

PAIB Committee member from India: Observations on IMA Conceptual Framework for Managerial Costing

1. The IMA exposure on Managerial Costing at various places does mention about the role of cost accounting in supporting financial reporting statutorily. But in India, Pakistan, and Bangladesh, we have cost reporting to shareholders or directors or even the Government depending on the individual jurisdiction. Particularly in India, the law treats the cost reporting to the governing bodies as a part of the Corporate Governance framework. Further, this is also based on Cost Accounting Standards whose issuance follows a procedure of public exposure. The reporting to the board should be in the form of an opinion expressed on adherence to the cost accounting standards. This position is significantly different from that of cost accounting supporting external financial statutory reporting. The IMA exposure document talks vividly on various places only about scope exclusion of this role. We are more comfortable with IFAC document which also embraces the South Asian practices in its umbrella and recognises that as good practice. If IMA paper can contain an affirmative statement that it is not applicable to statutory cost reporting which could be practised in certain environment.
2. Even in US, we understand that there is a Cost Accounting Standards Board under US President Office and business firms dealing with US Federal Government need to maintain or submit cost information in compliance with that. This document is silent on that.
3. In the diagram showing the framework of the managerial costing, aspects like objectivity, verifiability, etc. have been shown as constraints. This militates against the IFAC IGPG principles and will also contradict in a situation wherein cost accounting is called to support Sustainability or Integrated Reporting. For example, life cycle costing principles will have to back up an important part of our national voluntary guidelines on responsible business. Here traceability is a must and not a constraint.
4. Equating Managerial Costing with Management Accounting as well as Cost Accounting and also terming them interchangeable may be disadvantageous.