

A PROJECT REPORT ON COST ANALYSIS & CONTROL

Dr.I.Satyanarayana¹, N.B.C. Sidhu*², S. Rama Krishna Reddy³

¹Principal, Sri Indu institute of Engineering & Technology, Sheriguda, Ibrahimpatnam, Telangana, India.

²Assoc. Prof & HOD, Dept. of Master of Business Administration, Sri Indu Institute of Engineering & Technology, Sheriguda, Ibrahimpatnam, Telangana, India.

³Student, Dept. of Master of Business Administration, Sri Indu Institute of Engineering & Technology, Sheriguda, Ibrahimpatnam, Telangana, India.

ABSTRACT

The total cost of producing a specific level of output is the cost of all the factors of input used. Conventionally economist use models with two inputs capital, K, and labor, L. Capital is assumed to be the fixed input meaning that the amount of capital used does not vary with the level of production. The rental price per unit of capital is denoted r . Thus the total fixed costs equal Kr . Labor is the variable input meaning that the amount of labor used varies with the level of output. In fact in the short run the only way to vary output is by varying the amount of the variable input. Labor is denoted L and the per unit cost or wage rate is denoted w so the total variable costs is Lw . Consequently total cost is fixed costs (FC) plus variable cost (VC). Valuation in terms of money of (1) effort, (2) material, (3) resources, (4) time and utilities consumed, (5) risks incurred, and (6) opportunity forgone in production and delivery of a good or service. All expenses are costs, but not all costs (such as those incurred in acquisition of an income-generating asset) are expenses. The profession places itself at the service of the nation, government, industry, and the society to realize the objectives of a welfare state resulting in the prosperity and the well being of its people - a fact increasingly realized with the opening up of the country's economy and change in the economic scenario of the world. In today's world, the profession of conventional accounting and auditing has taken a back seat and accountants increasingly contribute towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities Cost and Works accountants to shoulder responsibility as Cost and Management Accountants in accordance with new dimensions and vision here in India and abroad. Members of this profession will be the driving force in the team of management while in employment and a key consultant, an effective Cost and Management Auditor and an appropriate advisor in place. This is why Cost Accountants in India are called Management Accountants all over the world. It's our other name. We invite you to browse through our web site. Complete Information on our working, history and professional accreditation are all available.

Keywords: Cost Analysis, Cost Concepts, Cost Control Techniques.

INTRODUCTION: COST

Cost is essential in every walk of our life – national, domestic and Business. A cost is prepared to have effective utilization of funds and for the realization of objective as efficiently as possible. Costing is a powerful tool to the management for performing its functions i.e., formulation plans, coordination activities and controlling operations etc., efficiently. For efficient and effective management planning and control are two highly essential functions. Costing and cost control provide a set of basic techniques for planning and control.

A cost fixes a target in terms of rupees or quantities against which the actual performance is measured. A cost is closely related to both the management function as well as the accounting function of an organization.

As the size of the organization increases, the need for costing is correspondingly more because a cost is an effective tool of planning and control. Cost is helpful in coordinating the various activities (such as production, sales, purchase etc) of the organization with result that all the activities precede according to the objective. Costs are means of communication. Ideas of the top management are given the practical shape. As the activities of various department heads are coordinated at the much needed for the very success of an organization. Cost is necessary to future to motivate the staff associated, to coordinate the activities of different departments and to control the performance of various persons operating at different levels.

Costs may be divided into two basic classes. Capital and operating costs. Capital cost is directed towards proposed expenditure for new projects and often require special financing.

The operating costs are directed towards achieving short-term operational goals of the organization for instance, production or profit goals in a business firm. Operating costs may be sub-divided into various departmental or functional costs.

A process by which business decisions are analyzed. The benefits of a given situation or business-related action are summed and then the costs associated with taking that action are subtracted. Some consultants or analysts also build the model to put a dollar value on intangible items, such as the benefits and costs associated with living in a certain town. Most analysts will also factor opportunity cost into such equations.

You may have been intensely creative in generating solutions to a problem, and rigorous in your selection of the best one available. This solution may still not be worth implementing, as you may invest a lot of time and money in solving a problem that is not worthy of this effort.

Cost Benefit Analysis or cba is a relatively simple and widely used technique for deciding whether to make a change. As its name suggests, to use the technique simply add up the value of the benefits of a course of action, and subtract the costs associated with it.

Costs are either one-off, or may be ongoing. Benefits are most often received over time. We build this effect of time into our analysis by calculating a payback period. This is the time it takes for the benefits of a change to repay its costs. Many companies look for payback over a specified period of time – e.g. three years.

In its simple form, cost-benefit analysis is carried out using only financial costs and financial benefits. For example, a simple cost/benefit analysis of a road scheme would measure the cost of building the road, and subtract this from the economic benefit of improving transport links. It would not measure either the cost of environmental damage or the benefit of quicker and easier travel to work.

NEED OF THE STUDY

The importance of cost reduction programs within a company cannot be overstated. Companies that are losing money, need to increase profits, or must become more competitive need to cut expenses in order to succeed. Knowing how to implement effective cost reduction strategies can be the determining factor in the survival of a business.

When a company must generate more cash as fast as possible, management will have to decide which costs can be most effectively reduced. If the reduction is needed quickly, expenses cut first will normally be those that are not fixed or directly tied to production. It is not a good idea to drastically reduce expenses that produce the company product or service without careful evaluation.

If your company understands the importance of cost reduction as a tool to increase profitability, the company will have a much better chance of remaining profitable no matter what stage of the economic cycle is occurring. That is because cost reduction is an effective tool that can be responsive to a company's need. Managing expenses is just as important as managing revenue.

Keeping the competitive edge means keeping the company razor sharp. There is no room for laxness which dulls the ability of a company to be responsive to market trends. Changes can occur rapidly, and a company that cannot respond with new methods, new material usage, service efficiency changes, or technological adaptability will be quickly outperformed by other businesses. The importance of cost reduction strategies lies in its contribution to a company's honing of performance.

SCOPE OF THE STUDY

Since it will not be possible to conduct a micro level study of all type industries in Andhra Pradesh, the study is restricted to Hyundai Motors India Limited (HMIL) only.

OBJECTIVES OF STUDY

- To provide the material frame work of cost and Cost Control Analysis
- To describe the profit of the organization as a backdrop for undertaking a study of Cost Benefit Analysis.
- To analyze the cost system in practice in Hyundai Motors India Limited (HMIL) with particular reference to their objectives and phases of organizational and re-appropriation.
- In addition to the analysis of the conventional cost system in practice in Hyundai Motors India Limited (HMIL). The study aims at evaluation and modification to the current cost system with reference to the various types of costs. The scope in the formulation of performance cost is also studied.

SOURCES OF DATA

The data of Hyundai Motors India Limited (HMIL) have been collected mainly from secondary sources viz.,

- Form the concerned officers of the Hyundai Motors India Limited (HMIL)
- Hyundai Motors India Limited (HMIL) journals.
- Accounting books, records.
- Key books of concerned title.
- Statistical records
- Hyundai Motors India Limited (HMIL) library.

METHODOLOGY

The proposed study is carried with the help of both primary and secondary sources of data.

PRIMARY DATA

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

SECONDARY DATA

All the secondary data used for the study has been extracted from the annual reports, manuals and other published material of the company.

LIMITATIONS

- Estimates are used as basis for cost plan and estimates are based mostly on available facts and best managerial judgment
- Cost control cannot reduce the managerial function to a formula. It is only a managerial.
- Tool which increase effectiveness of managerial control.
- The use of cost may be to restricted use of resources. Costs an often taken as limits.
- Efforts may therefore not be made to exceed the performance beyond the cost targets.
- Frequent changes may be called for in costs due to first changing industrial climate.
- In order that a system may be successful, adequate costs education should be imparted at least through the formative period. Sufficient training programs should be arranged to make employees give positive response to cost activities.
- The study is the limited up to the date and information provided by Hyundai Motors India Limited (HMIL) and its annual reports.

INTRODUCTION

The automobile industry is one of India's most vibrant and growing industries. This industry accounts for 22 per cent of the country's manufacturing gross domestic product (GDP). The auto sector is one of the biggest job creators, both directly and indirectly. It is estimated that every job created in an auto company leads to three to five indirect ancillary jobs.

India's domestic market and its growth potential have been a big attraction for many global automakers. India is presently the world's third largest exporter of two-wheelers after China and Japan.

According to a report by Standard Chartered Bank, India is likely to overtake Thailand in global auto-export market share by the year 2020.

The next few years are projected to show solid but cautious growth due to improved affordability, rising incomes and untapped markets. With the government's backing, and trends in the international scenario such as the decline in prices of natural rubber, the Indian automobile industry is slated to witness some major growth.

Market size

The cumulative foreign direct investment (FDI) inflows into the Indian automobile industry during the period April 2000 – August 2014 was recorded at US\$ 10,119.68 million, as per data by Department of Industrial Policy and Promotion (DIPP).

Data from industry body Society of Indian Automobile Manufacturers (SIAM) showed that 137,873 passenger cars were sold in July 2014 compared to 131,257 units during the corresponding month of 2013. Among the auto makers, Maruti Suzuki, Hyundai Motor India and Honda Cars India emerged the top three gainers with sales growth of 15.45 per cent, 12 per cent and 11 per cent, respectively.

The three-wheeler segment posted a 24 per cent growth to 51,461 units on the back of increased demands from the urban market. Total sales across different vehicle segments grew 12 per cent year on year (y-o-y) to 1,586,123 units.

Scooter sales have jumped by 29 per cent in the ongoing fiscal, and now form 27 per cent of the total two-wheeler market from just 8 per cent a decade back. The ever-rising demand for scooters, which has far outstripped supply has prompted Honda to set up its first dedicated scooter plant in Ahmedabad.

Tractor sales in the country is expected to grow at a compound annual growth rate (CAGR) of 8–9 per cent in the next five years making India a high-potential market for many international brands.

Investments

To match production with demand, many auto makers have started to invest heavily in various segments in the industry in the last few months. Some of the major investments and developments in the automobile sector in India are as follows:

- Ashok Leyland plans to invest Rs 450–500 crore (US\$ 73.54–81.71 million) in India, by way of capital expenditure (capex) and investment during FY15. The company is required to manage Rs 6,000 crore (US\$ 980.56 million) of assets in seven locations across the world, for which maintenance capex is needed.
- Honda Motors plans to set up the world's largest scooter plant in Gujarat to roll out 1.2 million units annually and achieve leadership position in the Indian two-wheeler market. The

company plans to spend around Rs 1,100 crore (US\$ 179.76 million) on the new plant in Ahmedabad, and expand its range with a few more offerings.

- Yamaha Motor Co has restructured its business in India. Now, Yamaha Motor India (YMI) will take care of its India operations. “The restructuring is part of Yamaha’s mid-term plan aimed at improving organisational efficiency,” as per Mr Hiroyuki Suzuki, Chief Executive and Managing Director. YMI would be responsible for corporate planning and strategy, business planning and business expansion, quality control, and regional control of Yamaha India Business.
- Tata Motors plans to use the 'hub-and-spoke' model in which India will be the key manufacturing base while it will have mini-hubs in overseas markets. The company also plans to set up mini hubs in potential markets like Africa, Middle-East and South East Asia.
- Hero Cycles through its unit OPM Global has acquired a majority stake in German bicycle company Mitteldeutsche Fahrradwerke AG (MIFA) for €15 million (US\$ 19.11 million). The company plans to invest an additional €4 million (US\$ 5.09 million) as capital expenses in restructuring the acquired company.

Government Initiatives

The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route. To boost manufacturing, the government had lowered excise duty on small cars, motorcycles, scooters and commercial vehicles to eight per cent from 12 per cent, on sports utility vehicles to 24 per cent from 30 per cent, on mid-segment cars to 20 per cent from 24 per cent and on large-segment cars to 24 per cent from 27 per cent.

The government’s decision to resolve VAT disputes has also resulted in the top Indian auto makers namely, Volkswagen, Bajaj Auto, Mahindra & Mahindra and Tata Motors announcing an investment of around Rs 11,500 crore (US\$ 1.87 billion) in Maharashtra.

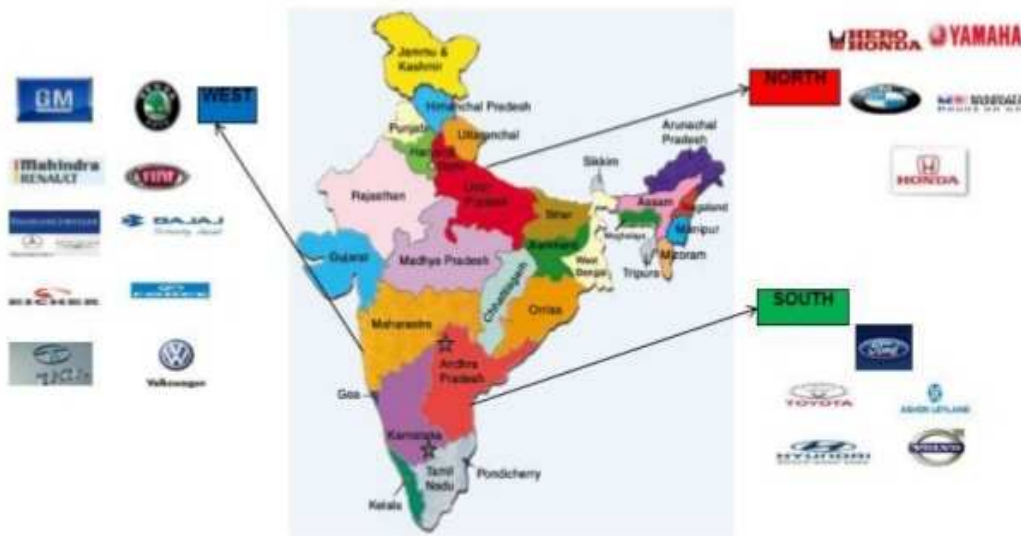
The Automobile Mission Plan for the period 2006–2016, designed by the government is aimed at accelerating and sustaining growth in this sector. Also, the well-established Regulatory Framework under the Ministry of Shipping, Road Transport and Highways, plays a part in providing a boost to this sector.

The Government of India-appointed SIAM and Automotive Components Manufacturers Association (ACMA) are responsible in working for the development of the Indian automobile industry.

Road Ahead

The future of the auto industry depends on the positive sentiments and the demand for vehicles in the market. With the festival season coming up, the Indian auto sector will see a rise in demand which is expected to bring in major growth. An auto dealer survey by firm UBS suggested that the Indian auto industry, riding on trends like the upcoming festival season and decline in fuel price, will observe a 12 per cent y-o-y growth in FY15. Also, keeping up with international trends, there is expected to be a surge in the number of hybrid vehicles in the Indian auto sector in the years to come.

Major automotive companies in India



The growth story for the Indian automobile industry in 2014 rode on the two-wheeler segment and not on passenger cars or commercial vehicles, as high interest rates and a stuttering manufacturing industry kept a check on demand.

The year also saw Competition Commission of India (CCI) levying a penalty of Rs.2,544.65 crore (\$415) on 14 car makers for their restrictive trade practices by preventing independent repairers coming into the market. Some of the leading car makers also had to recall some models over defective components.

When other segments like passenger cars and commercial vehicles logged negative growth, the two-wheeler makers registered around 13 percent growth between January and October. Riding on the two-wheeler sector's growth, the automotive industry grew 9.8 percent by volume year-on-year (YoY) between January and October.

"The two-wheeler segment is the only one that has clocked positive growth at 12.9 percent YoY (year-on-year) to reach sales of nearly 13.5 million units by October. This can be attributed to the low cost of two wheelers in India," Vijay Kakade, vice president for automotive and transportation practice at Frost & Sullivan, told IANS.

He said the light commercial vehicle (LCV) segment has been the worst hit, with sales reducing to approximately 330,000 units -- an 18.9 percent YoY fall over 2013.

"The passenger car, medium and heavy commercial vehicle segments contracted by 0.8 and 6.5 percent respectively during the period, compared to 2013. The reduction in sales can be attributed to the slowdown and the high interest rates set by the RBI (Reserve Bank of India) reducing the availability of finance options to the public," Kakade added.

"These segments have shown positive signs over the past few months, which is expected to lead to growth in the next year."

"The year 2014 has been a year of stagnation, which is a positive sign as the decline has stopped. The industry has shown signs of growth, albeit slower than expected, over the past few months," Kakade remarked.

P. Balendran, vice president, General Motors India, had similar views to share with IANS: "Of late, we have seen some movements in new entries driven by novelty factors and some select manufacturers have been getting the benefits too." He said the market has not shown any movement forward, despite the excise duty reduction, while the customer sentiment has not picked up due to sticky interest rates, which remain at high levels. "Although fuel prices have started coming down significantly, the enquiry levels at showrooms have come down and conversions are not taking place at all. The sales of diesel vehicles are also tapering off because of the narrowing price gap vis-a-vis petrol," Balendran added.

Expecting the government to continue with a lower excise duty regime for small/mid-sized/big cars and sports utility vehicles (SUV) till March 2015, Balendran said the rates should be continued till the Goods and Services Tax (GST) is introduced -- aiding the turnaround of the auto sector.

Terming 2014 a mixed bag for the automobile industry, Sumit Sawhney, chief executive and managing director of Renault India, told that while there has been a sea change in the consumer sentiment with a gradually improving economic climate in the country, the optimism has still to translate into sustained sales growth.

"The industry is looking forward to the budget for pro-business policies to reignite the automobile industry in India."

Highlights of India's automobile industry 2014

- Overall growth was 9.8 percent by volume year-on-year (YoY) between January and October.

Two-wheeler sector grew 12.9 percent Passenger car, medium and heavy commercial vehicle segments contracted by 0.8 and 6.5 till October LCV segment worst hit, with sales falling 18.9 percent YoY fall over 2013 till October Excise duty reduction on automobiles Competition Commission of India (CCI) fines 14 car-makers Rs.2,544.65 crore for restrictive trade practices.

Auto manufacturers have been trying to cope with economical rough patch in last two years. Trying to boost sales and implementing cost effective schemes just wasn't enough. They also had to cut many of their employees loose to stay somewhat balanced, in some cases. On a fashionable note, senior employees were asked to take voluntary retirement (not sure what 'voluntary' is doing in that sentence).

Tata Motors apart from giving customers attractive offers, gave 600 of their employees early retirement offers, last month. Ashok Leyland too offered 500 of their employees with irresistible retirement schemes, last year (pun intended).

Sales of Cars, SUVs, Vans, pick-ups, and entire commercial vehicle segment went south, with passenger vehicle market encountering first decline in the decade. But what saved the overall scenario was the two-wheeler market. It took 7.31% hike with motorcycle sales going

3.91% up and scooter sales riding 23% north. Export sales figures also contributed to somewhat saving the year with rise of 7.21%.

The downtrend left auto manufacturers with piled up inventory and stagnation. The interim budget announced in February, gave a minor boost as all vehicles prices were reduced marginally, but it hasn't exactly helped boost sales yet. Automakers are expecting aid from the government's new budget by way of further tax cuts.

Sales figures of March 2014 shows 12.83% overall growth also by means of increased two-wheeler sales. Commercial Vehicles have further dipped compared to March 2013 and passenger cars stagnating below the graph. However, overall production has increased by 9.95% comparing March figures of both years, suggesting auto makers' confidence in ongoing fiscal to make better.

Launch of new A segment compact cars by various auto majors seems to be helpful in this economy, for customers as well as value chain entities. Maruti Suzuki finished top on podium with 42% share in overall car sales, followed by Hyundai with 15% share.

Society of Indian Automobile Manufacturers (SIAM) expects a 6% growth over in the fiscal 2014-15, with boost in manufacturing sector, new investment and fresh capacities in the industry. Vikram Kirloskar, president of SIAM says, "Whichever government comes in...I am looking for stability in excise duty and some reduction in taxes. We are an over-taxed industry."

Category	Units in March 2013	Units in March 2014	Result
Overall Auto Sales	14,86,664	16,77,445	12.83 % UP
Two-Wheelers	11,01,203	13,34,214	21.16 % UP
Motorcycles	7,80,022	9,06,665	16.24% UP
Passenger Cars	1,80,675	1,71,489	5.08 % DOWN
Commercial Vehicles	84,958	64,101	24.55 % DOWN
Overall Auto Production	16,86,348	18,54,157	9.95 % UP
Category	Units (March 2012 to 2013)	Units (March 2013 to 2014)	Result
Overall Auto Sales	1.77 crore	1.84 crore	3.53 % UP
Two-Wheelers	1.38 crore	1.48 crore	7.31 % UP
Motorcycles	100,85,000	104,79,817	3.91% UP
Scooters	29,23,424	36,02,744	23 % UP
Three-Wheelers	5.38 lakh	4.79 lakh	11 % DOWN
Passenger Vehicles	26.66 lakh	25.03 lakh	6.12 % DOWN
Domestic Cars	18,74,055	17,86,899	4.65 % DOWN
SUVs	5.53 lakh	5.25 lakh	5 % DOWN
Commercial Vehicles	7,93,211	6,32,738	20.23 % DOWN
Vans	2.375 lakh	1.9 lakh	20 % DOWN
Overall Auto Exports	NA	NA	7.21 % UP

FINDINGS

- The result in revenue cost of Hyundai Motors India Limited (HMIL) totally 118.25 % in the year 2013-14 respectively. During the year 2013-14 the average intensive are 72.18 the other Income also 208.64 respectively.
- During the year 2010-11 the average intensive is decreased 86.02 the other Income also decreased 97.76 respectively. The result in revenue cost of Hyundai Motors India Limited (HMIL) totally increased to 886.22 in the year 2010-11 respectively.
- During the year 2009-10 the averages intensive are decreased 69.80 the other Income also decreased 62.23 respectively. the result in revenue cost of Hyundai Motors India Limited (HMIL) decreased 745.80 in the year 2009-10 respectively.
- During the year 2008-09 the average intensive are decreased 70.98 the other Income also decreased 56.36 respectively. the result in revenue cost of Hyundai Motors India Limited (HMIL) decreased 753.99 in the year 2008-09 respectively.
- The total finance charges recording decreasing of 323.29 in the year 2013-14 respectively
- The total finance charges recording decreasing of 237.03 % in the year 2010-11 respectively.
- The total finance charges recording decreasing of 217.11 in the year 2009-10 respectively.

CONCLUSION

Every organization has pre-determined set of objectives and goals, but reaching those objectives and goals only by proper planning and executing of the plans economically.

The Hyundai Motors India Limited (HMIL) is objectives of planning promoting and organizing an integrated development of Auto motors Company.

The corporation mission of Hyundai Motors India Limited (HMIL) is to make available and quality service in increasingly large quantities, the company will spear head the process of accelerated development of this sector by expeditiously. The organization needs the capable personalities as management to lead the organization successfully, the management makes the plans and implement of these plans are expressed in terms of cost and cost control.

The Hyundai Motors India Limited (HMIL) has cost process in two stages. One is the capital expenditure cost and another is operating maintenance cost, the capital expenditure cost shows the list of capital projects selected for investment along with their estimated cost, operating & maintenance cost refers to the repairs & maintenance costs, the special costs are rarely used in the organization like long-term costs, research & development cost and cost for consultancy.

It is to make available and quality work efficient resources and implementation of sophisticated technology and generation and also creating ambience of collective working of its employees.

SUGGESTIONS

Planning has become the primary function of management most of the planning relates to individual and individual proposals. Costs are nothing but his expressions, largely in financial

terms, cost control has, therefore become an essential tool of management for controlling and maximizing profits.

- The company objectives of the organization and how they can be achieved through cost control
- Time tables for all stages of costing follow
- Reports, statements, forms and other records to be maintained
- Continuous comparison of actual performance with targeted performance.

REFERENCES

- Trivedi RP. Financial Accounting.
- Pandey IM. Financial Management.
- Annual Report Of Hyundai Ltd 2012-2013.
- Chandra P. Fundamental of Financial Management.

www.Google.Com

www.Hundai.Com

www.Costcontrolinindia.Com

www.Yahoofinance.Com