



# Financial and Management Accounting



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# Financial and Management Accounting

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**Author's Acknowledgement :** The writing of a Textbook always involves creation of a huge debt towards innumerable authors and publications. We owe our gratitude to all of them. We acknowledge our indebtedness in extensive footnotes throughout the book. If, for any reason, any acknowledgement has been left out we beg to be excused. We assure to carry out correction in the subsequent edition, as and when it is known.

# Preface

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## To the Sixth Edition

We are pleased to place before the esteemed readers the Sixth Revised and Enlarged Edition of our book ‘Financial and Management Accounting’. We express our regrets to the esteemed readers for being so late in bringing out a new edition of our book due to reasons beyond our control.

The *New Edition*, besides maintaining the *PLUS* feature of the earlier editions, viz., simplicity of style, lucid presentation, helpful questions and problems, etc. incorporates the following welcome changes:

- The book covers all the more comprehensively the course content requirements of the students preparing for PGDBM and MBA examinations of different Indian Management Institutions.
- The latest position regarding Accounting Standards, including *IFRS* Covergence in India, has been incorporated in Chapter 2 – Financial Principles (Part I), of the book.
- Certain new concepts *viz.* Target Costing and Kaizen Costing have been incorporated in Chapter 2 – Basic Cost Concepts (Section A, Part II) and Balanced Score Card in Appendix 2 of the book.
- The main features of AS 20: Earning per Share and Schedule III to the Companies Act, 2013, as amended to date containing formats of Financial Statements have been incorporated in Chapter 2 (Section B, Part III): Ratio Analysis and Appendix 5 respectively.
- Questions and Problems from recent University and Professional Examinations have been incorporated in the relevant chapters of this book.
- The book continues to follow a user-friendly and examination oriented approach.

We are confident that with all these changes, additions and adaptations, the readers will find the revised edition of the book all the more useful and rewarding. Constructive and helpful suggestions for improvement in the book will be gratefully acknowledged.

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## Preface to the First Edition

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In the present era of liberalisation and globalisation, it is being increasingly realised that only those organisations will survive in the long run which can provide goods and services of the best quality at the lowest possible price. The role of executives managing these organisations has, therefore, become all the more difficult. They have to constantly use various control measures and also keep themselves abreast with the latest developments in their respective areas. Accounting is one of the important control tools used by the management executives in achieving their objectives. It is, therefore, utmost necessary that executives have at least a working knowledge of the different accounting concepts, procedures and techniques.

Keeping the above objective in view, the different institutes imparting management education in the country have incorporated Financial and Management Accounting as a core paper of their curriculum. The present book "Financial and Management Accounting<sup>^</sup>" has been written keeping in view primarily the requirements of the students preparing for these courses.

The entire book has been divided into two parts. Part **I**, 'Financial Accounting', covers the entire accounting cycle starting from recording of transactions to preparation of the final accounts. Part **II** 'Management Accounting', incorporates in detail the accounting tools used by the management for exercising adequate and efficient financial control over different activities of the business. It should be noted that Financial Accounting is a basic necessity for Management Accounting. As a matter of fact, Management Accounting begins where Financial Accounting ends.

The book has several distinctive features:

- Comprehensively meets the requirements of the students appearing at MBA and PGDBM Examinations of different management institutions.
- Written in simple and straight style.
- Gives a lucid explanation of the basic concepts of accounting with plenty of illustrative material.
- The subject-matter has been presented in a manner that even a student who has not studied the basic accounting at the graduation level can easily understand and grasp the subject.
- Incorporates at the end of each chapter:
  - Objective type questions with short answers to enable the students to test their understanding,
  - Essay type questions for review, discussion and practice, and
  - Practical problems with short answers for practice to develop a sense of confidence amongst the students.

I am confident that with all these PLUS features the readers will find the book extremely useful and rewarding for them.

Constructive and helpful suggestions for improvement in the book will be gratefully acknowledged.

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## About the Book

The book provides a comprehensive coverage of the course-content requirements of the students appearing the paper 'Financial & Management Accounting' at the PGDBM and MBA Examinations of different Management Institutions. The book has been divided into TWO Convenient Sections. Section 1 deals with Financial Accounting while section 2 concerned with Management Accountong.

The unique features of this book lie in its simple and simplicity of style and systematic presentation of theory and graded practical illustrations which have made it user friendly mainly the students. The other main strengths of this book are: exhaustive text plentiful illustrative examples and end-of-the-chapter exercises with answers.

### New in this Edition:

- Updated position regarding, IFRSs and steps for their convergence in India.
- Certain new concepts viz. Target Costing, Kaizen Costing and Balanced Scorecard have been incorporated in Chapter 3 (Section A) and Appendix 1 of the book.
- Schedule III regarding presentation of financial statements as per the Companies Act, 2013 has been incorporated as an Appendix 5 to the book.

## About the Authors

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**Mr. Sharad K. Maheshwari** is a highly qualified business professional with around 25 years of experience at senior management positions and as a Consultant. He is an accomplished Chartered Accountant, a Cost & Management Accountant, a Company Secretary, a CPA from Australia and a CMA from USA. Mr. Sharad is a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Cost & Management Accountants of India and Associate Member of the Institute of Company Secretaries of India. He is currently practising as a Chartered Accountant at, Gurugram, Haryana. Prior to this, he also provided his services as General Manager: Dalmia Cement Bharat Ltd., New Delhi, General Manager: Corporate Finance, The Lalit Suri Hospitality Group, New Delhi, and also served as a Senior Executive with Schlumberger Ltd., Baker Hughes, and Bumi Armada Ltd., three leading names in the oil field services industry. Mr. Sharad has also authored more than six dozen books/monographs besides participating in several national and international seminars.



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