



A BRIEF NOTE ON CMA INTERNATIONAL PRACTICES

Policy intervention, administered pricing, social pricing, funding plans etc. could be the reasons for Government's role in the evolution of cost accounting practices. Taxation laws and Price control environment in various countries exerted a major influence on the adoption of cost accounting practices.

Japanese CMA practices

- Academicians, Business schools and business nurture CMA.
- Original foundation provided by Government by making cost accounting standards compulsory in post war scenario.
- Ministry of Finance, Business Accounting Committee issued cost accounting standards in 1962.
- Cost Accounting Standards also practiced in Army, Navy and Building ministry.
- Cost Accounting Standards adherence considered as a social discipline for Japanese companies.
- Board of auditors can have access to cost information.
- Internal audit reports to be forwarded to shareholders of Japanese Companies also listed in USA.
- Cost Accounting and its interface with operational cost management taken to micro level in Japanese companies.
- Target Cost Management taken to strategic level by Japanese companies.

Conclusively, the Japanese business raised the cost management process to a strategic level and practiced tools such as target costing which delivered products of high functionality and quality at an acceptable price level in the market segments targeted.

Chinese CMA practices

- Accountants categorized as in practice and in house.
- Ministry of Finance and Ministry of Commerce have powers to access the cost information in any public company.
- Accounting standards for Business enterprises not only influence external reporting but also set the framework of internal accounting.
- Chinese GAAP itself contains concepts such as cost of sales and overheads in presentation of financial information.
- Cost information along with public policy plays a major role in fixation of customs tariff.

Korean CMA practices

- Cost and Management accounting taught in business schools and commerce stream graduation courses.
- Cost Accounting records made compulsory in law after 1998 for select category of companies.
- The cost accounting information can be accessed by the external auditors who are expected to comment on this compliance.

The Korean Government issued cost accounting standards applicable to Korean companies in 1990. More than thirty standards have been issued for adoption and the manufacturing companies were



covered initially. Subsequently, these standards were also made applicable to non-manufacturing companies and later to the banks and financial institutions in 1999. Korea's Cost Accounting Standards have covered all the key aspects in three major sections, viz. General Provisions; Actual Cost Accounting System; and Standard Cost Accounting System.

CMA Practices of France

- Universally accepted single system of cost analysis and product costing applicable to all sectors.
- The above system is described in Decree of Ministry of Finance and Economy published as Title III of the 1982, *Plan Comptable General*.
- The CNC (Conseil National de la Comptabilite, the official standard setting body of Ministry of Finance and Economy) has asked that each industrial sector define a basic or minimum cost analysis framework tailored to its activities or processes. This cost analysis framework is to be incorporated in the industry specific standard financial accounting chart of accounts.
- The charts of accounts for those industries whose main line of business requires Government contracts, such as telecommunications, aviation, aerospace electronics and defence are used by Government agencies as the reference for cost audits. They are de facto compulsory.
- Unlike the situation in the United States or the United Kingdom, where only industries dealing with the Government need to follow certain rules for product cost calculation, the French approach, in a spirit of facilitating fair competition, applies to all industries, whether or not they have dealings with state agency.

German CMA practices

- All German companies have a very strong management accounting department and help managements in public reporting by Board on discussion and analysis of performance.
- Privatized and regulated business like postal services access the cost accounting information of companies.
- Certain cost accounting concepts such as cost of sales reporting and overheads disclosure are already built into German practice.
- German antitrust bodies depend on the cost information within companies to a great extent.
- Grenzplankostenrechnung (GPK): a costing method focused on marginal costing that is helpful to support short-term decisions, for example a production decision (a decision to accept or reject an additional order based on contribution margin information) or a pricing decision.
- In Germany cost centre concept is practised so intensively that even a single machine becomes a cost centre.
- Cost accounting and Cost management have played a major role in the German competitive edge in high technology manufacturing. The popular ERP-SAP has a module on management accounting called Controlling Module which emanated only from the German company practices.
- Regulation of pricing based on cost prices.

UK CMA practices

- CIMA of UK was started in 1919 and forerunner to global bodies.



- Management Accounting is accorded the highest priority as a source of competitive advantage. Though it is not divulged to external entities the annual reports contain management accounting information.
- Regulatory bodies such as Airports, Communications, Educational Sector, Energy, Food standards, Pensions, Postal services, Railways, etc. extensively use costing information of the business entities.
- UK Educational sector through the Treasury Green Book uses cost accounting standards for subsidy disbursement.
- The UK accounting standards have incorporated Cost of sales and overhead reporting as a part of the financial reporting to the shareholders.

USA CMA practices

- A body of CMA started as a National association of Accountants in 1919 which and now evolved as Institute of Management Accountants.
- Various authorities such as Securities Commission, Federal Trade Revenue, Department of Justice etc. extensively access the cost information of organizations.
- The President's office has set up a Federal Cost Accounting Standards Board which mandates the maintenance of cost information as per standards by those entities who do business with the Federal Government.
- US GAAP also contains standards to the effect of using cost accounting concepts such as cost of sales and overheads reporting.
- CFO Act has been recently brought in to mandate deployment of managerial accounting in the government bodies and undertakings.

Canada CMA practices

- The CMA Canada institute was incorporated in 1930 as Registered Industrial Accountant and has gradually evolved into the current nomenclature and scope.
- A premier body of CMA with lot of technical publications and path breaking initiatives to its credit.
- The taxation authorities seek information on cost and management accounting directly from the company.
- The anti trust jurisprudence has definition of cost terminologies which can be a cost standard for dealing with predatory pricing situation.
- Management accounting is extensively used in internal reporting and considered an enabler of competitive advantage.
- No cost accounting standards are prescribed by any authority in Canada. Only good practice guidance publications are provided by CMA Canada which is valued very much.
- The GAAP of Canada itself contains certain costing practices in reporting such as Cost of Sales, Overheads disclosure, etc. for external reporting purposes only.