

शोधायतन

वाणिज्य, कला, शिक्षा, समाजशास्त्र तथा ह्यूमेनिटीज पर
आईसेक्ट विश्वविद्यालय की शोध पत्रिका

Vol.-III / Issue-VI

Shodhaytan

AISECT University Journal of Commerce, Arts,
Education, Sociology and Humanities

December-2016

शोध के चक ज्ञान का मार्ग रचें, लेकिन पहुंचाए
सामाजिक सशक्तिकरण तक



विमुद्रीकरण

Skill India

जनधन योजना

Quality Education

मेक इन इंडिया Stand

Digitalization

Entrepreneurship
Skill India

Published By

 **AISECT UNIVERSITY**
Where aspirations become achievements.



Village-Mendua, Post-Bhojpur, Distt. Raisen (M.P.) India Pin-464993
City Office: 3rd Floor, Sarnath Complex, Opposite Board Office, Shivaji Nagar Bhopal-462016
www.aisectuniversity.ac.in

Shodhaytan (AUJ-STN)

- Multidisciplinary Academic Research

Indexing and Impact Factor :

INDEX COPERNICUS : 48609 (2018)

[Read / Download More Articles](#)

Role of Cost and Management Accountant (CMAs) In Short- Run Decision Analysis & Internal Control in Service Sector- An Overview

Dr. L. N. Koli

Associate Professor, Deptt.of Accountancy & Law, F/o Commerce,
DEI (Deemed University), Dayalbagh, Agra (U.P.) India.

I INTRODUCTION

The primary role of cost and management accountant is to help the management of the service sector in taking correct policy decisions and improving the efficiency of operations. He performs a staff function and also has line authority over the accountants. Decision making involves the act of selecting one course of action from among various feasible alternatives available. Short term decisions are of special nature. The type of information required for decision making depends on the decision situation under consideration. The information required for such decision is called 'relevant data.' The relevant data refers to decision making elements required to meet the needs of specific situations. The conventional accounting data would not serve the purpose. They have to be altered or modified in terms of addition or deletion to tailor the historical costs to the requirements of decision making. The first element of the relevant data is that it is future oriented, that is, it relates to a future period. The underlying consideration is that these decisions imply some future activity.

Relevance is one of the key characteristics of good management accounting information. This means that management accounting information produced for each manager must relate to the decisions which he/she will have to make. 'Relevant costs' are the costs that meet this requirement of good management accounting information. **The Chartered Institute of Management Accounting** defines relevant costs as: **'The costs appropriate to a specific management decision'**

In other words 'The amount by which costs increase and the benefits decrease as a direct result of a specific management decision'. Relevant benefits are 'the amounts by which costs decrease and benefits increase as a direct result of a specific management decision'.

Before the management of a service sector can make an informed decision on any matter, they need to incorporate all of the relevant costs, which apply to the specific decision at hand in their decision making process. To include any non-relevant costs or to exclude any relevant costs will result in management, basing their decision on misleading information and

ultimately to poor decisions being taken. For the Short term decision analysis the following cost is required-

- (a) **Future costs**-These are costs expected to happen under an assumed set of condition
- (b) **Sunk costs**-The costs are monetary benefits foregone for not pursuing the alternative course. In other words a sunk cost is the cost that has already been incurred.
- (c) **Relevant costs**-Relevant costs are those future costs, which differ between alternatives. In other words relevant costs are that costs which are affected and changed by a decision. If a cost increase, decreases, appears or disappears as different alternatives are compared, it is a relevant cost.
- (d) **Opportunity costs**- Opportunity cost is the cost of any activity measured in terms of the best alternative forgone. It is the sacrifice related to the second best choice available to someone who has picked among several mutually exclusive choices.
- (e) **Incremental costs**: An incremental cost can be defined as a cost which is specifically incurred by following a course of action and which is avoidable if such action is not taken. Incremental costs are, by definition, relevant costs because they are directly affected by the decision (i.e. they will be incurred if the decision goes ahead and they will not be incurred if the decision is scrapped).
- (f) **Non-incremental costs**: These are costs which will not be affected by the decision at hand. Non-incremental costs are non-relevant costs because they are not related to the decision at hand (i.e. non-incremental costs stay the same no matter what decision is taken).

II DECISION CRITERIA FOR SHORT-RUN DECISIONS

- (a) **Service /Product Pricing**- Select the price which will maximize total contribution margin.
 - (i) Set the level of price;
 - (ii) Be careful in analyzing the factor of pricing.

- (b) **Special Orders-** Compare the incremental revenues and the incremental costs related to the order; if the comparison indicates that overall contribution margin to the company will be increased, then approve the decision.
- Be sure to consider if this order will have any effect on regular sales and revenues.
 - Be sure you are not estimating the incremental costs from per unit cost data that includes allocated, indirect fixed costs, which actually will not be increased by the taking of this order.
- (c) **Profitable Mix of Sales-** A service sector, which has a variety of service lines, can employ marginal costing in order to determine the most profitable sales mix from a number of selected alternatives.
- Fix the best mix of sales;
 - Set the target of sales and profit
- (d) **Elimination of Service/ Product -** Compare the incremental revenues which will be sacrificed with the incremental costs which will be saved.
- Be careful in analyzing cost savings;
 - Be particularly careful that you are not assuming a cost will be saved which is actually an indirect, allocated cost which will in fact not be eliminated and will only be reallocated.
- (e) **Closure of a Department -** Compare either (1) the incremental revenues which will be sacrificed or (2) the estimated outside charge which will be incurred to provide the service support currently provided by this department, with the incremental costs which will be saved if this department is eliminated.
- Be careful in analyzing cost savings
 - Be particularly careful that you are not assuming a cost will be saved which is actually an indirect, allocated cost which will in fact not be eliminated and will only be reallocated.
- (f) **Make-or-Buy -** Make or buy decisions arise when a service sector with unused production/operation capacity considers the following alternatives-
- To buy certain raw materials or sub-assemblies from outside suppliers.
 - To use available capacity to produce the items within the company.

A make or buy decision is basically one of the determining which alternative is economically most desirable and most effectively utilizes the company's resources.

- Before a make or buy decision can be made, the company must establish goals with respect to the nature and extent of its production facilities.
 - Compare the incremental, out-of-pocket type costs of making the product internally with the definite out-of-pocket costs (price) of purchasing the product externally.
- (g) **Best Level of Activity:** Management of the service sector is often faced with a problem of determining the optimum or most profitable level of operation/activity. Level of activity is expanded or contracted in view of the market conditions for the product. Obviously the management selects that level of activity which promises maximum profit. CMAs helps in choosing such level of activity. That level of activity is optimum, where marginal costs are equal to marginal revenue. It also implies that level of activity can be expanded up to that level, where sales exceed marginal costs.
- Determine the optimum profitable level of activity
 - Be sure to consider the optimum level of activity
- (h) **Evaluation of Performance:** Cost & management accountant helps the management in measuring the performance efficiencies of a department or a product line or sales division. The department of the product or division which gives the highest P/V ratio will be the most profitable one or that is having the highest performance efficiency.
- Prepare a statement containing the value of contribution
 - Be careful in providing rank on the basis of profit or loss.

III A CASE OF UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION (UPSRTC)

UPSRTC is a public sector passenger road transport corporation providing services in the state of Uttar Pradesh and other adjoining states in North India. With a fleet size of around 7668 buses ,it operates over 2.5

million kilometers catering to the travel needs of over 1.3 million people and earning over Rs. 38.3 million every day. Provision of adequate, efficient, well co-ordinated, comfortable and economical services to its passengers, while earning enough for self-sustenance & growth, is the corporation's motto. Passenger road transport services in the state of U.P. started on 15th May, 1947 with the operation of bus service on the Lucknow - Barabanki route by the erstwhile U.P. Government Roadways. Subsequently, during the Fourth Five Year Plan, the erstwhile UP Government Roadways was rechristened as Uttar Pradesh State Road Transport Corporation (UPSRTC) on 1-6-1972 under the provisions of the Road Transport Act, 1950 with the following objectives:

- (a) For the development of the road transport sector correlated to which would be the overall development of trade & industry.
- (b) For coordination of the road transport services with other modes of transport.
- (c) For providing or causing the provisions of an adequate, economical & efficiently coordinated road transport service to the residents of the state.

At the time of establishment of the Corporation it had a fleet of 4253 buses which were operating on 1123 routes. The corporation's earned kilometers operated at that time were 228.8 million kilometers. While the total number of passengers carried by its buses totalled 251.3 million. By the end of the decade the fleet of the corporation had attained strength of 5679 buses, the operations had increased to 1782 routes. As a result of this increase in operations, the earned kilometers totaled about 395.3 million kilometers, while the total numbers of passengers carried totaled over 449.1 million.

In the X five year plan 5274 buses were inducted and 4818 buses were removed from the fleet. At the end of 2006-07 the Corporation had 6561 buses apart from 784 hired buses operated under its control. During the XI five year plan period the Corporation targets to purchase 11100 new buses out of which 1725 buses shall be AC, to bring its fleet size to 11261 by the end of the plan period in 2012. The Corporation has also commenced the operation of AC Buses (HIMANI, SHEETAL & SHATABDI) and nonstop inter city services (PAWAN & PAWAN GOLD). It operates low cost Janta services on shuttle routes and urban & sub-urban services in 6 select cities.

IV ROLE OF CMAS IN DECISION MAKING AND INTERNAL CONTROL IN UPSRTC

UPSRTC's management is faced with a number of decision-making problems every day. Profitability is the main criterion for selecting the best course of action. CMAs through 'contribution' assist management in solving problems. Some of the decision-making problems of UPSRTC that can be solved by CMAs are:

- (a) **In Closure of a Region or Bus Depots-** Basically, this problem is very much related to the profitability of a product /service or department. The best possible and maximum profitable utilization of limited resources of a business concern clearly demands the continuance of the production of that product/line/department, which will ensure of the maximization of profit. This requires on the part of management to fix priorities for various products/lines. Management will also have to decide whether the production of one or more products/lines should be dropped or curtailed. Such decision may be effective and judicious only, when it is based on the comparative study of the contributions made by each product/line or department. Here comes the role of CMAs with the help of which marginal cost and contribution statement is prepared and decision data are made available.

The marginal costing technique shows the contribution of bus depots to fixed costs and profit. If a region or bus depots contribute the least amount, then the region/bus depots can be closed or its operation can be discontinued. It means the region/bus depot, which gives a higher amount of contribution or profit may be chosen and the rest should be discontinued.

Assume UPSRTC is considering dropping/closure some region or bus departs from its 20 regions; because some regions are operating in lose.

The statement of region wise performance of UPSRTC shows that Allahabad region (Rank-13), Varanasi region (Rank-14), Faizabad region (Rank-15), Azamgarh region (Rank-16), and Jhansi region (Rank-17) are operating in loss. Hence, it is recommended that the Allahabad, Varanasi, Faizabad, Azamgarh and Jhansi, region should be for one year closure, this step will improve the profit marginally.

(b) In temporary Operate or Shutdown:

Differential cost analysis is also used when a service sector is confronted with the possibility of a temporary shutdown. This type of analysis has to determine whether in the short-run, a service sector is better off operating than not operating. As long as the products sold recover their variable costs and make a contribution towards the recovery of fixed costs, it may be preferable to operate and not to shut down. Also, the management should consider the investment in the training of its employees, which would be lost in the event of a temporary shutdown. Recruiting and training new workers would add to present costs. Another factor is the loss of established markets. Also, a temporary shutdown does not eliminate all costs. Depreciation taxes, interests, and insurance costs are incurred during shutdown also. The other points (benefits) which should be considered are the following: avoiding operating losses, savings in maintenance and repair costs, savings in indirect labour costs and savings in fixed costs.

Table 1
Region wise Performance of UPSRTC First 10 Regions
(CORP + HIRED)

| S N. | RE G. | Buses | | Earn Kms (Lakhs) | | Bus Util. (Kms/Bus /Day) | | Fuel AVG. Factor (KMS/LT.) | | Load Factor (%) | | Total Income (Rs. In Lakhs) | | Total Expend (Rs. In Lakhs) | | Profit/ Loss (Rs. In lakhs) | | Profit/ Loss/Bus/ Day (Rs.) | | | | | | | | | |
|---------|----------|-------|-----|---------------------|-------|--------------------------------|-----|----------------------------------|------|-----------------------|-------|--------------------------------|----|--------------------------------|---------|--------------------------------|-------|-----------------------------------|---------|------|--------|--------|------------------|------|------|------|----|
| | | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | +/- | R a n k | | | | |
| 1 | AGR | 544 | 525 | 172.69 | 180.7 | 34 | 378 | -29 | 5.39 | 5.37 | 0.02 | 69 | 73 | -4 | 3574.96 | 2888.89 | 23.75 | 3310.83 | 2519.94 | 31.3 | 368.95 | - | 534 | 772 | -238 | 9 | |
| 2 | GZD | 504 | 530 | 164.71 | 180.0 | 35 | 373 | -14 | 5.40 | 5.41 | -0.01 | 69 | 77 | -8 | 3654.41 | 3064.91 | 19.23 | 3192.67 | 2536.95 | 25.8 | 461.74 | 527.96 | 104.82 | 1007 | 1095 | -88 | 5 |
| 3 | MRT | 610 | 512 | 206.72 | 180.2 | 37 | 387 | -15 | 5.34 | 5.38 | -0.04 | 69 | 72 | -3 | 4493.58 | 2897.05 | 55.11 | 4117.96 | 2611.85 | 57.6 | 375.62 | 285.20 | 90.42 | 677 | 612 | 65 | 3 |
| 4 | SRE | 386 | 414 | 134.37 | 145.3 | 38 | 386 | -3 | 5.34 | 5.34 | 0.00 | 72 | 73 | -1 | 3020.85 | 2336.08 | 29.31 | 2558.04 | 1911.10 | 33.8 | 462.81 | 424.98 | 37.83 | 1318 | 1128 | 190 | 2 |
| 5 | ALI | 517 | 492 | 158.47 | 154.4 | 33 | 345 | -8 | 5.31 | 5.26 | 0.05 | 71 | 76 | -5 | 3389.72 | 2542.62 | 33.32 | 3051.83 | 2165.07 | 40.9 | 337.89 | 377.55 | -39.66 | 718 | 843 | -125 | 6 |
| 6 | MBD | 446 | 423 | 139.74 | 142.7 | 34 | 371 | -27 | 5.45 | 5.52 | -0.07 | 71 | 74 | -3 | 2968.20 | 2250.16 | 31.91 | 2664.85 | 1929.83 | 38.0 | 303.35 | 320.33 | -16.98 | 747 | 832 | -85 | 4 |
| 7 | BLV | 454 | 381 | 146.26 | 129.8 | 37 | 374 | -4 | 5.40 | 5.30 | 0.10 | 70 | 77 | -7 | 3077.87 | 2095.60 | 46.87 | 2821.85 | 1804.91 | 56.3 | 256.02 | 290.69 | -34.67 | 648 | 838 | -190 | 7 |
| 8 | HDI | 361 | 324 | 132.66 | 119.5 | 40 | 405 | -1 | 5.49 | 5.45 | 0.04 | 68 | 75 | -7 | 2703.49 | 1889.77 | 43.06 | 2053.34 | 1364.64 | 50.4 | 650.15 | 525.13 | 125.02 | 1979 | 1781 | 198 | 1 |
| 9 | ETW | 406 | 388 | 130.03 | 121.0 | 35 | 343 | 9 | 5.30 | 5.34 | -0.04 | 67 | 80 | - | 2715.07 | 2142.26 | 26.74 | 2533.06 | 1891.78 | 33.9 | 182.01 | 250.48 | -68.47 | 493 | 709 | -216 | 8 |
| 10 | KNP | 482 | 536 | 141.50 | 163.6 | 32 | 336 | -13 | 5.13 | 5.07 | 0.06 | 65 | 71 | -6 | 2995.43 | 2647.81 | 13.13 | 2942.86 | 2330.94 | 26.2 | 52.57 | 316.87 | - | 120 | 650 | -530 | 11 |

Legend – A – APRIL 2010 – JUNE 2010
B – APRIL 2009 – JUNE 2010

Table 2
Region wise Performance of UPSRTC Remaining 11 Region
(CORP + HIRED)

| SN | RE G. | Buses | | Earn Kms (Lakhs) | Bus Util. (Kms/Bus /Day) | | Fuel AVG. Factor (KMS/LT.) | | Load Factor (%) | | Total Income (Rs. In Lakhs) | | Total Expend (Rs. In Lakhs) | | Profit/ Loss (Rs. In lakhs) | | Profit/ Loss/Bus/ Day (Rs.) | | Rank | | | | | |
|----|-------|-------|-----|------------------|--------------------------|----|----------------------------|------|-----------------|-------|-----------------------------|---------|-----------------------------|--------|-----------------------------|---------|-----------------------------|--------|--------|--------|------|-------|------|----|
| | | A | B | | A | B | A | B | A | B | A | B | A | B | A | B | A | B | | A | B | | | |
| 11 | JHN | 157 | 340 | 41.45 | 101.87 | 29 | 329 | 5.24 | 5.27 | -0.03 | 72 | 820.53 | 1605.29 | 48.89 | 1409.00 | - | 36.47 | -74.67 | 196.29 | 270.96 | 634 | -1157 | 17 | |
| 12 | LKO | 678 | 581 | 191.32 | 190.05 | 31 | 359 | 5.53 | 5.44 | 0.09 | 75 | 3879.74 | 3089.52 | 25.58 | 3841.59 | 2767.68 | 38.80 | 38.15 | 321.84 | - | 62 | 609 | -547 | 12 |
| 13 | FZD | 320 | 437 | 100.78 | 142.14 | 34 | 357 | 5.38 | 5.28 | 0.10 | 62 | 1884.82 | 2187.89 | -13.85 | 1866.86 | 1828.03 | 2.12 | 17.96 | 359.86 | 283.69 | 62 | 905 | -843 | 15 |
| 14 | DPT | 179 | - | 50.76 | - | 31 | - | 5.10 | - | - | 71 | 1124.61 | - | - | 983.52 | - | - | 141.09 | - | 341.90 | 866 | - | - | - |
| 15 | CHK | 284 | - | 80.06 | - | 31 | - | 5.13 | - | - | 65 | 1595.69 | - | - | 1596.78 | - | - | -1.09 | - | - | - | - | - | - |
| 16 | ALD | 493 | 502 | 150.36 | 159.91 | 33 | 350 | 5.49 | 5.54 | -0.05 | 65 | 2796.04 | 2319.00 | 20.57 | 2839.46 | 2086.42 | 36.09 | -43.42 | 232.58 | - | -97 | 509 | -606 | 13 |
| 17 | AZM | 330 | 330 | 94.54 | 103.51 | 31 | 345 | 5.39 | 5.44 | -0.05 | 63 | 1844.30 | 1542.73 | 19.55 | 2001.75 | 1425.50 | 40.42 | - | 117.23 | - | -524 | 390 | -914 | 16 |
| 18 | GKP | 569 | 539 | 169.32 | 167.58 | 32 | 342 | 5.39 | 5.33 | 0.06 | 70 | 3252.35 | 2544.64 | 27.81 | 3153.73 | 2212.86 | 41.70 | 116.62 | 331.78 | 274.68 | 225 | 676 | -451 | 10 |
| 19 | VNS | 493 | 475 | 153.13 | 159.87 | 34 | 370 | 5.36 | 5.42 | -0.06 | 66 | 2961.16 | 2478.64 | 19.47 | 2890.26 | 2060.30 | 40.28 | 70.90 | 418.34 | - | 158 | 968 | -810 | 14 |
| 20 | NOD | 283 | 156 | 62.61 | 37.04 | 24 | 261 | 4.76 | 4.14 | 0.62 | 73 | 1085.09 | 570.08 | 90.34 | 1147.09 | 577.20 | 98.73 | -62.00 | -7.12 | -54.88 | -241 | -50 | -191 | 2 |
| 21 | LMP | 65 | 190 | 14.30 | 41.89 | 24 | 242 | 5.32 | 5.93 | -0.61 | 64 | 169.80 | 484.29 | -64.94 | 165.97 | 535.45 | - | 3.83 | -51.16 | 54.99 | 65 | -296 | 361 | 1 |
| | C/S | | | | | | | | | | | 48.85 | 62.34 | -21.64 | 109.60 | 97.33 | 12.61 | -60.75 | -34.99 | -25.76 | | | | |

Legend – A- ARPL 2010 – JUNE 2010
B – APRIL 2009- JUNE 2010

Table 3
Overall performance of UPSRTC
(CORP + HIRED)

| S N G. | RE G. | Buses | Earn Kms (Lakhs) | Bus Util. (Kms/Bus /Day) | Fuel AVG. Factor (KMS/LT.) | Load Factor (%) | Total Income (Rs. In Lakhs) | Total Expend (Rs. In Lakhs) | Profit/ Loss | | Profit/ Loss/Bus/ Day (Rs.) | |
|--------------|----------|----------|---------------------|--------------------------------|----------------------------------|-----------------------|--------------------------------|--------------------------------|----------------|-------------|-----------------------------------|------|
| | | | | | | | | | (Rs. In lakhs) | (Rs.) | | |
| TOT | 854 | 807 5 | 2635.7 8 | 33 9 | 5.34 5.34 | 69 74 | 41639.5 7 | 50721.10 8 | 3335.4 6 | 5572.7 9 | 429 758 | -329 |
| | | | | | | | 29.82 | 40.6 3 | | 2377.3 3 | | |

S.N. 20 AND 21 in table 2 are related to Mahanagar Parivahan Seva. So they are not considered in this study.

Legend –A- APRIL 2010 –JUNE 2010
 B –APRIL 2009- JUNE 2010

Suppose the management of UPSRTC want to temporary shutdown to those region or bus depots which are in loss or earning less income and giving less profit. Thus it will seen from the above the statement that closure of regions Etawah (Rank-8), Agra (Rank-9), Gorakhpur (Rank-10), Kanpur (Rank-11), and Lucknow (Rank-12), would improve the profit position. But closure of the following region- Muradabad (Rank-4), Gaziabad (Rank-5), Aligarh (Rank-6) and Bareilly (Rank-7), would worse the position, because they are operating in less loss other than above rank region or bus depots. Hence it is recommended that region Etawah, Agra, Kanpur, and Lucknow should be temporary shutdown (for three to six month), of course, this step will improve the profit marginally, while Gaziabad, Aligarh, Muradabad, and Bareilly region should be continued.

- (c) **In Evaluation of Performance-** CMAs plays a vital role in the management in measuring the performance efficiencies of region or bus depots. The region or bus depot, which gives the highest profit will be the most profitable area or that is having the highest performance efficiency.

It appears from the above calculation (Region wise performance of UPSRTC) that Hardoi depots/region, Saharanpur depots/region and Meerut depots/region is making a total profit of Rs.253.27 lakhs (Rs.125.02, 37.83 and 90.42 respectively), hence we can say that the performance of these regions is very good.

- (d) **In Internal Control** - Every service sector is expected to have a properly developed system of internal control which may include accounts control, standard of cost control, budgetary control, periodic operating reports, statistical analysis, personnel training programme and an internal audit staff. It may also include other activities such as time and motion studies and quality controls through inspection. Various other forms of administrative checks and controls are sometimes included in the internal control system. In short, it can be said that a system of internal control includes all those measures adopted by a service sector to fulfill the following objective:
- (i) To avoid waste, inefficiency and fraud and to keep intact its resources;
 - (ii) To attain the highest type of accuracy and reliability in maintaining the accounts and operating data;
 - (iii) To encourage and measure how far the policy of the business is being implemented;

- (iv) To evaluate the efficiency of performance in all aspects of business activity; and
- (v) To provide aid in management planning.

CMAs play a very vital and important role in control. He should ensure that there is proper adequate control mechanism in place in an organization so as to maintain and monitor proper control so as to sustain the gains and keep track of savings also. Control basically involves traditional statistical techniques, accounting control like Audits to ensure sustainability of the improvement achieved.

The Cost and Management Accountants, having expert knowledge in the field, do have an edge over other professionals in the implementation process of Internal Control and Audit in the Service Sector like UPSRTC. **The introduction of a well developed system of internal control in UPSRTC has been designed as follows:**

The Corporation is an autonomous body corporate and its general superintendence, direction and management of affairs and business is vested in a Board of Directors. The management of UPSRTC is done by the Board of Directors through its Managing Director who is the Executive Head. The Board is headed by the Chairman and consists of at least 5 or at most 17 Directors, out of whom one-third are from the Central government and two-thirds are from the state government. The appointment of the Directors is done by state government.

The management comprises of the Additional Managing Director, Secretary Corporation, Chief General Manager (Operations), Chief General Manager (Technical), Finance Controller, Chief Security Officer, Chief General Manager (Administration) and the General Managers of the functional areas - Operations, Bus Station Management, Passenger Amenities, Personnel, MIS & EDP, Technical, Materials Management and Quality Control.

The corporation has 65 class I officers, 250 class II officers, 27503 class III (including over 19318 conductors & drivers) and 7448 class IV staff in a total staff strength of around 35266. Additionally there are 151 daily wages & part time workers.

The introduction of a well developed system of internal control is the responsibility of the management. But it is a matter of concern for the Cost and Management Accountant though he has no authority to recommend and prescribe that certain rules and procedures should be adopted by the corporation. He can simply guide and help if he is required to do so. What is expected from him is that

he must possess and expert's knowledge of such procedures.

The management structure of the corporation has been well defined. The duties and responsibilities of each officer are looking clear. It will be seen from the following chart:

V ORGANIZATION SET UP

(a) The organizational set up at the state level is given in fig 1

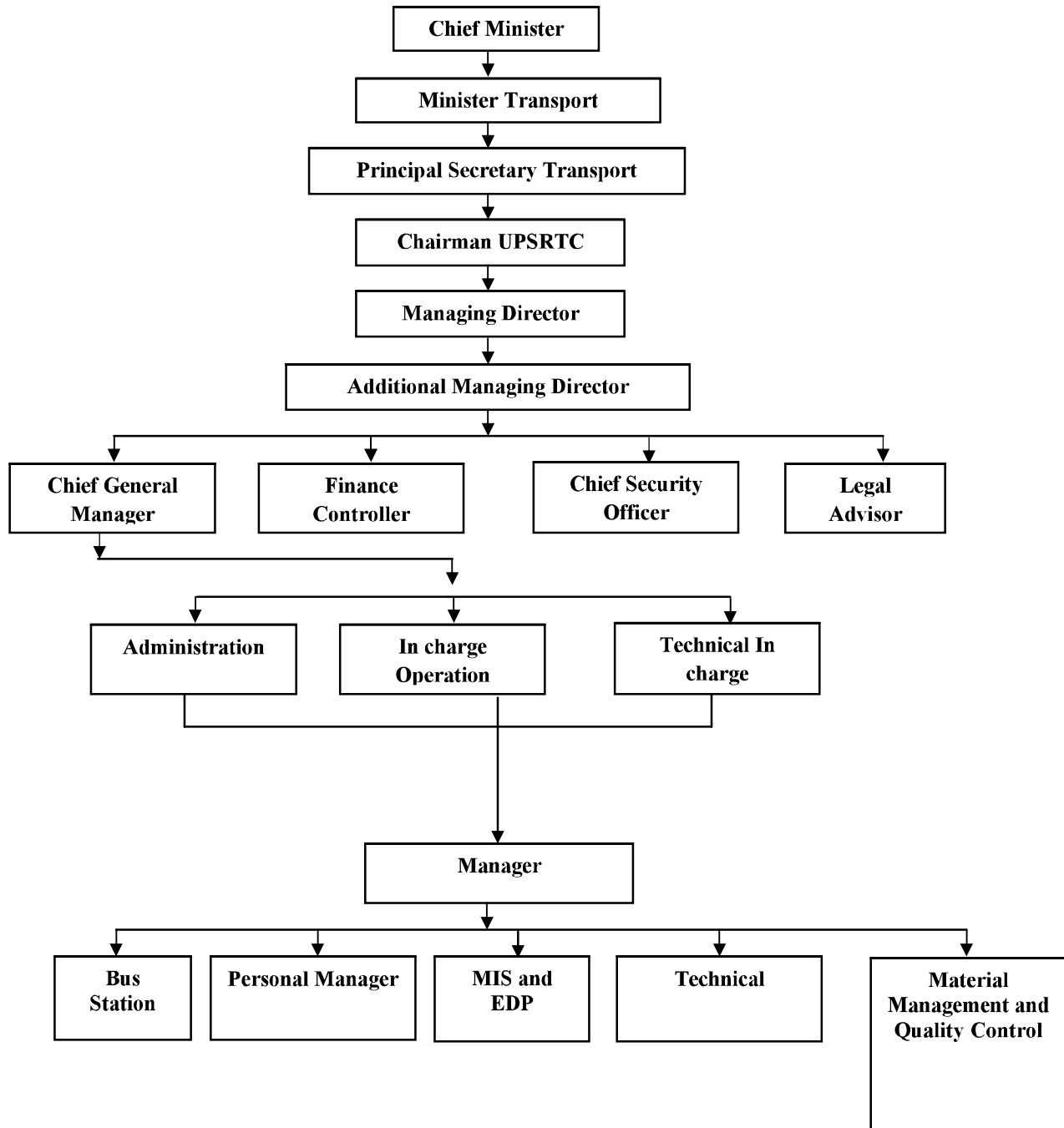


Fig 1 – State level Organizational Set up

(b) The organizational structure of the State Transport Department is given in fig 2

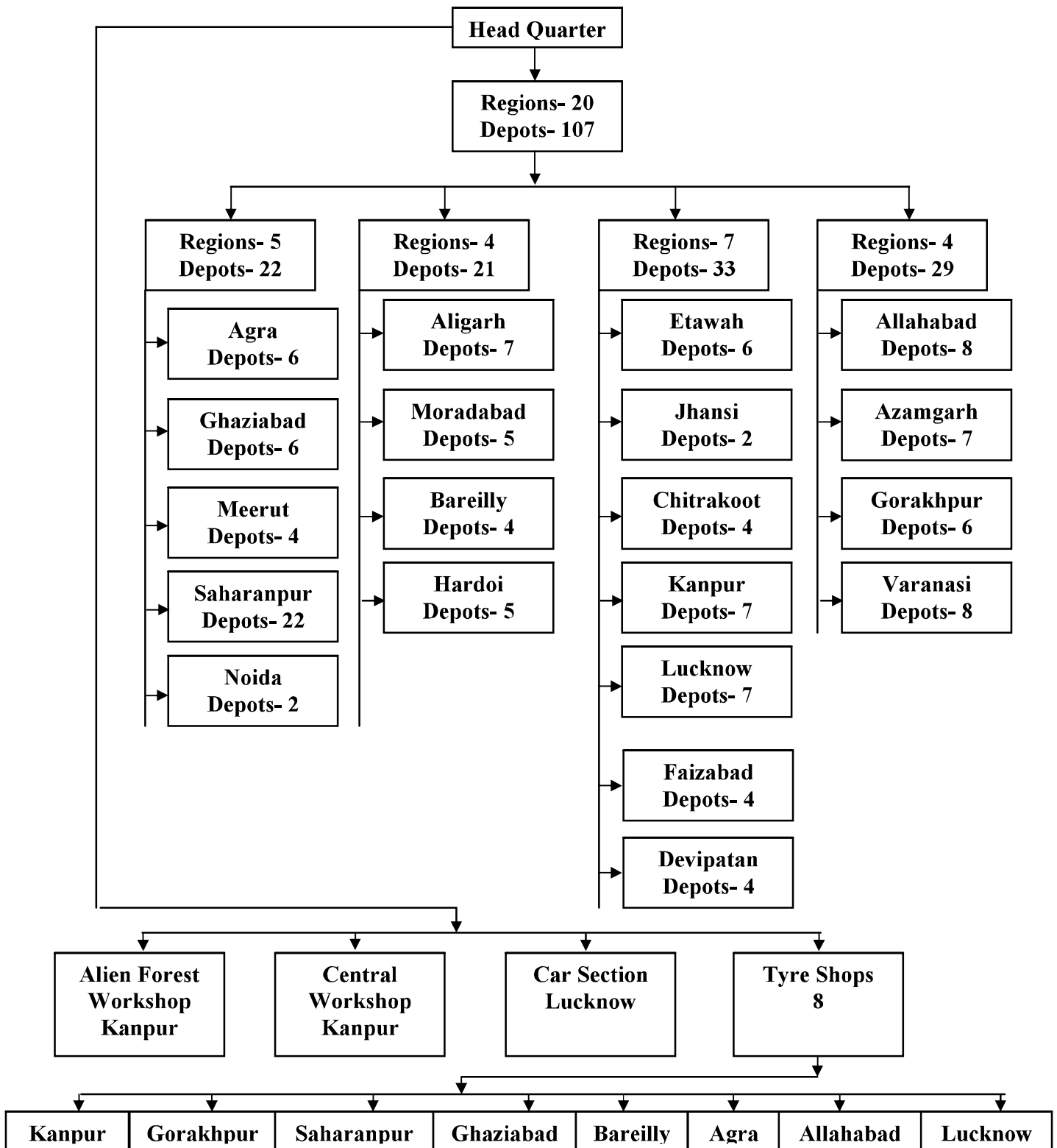


Fig 2 – Organisational Set up of State Transport Dept

(c) Organisational structure of Corporation

For efficient functioning the corporation has been divided into 19 regions, of which 2 regions operate urban & sub-urban services. Each region has a regional workshop where major repair and maintenance work as well as assembly reconditioning

work is performed. Each region has been further divided into operational units called depots. The total number of depots in the corporation is 108, including car-section. Each depot has a depot workshop attached to it to provide supportive maintenance facilities.

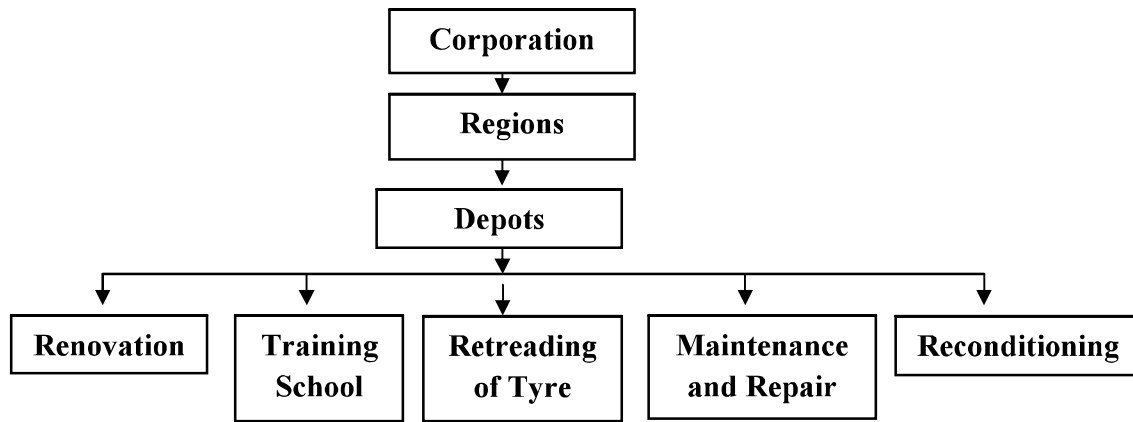


Fig 3 – Organizational Structure of Corporation

For heavy maintenance and repair of vehicles, reconditioning of major assemblies, renovation of buses and construction of bodies on new chassis, two Central workshops have been established in Kanpur: Central Workshop, Rawatpur and Dr. Ram Manohar Lohia Workshop, Allen Forest. Six tyre retreading plants are established in Gorakhpur, Ghaziabad, Bareilly, Kanpur, Saharanpur and Allahabad to provide in-house tyre retreading

facilities. For repairs and maintenance of staff cars belonging to the State Government and the Corporation, a separate unit named Car Section is established in Lucknow.

For imparting training to drivers and technical staff, a Training School is established in Kanpur. The locational details of the various units of UPSRTC are available in the list of regions.

**Table 3-
Depots in each Region**

| S. No. | Region | No. of Depots |
|--------|-------------------------------------|---------------|
| 1. | Agra | 8 |
| 2. | Ghaziabad | 7 |
| 3. | Mccrut | 4 |
| 4. | Saharanpur | 4 |
| 5. | Aligarh | 7 |
| 6. | Moradabad | 5 |
| 7. | Bareilly | 4 |
| 8. | Hardoi | 5 |
| 9. | Etawah | 6 |
| 10. | Kanpur | 7 |
| 11. | Jhansi | 2 |
| 12. | Lucknow | 6 |
| 13. | Faizabad | 4 |
| 14. | Devipatan | 3 |
| 15. | Chitrakoot | 4 |
| 16. | Allahabad | 8 |
| 17. | Azamgarh | 7 |
| 18. | Gorakhpur | 6 |
| 19. | Varanasi | 7 |
| 20. | Noida | 1 |
| 21. | Lucknow Mahanagar Parivahan Sewa | 2 |

VI CONCLUSION

Cost and Management accountant plays a very vital and important role in service sectors in decision making function as well as in the control function by producing performance reports and control reports which highlight variances between expected and actual performances. Such reports serve as a basis and facilities for taking necessary corrective action to control operations. The use of performance and control reports follows the principle of management by exception. In case of significant differences between budgeted and actual results, a manager will usually investigate to determine what is going wrong and possibly, which subordinate or units might need help.

REFERENCES

- [1] Dr. T. R. Sharma (2010), "Auditing Principles & Problems", Sahitya Bhawan Publications, Agra.
- [2] Ravi M. Kishore (2008), "Cost Accounting and Financial Management", Taxmann Allied Services (P.) Ltd., New Delhi.
- [3] Dr. Rajkumar (2008), "Auditing Principles and Behavior" B. R. Publicaiton, New Delhi.

- [4] M Y Khan and P K Jain (2007), "Management Accounting", Tata McGraw Hill Publishing Ltd., New Delhi.
- [5] S. N. Maheshwari & S. K. Maheshwari (2006), "Corporate Accounting", Vikas Publishing House Pvt. Ltd., New Delhi.
- [6] N. P. Srinivasan and M. Sakthivel Murugan (2006), "Accounting for Management", S. Chand & Company Ltd., New Delhi.
- [7] Dr. Jawahar Lal (2004), "Accounting for Management", Himalaya Publishing House, Mumbai.
- [8] Dinkar Pagare (2004), "Principles And Practice of Auditing", Sultan Chand & Sons, New Delhi.
- [9] R.S.N. Pillai (2001), "Management Accounting", S. Chand & Company Ltd., New Delhi.
- [10] Dr. S. P. Gupta (2001), "Management Accounting", Sahitya Bhawan Publications, Agra.
- [11] Geraldine F. Dominiak and Joseph G. Londerback III (1991), "Managerial Accounting", Pws Kent Publishing Co.
- [12] Sidney Davidson (1988), "Managerial Accounting", The Dryden Press.
- [13] Jack Gray and Don Ricketts (1982), "Costs and Management Accounting", McGraw Hill Publishing Co., New York.
- [14] C. T. Horngren (1978), "Introduction to Management Accounting", Prentice-Hall, Englewood Cliffs.
- [15] D.T. Decoster and E.L. Schafer (1976), "Management Accounting- A Decision Emphasis", John Wiley and Sons, New York.
- [16] C.L. Moore and R.K. Jaedicke (1972), "Management Accounting", South Western Publishing Company, Ohio.
- [17] J.L. Brown and L.R. Howard (1969), "Principles and Practice of Management Accounting", English Language Book Society, London.
- [18] Annual Report of UPSRTC