from garden factory group (GF). In all the units of manufacturing the working pattern is similar and their recording pattern shows minor differences. Therefore, the researcher has used convenient sampling. Only 30 out of 40 samples responded according to the need of the study and 10 out of 40 samples could not be convinced to provide information for the research. Factory under control of company which is a BLF is abbreviated as BLF(C) and BLF under other forms of ownership abbreviated as BLF(O). Factory having own garden which are under control of any company form of business is termed as GF (C) and Factory having garden which are under control of other form of trading organisation is termed as GF(O).

**ANALYTICAL TOOLS**

Analysis and interpretation has been done through tables, graphs and diagrams.

With regard to the first objective of the study, the Researcher could gather the following information relating to the record keeping system in the tea manufacturing units under the area of study.

A tea estate is normally managed by a superintendent who has to report to a private owner (provided the estate is owned by a private owner) or a plantation company handling multiple estates. Some estates have their own factories, those who do not own a factory supply their green leaf to a nearby factory for processing where they are paid on weekly basis. The factory which purchases from outside estates is called Bought leaf factory (BLF).

The cost of production of made tea is a good indicator of measuring the performance of an estate. Therefore all costs are closely monitored. To facilitate this, a special kind of ledger (like a day book) is used in the offices of some of the factories and estates. They are sometimes called checkrolls. The estate can decide on the type of checkrolls they are maintaining in order to simplify the recording of various types of estate costs as well as the tasks assigned to workers and

the material quantities utilized. Some examples of different checkrolls are daily wages checkroll, fertilizer checkroll, factory process checkroll etc. The daily wages checkroll has a name column and thirty one columns for each month. In the name column the worker's name is recorded.

The Companies (Cost Records and Audit) Amendment Rules 2014 dated 31-12-2014, makes it mandatory for all the units and branches to maintain cost records as prescribed, for financial year commencing on or after the 1<sup>st</sup> day of April, 2014, in the form **CRA-1**. The form CRA-1 prescribes the format in which cost records should be maintained. It categorises the requirement of maintaining the following:

1. Material Cost
2. Employee Cost
3. Utilities
4. Direct Expenses
5. Repairs and Maintenance
6. Fixed assets and depreciation
7. Overheads
8. Administrative Overheads
9. Transportation Cost
10. Royalty and Technical Know-how
11. Research and Development expenses
12. Quality Control expenses
13. Pollution control expenses
14. Service Department Expenses
15. Interest and Financing Charges
16. Any other item of cost
17. Capacity determination
18. Work-in-progress and finished stock
19. Captive consumption
20. By-product and joint-product
21. Adjustment of cost variances
22. Packing expenses
23. Records of physical verification
24. Reconciliation of cost & financial Account
25. Related party transactions
26. Expenses and incentives on export
27. Production records
28. Sales records
29. Cost statements
30. Cost records

The above list gives the list of record to be kept by any company. There are so many items, for example material cost, direct expenses, cost statement etc, which will compel the manufacturing units to keep the cost information more accurately and systematically.

Total Labour payment per week can be found out from the labour payment registers. But other labour expenditure like welfare cannot be traced out from the daily record. Direct labour expenses can be calculated well from their day book. They prepare Factory **Kamjari** Report as follows.

**Specimen-1.1**

**Specimen of Kamjari Report**

Sl. No.	Head	Men	Women	Total	O/T Hrs.	Rate	Amount	Remarks
1	Gate Security							
2	Green Leaf							
3	Weithering							
4	Weithering leaf							
5	C.T.C							
6	Ghoogie							
7	C.F.M							
8	Dryer							
9	Sorting							
10	Packing							
11	Office Boy							
12	Despatch							
13	Electrician Jugali							
14	Fitter Jugali							
15	Bungalow Servent							
Total								

Source-Primary data

Tea stock statement is also prepared by all. Stock of graded tea is taken by taking out all the tea from the bin or after packing the grade the balance is weighed. The grain from all grades is tabulated and also the tea lying unsorted is weighed

and final figure is arrived at. This way monthly stock taking is advocated to avoid any pilferage of tea. All factories records daily quantity produced .They maintain Sorting Register for this purpose. Specimen of register has been given below.

**Specimen-1.3**

**Specimen of Sorting Register**

	BPS	BOP	BOPSM	OF/PF	PD	DUST	Secondary	Ball	FIBRE	Total	Remarks

Source: primary data

Monthly expenditure details can give all the other overhead expenditure. But they cannot be directly charged in

the cost of production. Specimen of such expenditure details is also given.

**Specimen-1.4**

**Specimen of Monthwise expenditure details**

Months	March	Apr	May	June	Jly	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Grand Total
Gas bill													
Electricity Bill													
Disel Bill													
Labour Payment													
Staff Payment													
Central excise Duty													
Office Expenses													
Telephone Bills													
G/L unloading													
Bags & Liner													
CTC Roller													
Brokerage													
C/D on made Tea													
Misc. Expenses													
Total Cost													

Source: Primary Data

The researcher has enquired about the daily registers which factory generally maintains. We get the fact that all the manufacturing units under control of company form of organisation do keep systematic daily records of green leaf processed and factory wages, stores consumed and factory expenses.

**Table-1.1**  
**Table showing the response relating record keeping practices of the different types of manufacturing units**

	Factory having garden(GF)						Bought Leaf Factory					
	Company owned(GF(C))			Not owned by company(GF(O))			Company owned(BLF(C))			Not owned by company(BLF(O))		
	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total
Daily details of green leaf processed	5	0	5	9	2	11	5	0	5	9	0	9
Daily Wage	5	0	5	8	3	11	5	0	5	7	2	9
Daily stores consumed	5	0	5	8	3	11	5	0	5	7	2	9
Daily factory expenses	5	0	5	11	0	11	5	0	5	7	2	9

Source: Primary Data

Above table1.1 shows that all company owned Garden factories keep daily green leaf processed, daily wages and daily factory expenses. On the other hand 9 GF (O) out of 11 do maintain such records and 2 out of 11 GF(O)s do not maintain such records.

In case of BLF (C), all units maintain daily records related to green leaf processed, daily wages, stores and factory expenses.

In case of BLF (O) 2 out of 9 such units do not record daily expenses and daily store consumed but they all record daily green leaf processed quantity.

The estates directly managed by any company have to keep records of all expenses. Basically they are grouped into matured tea, transport, manufacture, welfare, medicals, Building maintenance, machine maintenance staff, etc. Details of expenditures are generally recorded whenever they are incurred.

**Stock Taking**

Stock taking is a part of the good practice that is followed to ensure that there is no discrepancy in the system. Every week stocks of fuel, oil, lubricant etc. are verified and a hardcopy of the stock is taken and then, each item is physically checked against quantity mentioned in the stock statement.

**Store issue and purchase**

Store items issued and purchased are recorded. Store Clerk enters all requisitions in the system and generates an issue check list. This is checked by factory assistant and manager and is then processed. At the end of the month the stores data is processed and is merged with financial accounts which then reflects the account wise stores consumption. The researcher has got the following response from the factory managers and accountants relating to the enquiry about the store register and the stock register.

**Table-1.2**  
**Table showing the response to the question whether the store register and the stock register is maintained**

	GF		GF		total	BLF		BLF		Total
	Company owned		Not company owned			Company owned		Not company owned		
	Yes	No	Yes	No		Yes	No	Yes	No	
Store register maintained daily	5	0	9	2	16	5	0	6	3	14
Stock register maintained daily	5	0	7	4	16	5	0	5	4	14
										40

Source: Primary Data

As per Table 1.2 In case of daily store and daily stock records, all the GF(C) and the BLF (C) type of units maintain the daily information relating to stores and stock systematically but 7 GF(O) out of 11 GF(O) and 5 out of 9 BLF(O) keep daily record of stock taking; and 4 out of 11 GF(O) and another 4out of 9 BLF (O) do not keep daily such records.

Again, 2 out of 11 GF (O) and 3 out of 9 BLF (O) do not keep store register on daily basis.

This shows that the units under company have more systematic arrangement for recording the daily stock taking and daily store register.

To know the adequacy of recorded data for managerial decision making purpose, the researcher has taken interview of the managers and has found that most of them are satisfied with the record keeping system of tea manufacturing unit.

Table-1.3

Table showing Response of manager to the adequacy of recorded data for decision making

	Yes	No	Total
BLF	12	2	14
Garden Factory	12	4	16

Source: Primary Data

The table 1.3 shows that 24 out of 30 (80%) managers are satisfied with the adequacy. Only 6 out of 30 (20%) managers are not satisfied with the adequacy of data.

Thus, as per the first research question, whether costing records are maintained by the tea manufacturing units in the area under study, the Researcher observes that all the information, relating to each direct and indirect expenses in the factory, is well maintained in all manufacturing units under

GF and BLF but they do not follow any cost accounting record format except some units under control of companies which falls under the provision of Cost Accounting Record (Plantation and Products) Rules, 2002.

As per the second objective, the researcher wanted to know from the manager and the accountant whether the cost accounting information, they get from the recorded facts, are mainly used for making decisions or reporting for tax filing purpose or both.

Table -1.4

Table showing the response of factory manager regarding use of cost account information whether reporting /decision making /both

	Mostly for decision making		Mostly for reporting and tax filing		Both		Total
Garden Factory under company form	1	20%	3	60%	1	20%	5
Garden Factory not under company	1	.09%	9	81%	1	.09%	11
	2		12		2		16
BLF Under Compoany	0	0%	4	80%	1	20%	5
BLF not under company	1	11%	8	89%	0	0%	9
	1		12		1		14

Source: primary data

The researcher find, in table 1.4, that 3 out of 5 (60%) GF(C) and 4 out 5 (80%) BF(C) uses cost information reporting and tax filing purpose. On the other hand 9 out of 11 (80%) GF(O) and 8 out of 9 (80%) BLF(O) keep their record for reporting and tax filing purpose. 20% of GF(C) and 0.09% of BLF(C) use the cost information mostly for decision making and for both purpose. BLF(O) and GF(O) do not have much to do with the cost information. Only 11% of the BLF(O) uses the information for decision making and 0.09% of GF(O) uses the information mostly for decision making and for both the purpose.

Thus, as per research second question, whether the costing records are maintained for basically reporting and tax filing, the Researcher observes that all the BLF and GF under control of other forms of trading organisation do keep costing records basically for reporting and tax filing purpose. But some of the BLF and GF under control of big players keeps cost records for decision making purpose.

As per the third objective of the study the researcher attempted to know what the uses of available information to the managers are.

Table-1.5

Table showing response relating the uses of cost information to the managers

	Evaluating the performance of machines and production process as whole	Accounting for cost of made tea	Price fixing decision	Budgeting
No.of respnse	13	40	40	5

Source: Primary data

The table 1.5 gives the idea that, the managers and accountants basically uses the cost information to calculate the cost of making tea and price fixing decisions. Above table shows us that very small percentage, which is 5% of them use the cost information for budgeting, 33% of total respondent says that they are using cost information for evaluating performance of machines and production process as a whole. All the managers and accountant uses cost data for calculating the cost of manufactured tea and price fixing for their products.

This way, as per third research question, whether the managers mostly uses cost information for cost calculating or decision making or price fixing or budgeting, the researcher could find that they mostly uses the cost information for cost calculating and price fixing.

## CONCLUSION

The Researcher concludes that all the tea factories record all the cost information in a simple and systemic manner which is the routine task of all tea factories. All the information recorded in the tea factories are as per the requirement of reporting and tax filing purpose. The managers use cost

information basically for calculation of cost of production and price fixing. They are less concerned regarding the cost analysis, budgeting and evaluating the performance of the production process.

Lastly, the researcher finds from the above study that cost information is well kept in units under the control of big players in the industry i.e. factories under control of company form of organisation.

The tea manufacturing units of under the control of various forms of organisations other than company form should try to keep all records which will serve better for the purpose of cost calculation, cost estimation and cost control etc. There should be more and more awareness about the benefits and new techniques of cost calculation among the entrepreneurs and managers.

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