



The Institute of Cost Accountants of India Global Summit 2020



Cost Audit – Tool for Management Strategies

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Mission \$5 Trillion – Economic Backdrop



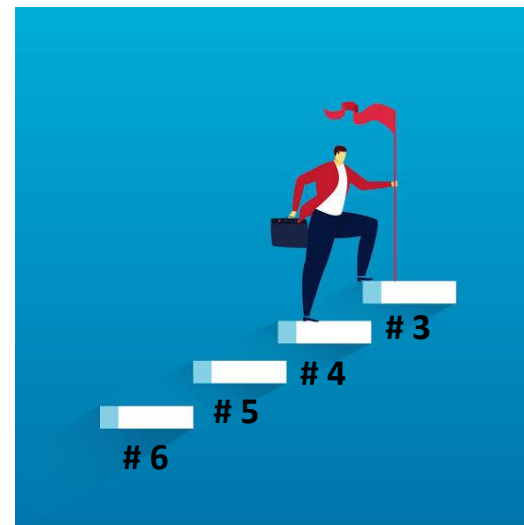
- Economic Survey of India 2018-19 → Behavioral Economics → Four Major Tactics to implement Public Policy
 - Laissez Faire
 - Nudge
 - Incentive
 - Mandate



Mission \$5 Trillion – Economic Backdrop



2019
\$2.67 Trillion



Indian Economy's Global Position
Mission 2024-25

**Earlier, India was walking,
but New
India will be running**



Mission \$5 Trillion – Economic Backdrop



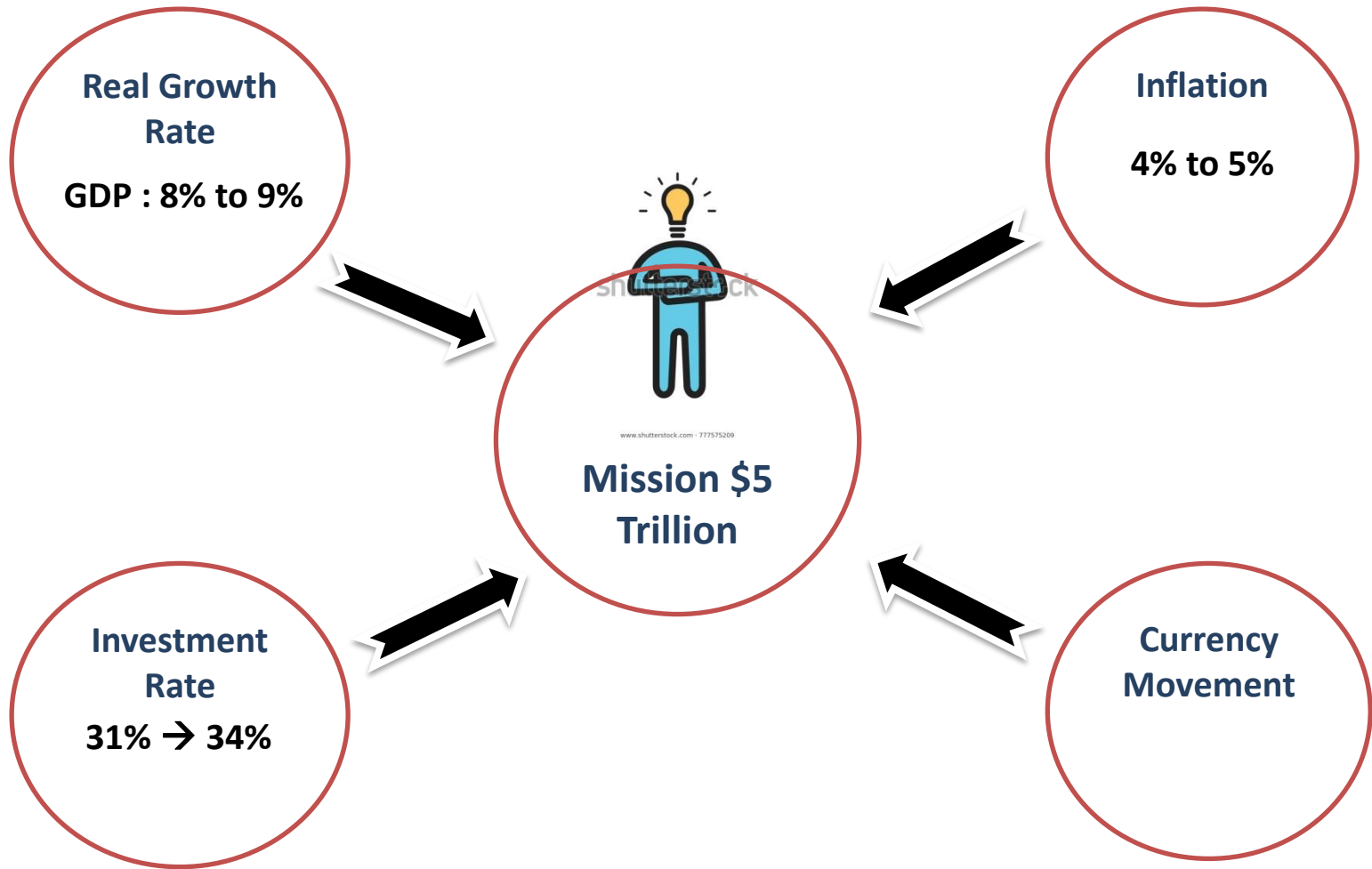
- 3 main Drivers for Mission \$5 Trillion
 - Massive Infrastructure Development
 - Easing the Credit Squeeze
 - Major Structural Changes in Agriculture.
- Focus on Doubling Per Capita Income (Currently at Rs 10,534/month)



When per capita income rises, there is a corresponding increase in purchasing power, which triggers a rise in demand. To cater to this rise in demand, productivity increases and there is an expansion in manufacturing and services. All this creates new opportunities for employment. Per capita income rise also leads to increase in savings, which can be invested.



Mission \$5 Trillion – Economic Backdrop





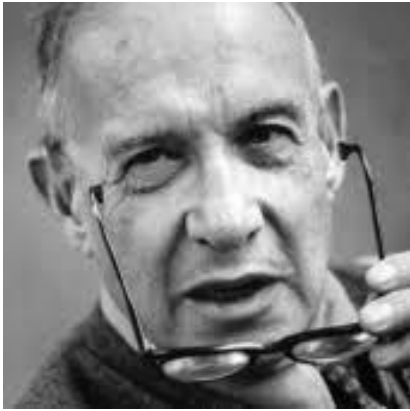
Mission \$5 Trillion – Economic Backdrop



- **Niti Aayog : ‘Strategy for New India @ 75’**
 - Development must become a mass movement
 - Development across all regions and states and across sectors
 - bridge the gap between public and private sector performance
- Climate Change, Utilisation of Resources, Affordable Healthcare & Education, Improve Quality of Life



Management Strategies



Purpose of the business
is to create a Customer
and what the customer wants
determines what a business is.

Offer best value addition with most optimum price and leanest cost model



Management Strategies



- **Cost Audit Mechanism → Complete & Overall Representation of the Cost → Foundry Costing**
- **Cost Audit as a Mechanism**
- **Cost Audit**
 - **Authentic & Audited Cost Information**
 - **Correlation between Quantity & Value / Cost**
 - **Finance & Cost REconciliation**



Management Strategies - Corporates



Key Management Strategies

- **Measurement of performance**
- **Benchmarking**
- **Management by Exception**
- **Sensitivity Analysis**
- **Customer Evaluation**
- **Optimum Resource Utilisation**



Management Strategies - Corporates



- **Measurement of Performance & Performance Benchmarking**
 - **Analysis of Contribution by Manpower at micro level**
 - **Report by CAB, MCA**
 - **Example of Backward Integration in Power Sector**
- **Management by Exception & Sensitivity Analysis**
- **Resource Optimisation**
 - **Example of Capital Equipment Manufacturing Industry**
- **Customer is the Focal Point**
 - **Example of ICCS Review by Coal India**



Management Strategies – Govt & Regulators



- **The government has to have its hands on the Tax Reforms, Sectorial Reforms, Protectionism to certain extent, upliftment of underprivileged, improved quality of life at affordable cost, effective government expenditure, etc.**
- **The Cost Audit can help government in**
 - **Price Fixation**
 - **Antidumping**
 - **Anti Profiteering / Anti Cartelling**
 - **Offering Industry Specific Relief Packages**
 - **Price Control if required**



Management Strategies – Govt & Regulators



- **Importance of Cost Audit & information generated from the mechanism in key areas like**
 - **Education**
 - **Health Care**
 - **Banking to analyse NPAs**
 - **Make in India initiative**



I've got the key to my castle in the air,
but whether I can unlock the door remains to be seen.

Castle 'de \$5 Trillion

**CMA's, lets unlock
that door, lets enter
that castle in the air**





Thank You.

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