INTRODUCTION

India is the second largest agro-based processing industry after the cotton textiles industry in country. It has a lion's share in accelerating industrialization process and bringing socio-economic changes in underdeveloped rural areas. It covers around 7.5% of total rural population and provides employment to 5 lakh rural people. About 4.5 crore farmers are engaged in sugarcane cultivation in India. Sugar mills may be co-operative, private or public. It has been instrumental in initiating a number of entrepreneurial activities in rural India. During its path of progress Indian sugar industry has undergone various problems and challenges in context of ongoing liberalization process. It needs quality management at all levels of activity to enhance productivity and production. Attention is required on cost minimization and undertaking by product processing activities.

Sugar being one of the oldest commodities in the world and traces its origin in 4th century AD in India and China. Primarily sugar was manufactured only from sugarcane. Later on they lose their initiatives to the European, American and Oceanic countries, as the eighteenth century witnessed the development of new technology to manufacture sugar from sugar beet. Up scaling of production methods leads to the spread of cultivation and manufacture of cane sugar to the medieval Islamic world.

Indian mythology supports the fact it contains legends showing the origin of sugarcane. Growing sugar production and the structural changes in
Indian sugar industry made India to continue its domination at the global level.

In the ancient times simple method was used to prepare sugar. Cane was cut into pieces and crushed under heavy weight. Juice thus obtained was boiled and stirred till it turned into solids.

Solids of uneven shape and size were called ‘Sarkaran’, a Sanskrit term of 'gravel'. Modern word 'sugar' is derived from the word Sarkara. Thus it could be rightly said that India has been the original home for sugarcane as well as sugar manufacture.

India is the largest producer of sugar including traditional cane sugar sweeteners, khandsari and Gur equivalent to 26 million tons raw value followed by Brazil in the second place at 14.68 million tons. Even in respect of white crystal sugar, India has ranked No. 2 position in 7 out of last 10 years.

The traditional sweeteners of India like Gur & Khandsari are consumed mostly by the rural population in the country. In the early 1930's nearly 2/3rd of sugarcane production was used for the production of alternate sweeteners like Gur & Khandsari. As the standard of living and incomes increases the sweetener demand has shifted to white sugar. Currently 1/3rd of sugarcane production is used by the Gur & Khandsari sectors.

In the year 1930 there was beginning of modern sugar processing industry in India. It was started with grant of tariff protection to the sugar industry.
In the year 1930-31 the number of sugar mills increased from 30 to 135 and in the year 1935-36 production was increased from 1.20 lakh tons to 9.34 lakh tons under the dynamic leadership of the private sector. Year 1950-51 begins with the era of planning for industrial development. Till then Government has laid down targets of sugar production and consumption, licensed and installed capacity, sugarcane production during each of the Five Year Plan periods.

From the year 1995-99 India has become largest producer of sugarcane/sugar producing 281 MnT of cane and 16.5 MnT of sugar. From this point it started gaining a good position, representing about 20% of cane sugar production. India also produces another 10 MnT of traditional sweeteners viz. Gur 9 MnT and Khandasari 1 MnT). India also has a large consumer base, thus makes it in a weak position to international sugar market, in the event of surplus or deficit situation.

**Indian Share in Sugar Industry on Global Front**

On the global front sugarcane is cultivated in 20.5 million hectares in 121 countries. Major producers of sugar are Brazil, India, China, Pakistan, Mexico, Cuba, Australia, and Argentina.

India is the largest sugar consumer and second largest producer of sugar in the world according to the USDA Foreign Agricultural Service. Indian Sugar Industry has total turnover of ` 500 billion per annum and contributes almost ` 22.5 billion to central and state exchequer as tax, cess,
and excise duty every year according to the sources of Ministry of Food &
Government of India.

As the industry is a fragmented one, even leading players do not control
more than 4 percent market in India. However, the situation is changing
and players off late are striving to increase their market share either by
acquiring smaller mills or by going for green field capacity additions.
Another notable trend is the shift from Gur and Khandsari to sugar in the
rural areas.

Indian sugar industry is highly fragmented with organized and unorganized
players. The unorganized players mainly produce Gur and Khandsari, the
less refined forms of sugar.

**Accounting Disclosure System in Sugar Industry**

In the environment of various Statutes and Legislations governing the
sugar industry across India and varied interpretation of certain terms under
the related laws by the judiciary, there is no uniformity in preparation and
presentation of financial statements. Also, there is an apparent lack of
awareness as to the applicability of the accounting standards issued by the
Institute of Chartered Accountants of India (ICAI).

Given the historical background of development of sugar industry
accounting and financial reporting practices followed by non-governmental
sugar industry have been oriented towards meeting the needs of the
governing bodies running the sugar industry. However, in recent years,
with increase in private sugar industries greater need is being felt for accountability of the financial resources used by the sugar industries. Moreover, the present system of accounting and financial reporting followed by sugar industry does not meet the accountability concerns of the stakeholders such as members/ beneficiaries, governing board, management staff, volunteers and general public as sugar industry in India follow not only diverse accounting practices but also different basis of accounting. Due to these factors, the financial statements of various sugar industries are incomparable. A need is, therefore, being felt for improved accountability of the financial resources used by the sugar industry.

A sound accounting and financial reporting framework acts as an important ingredient for promoting accountability and for development of sugar industry.

Following are some of the factors indicating the diversity in accounting practices being followed by the sugar industry:

1. Lack of awareness
2. Adoption of different method used in accounting standards
3. Impact of other laws

As a result of the above factors, the existing accounting practices of the sugar industries have the following characteristics:

1. There is no standard method in accounting being followed by sugar industries.
2. The Accounting Standards formulated by the Institute of Chartered Accountants of India, are generally not being applied.

3. There is lack of uniformity in presentation of financial statements.

4. There are different disclosure practices being followed.

5. There is diversity in terminology and accounting policies being adopted.

In view of the above, information provided by the financial statements of different sugar industries is not uniform or comparable. This has given rise to confusion and misunderstanding among the users of financial information provided by sugar industries.

Here, it may be emphasized that wherever the sugar industries are incorporated under section 25 of the Companies Act, 1956 they are already required to prepare the financial statements as per Schedule VI to the Companies Act and accounting standards are already applicable to them.

Moreover, ‘Preface to the Statements of Accounting Standards’ issued by the ICAI clarifies that any organization industrial or business in nature cannot claim exemption from application of accounting standards. In that case, Accounting Standards shall apply to the entity as a whole and not only to commercial, industrial or business transactions.
Meaning and Definition of Accounting Standards

Accounting Standards are written statements of accounting rules and guidelines to prepare financial statement. It may also be said that Accounting Standards are codified forms of GAPP. Accounting Standards consists of detailed rules to be adopted for the treatment of various items in accounting process so as to attain uniformity and consistency in internal and external reporting process. The main thrust in the preparation of Accounting Standards is to achieve global uniformity and comparability and there by bridging the gap that exists in numerous and diverse accounting practices.

Accounting Standard in Force

Realizing that there was a need of accounting standards in India and keeping in view the international developments in the field of accounting, the Council of the Institute of Chartered Accountants of India constituted the Accounting standards Board (ASB) on April 21, 1977. The Accounting standard Board is performing the function of formulating the Accounting Standard. In the course of preparation of Standards ,it takes into accounts the applicable laws, customs, usages and business environment .The accounting Standard Board consists of representatives of Industries, central board of direct taxes and the controller and Auditor General of India.32 accounting standards have been issued so far out of which As-8 has been withdrawn. It has been replaced by AS-26.
Objectives of the Study

The objective of this Study is to recommend the best practices for sugar industry, with a view to harmonise the diverse accounting practices being followed in sugar industries.

1. To study the Indian sugar industry.

2. To study raw material, products and working of Indian sugar industry.

3. To have a deep insight into the system of accounting disclosure practices in sugar industry.

4. To recommend an appropriate method of accounting used in various accounting standards to be followed along with the financial control guidelines if required.

5. To study relevant accounting standards used for preparation and presentation of financial statements in sugar industries.

6. To analyse significance of following the accounting standards on the working of the industry.

In this research work, the application of accounting standards, in the sugar industries have been studied to find answers to the following questions:

- Are the accounting standards issued by ICAI are applicable to the sugar industries as required?
Do these accounting standards serve as the guideline for the working of sugar industries under study?

Keeping all these factors in mind the following hypothesis has been constructed.

**HO1** – Sugar industries are managed by professional management and there are highly qualified professionals in all the functional areas of management.

**HO2** – Sugar industries are performing well in financial terms, quality-wise and in human resource aspects.

**HO3** – Sugar industries are deviating from following the accounting standards specified by ICAI

**HO4** – Sugar industries has to face acute and severe competition from its competitors and globalization has also posed several problems before the organization.

**Introduction to Sugar Industry**

India was the first to begin with the production of sugar with the process of pressing sugarcane to extract juice and boil it to get crystals. The government of India in 1950-51 made serious industrial development plans and has set many targets for production and consumption of sugar. These plans by the government projected the license and installment capacity for the sugar industry in its Five Year Plans.
Indian Sugar Industry generates power for its own requirement and even gets surplus power for export to the grid based on by product bagasse. There is even production of ethanol, an ecology friendly and renewable energy for blending with petrol. Indian sugar industry has been growing horizontally with large number of small sized sugar plants set up throughout India as opposed to the consolidation of capacity in the rest of the important sugar producing countries and sellers of sugar, where there is greater concentration on larger capacity of sugar plants.

**State Wise Distribution of Sugar Production in India**

Sugar is produced in India in abundant. Major sugar producing states in India can be classified on the basis of production capacity in India. Sugar Companies have been established in large sugarcane growing states like Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh. These are the six states contributing more than 85% of total sugar production in the India. And 57% of total production is together contributed by Uttar Pradesh and Maharashtra.

Sugar industry In India can be divided into two sectors as

(i) **Organized:** It comprises of the Sugar factories and sugar mills of public sector, private sector and co-operative sector. White refined sugar is usually produced by organized sector

(ii) **Un-organized sector:** Local producers who produce traditional sweeteners fall into unorganized sector. Gur and khandsari are the
traditional forms of sweeteners. They own a more profitable zone even on being on a small-scale producers.

**Size of the Industry**

Today India has 681 sugar mills, those constituting 328 mills from the Cooperative sector and 291 Mills from the private sector. And there are boosting 62 mills in the Public sector. As according to the statistics there is total number of 529 sugar factories working in India as on 2012 compared to 138 during 1950-51. These 529 sugar mills have a production of total quantity of 263.42 lakh tons (LT). There is an increase in the Sugar production in India from 182.10LT in 1999-2000 to 263.42 lakh tons (LT) in 2011-12.

Since 1999 installed capacity has increased from 161.8 LT to 243.83 LT in 2012, which is nearly double in last 12 years. On one hand an increasing trend in installed capacity of sugar industries is revealed and on the other hand sugar production is showing a mixed trend i.e. it is fluctuating at various points.

**Manufacturing Process Followed by the Sugar Industry**

Sugar is manufactured in sugar industries by a proper manufacturing process. This process involves a series of manufacturing steps. This manufacturing process is revealed by:
Summary of The Thesis

1. Extracting juice by pressing sugarcane.
2. Boiling the juice to obtain crystals.
3. Creating raw sugar by spinning crystals in extractors/ evaporators.
4. Taking raw sugar to a refinery for the process of filtering and washing to discard remaining non-sugar elements and hue.
5. Crystallizing and drying sugar.
6. Packaging the ready sugar.

RAW MATERIAL

Sugar can be manufactured from two unique and independent sources. These are the sugar beet and the sugarcane. Sugarcane is conveniently grown in the temperate zones and the sugar beet in the tropics. In the modern era especially in India sugar is mostly produced by sugar cane.

As far as sugarcane production is concerned, it had negative growth during 1999-2000 to 2003-04 due to lower rainfall. There had been considerable increase after words till 2005-2007. There are variations in sugarcane production during past 12 years. Sugar cane is widely utilized for different purposes like seed, feed & chewing etc with sugar, gur and khandsari production. Sugar, gur and khandsari production is maximum during 2008-2009 and 2011-2012 respectively.

Products of Sugar Industries Humans have cultivated sugarcane for many centuries to produce sugar. But recently high-tech innovation has
started unlocking other useful products that are clean and renewable. Use of sugarcane is expanding into an extraordinarily diverse range of value-added products. The sugar cane produced in the country is utilised mostly for the manufacturing of below mentioned products:

1. White sugar
2. Traditional sweeteners like Gur and Khandsari
3. Seed
4. Cane tops and Leaves
5. Juice

**By-Products of Sugarcanes**

There are five main byproducts of the sugarcane industry. They are filter mud, furnace ash, fuel gas, bagasse and molasses. Out of these five byproducts most important are Filter muds, Bagasse and molasses.

1. Filter Muds
2. Bagasse
3. Molasses

**Bagasse:** Bagasse is used internally mainly as fuel to generate steam in the sugarcane factories and a small fraction to produce pulp and board.
Use of bagasse

a) Electricity  
b) Particle board  
c) Paper  
d) Furfural  
e) Methane/biogas

MOLASSES

Molasses is exported either as such for animal feed or after transformation as rum, potable alcohol or industrial alcohol. Molasses is the final effluent obtained in the preparation of sugar by repeated crystallization. It is the residual syrup from which no crystalline sucrose can be obtained by simple means.

Product of Molasses

(a) Rum  
(b) Ethyl alcohol (C₂H₅OH)  
(c) Acetic acid (CH₃COOH)  
(d) Butanol-acetone  
(e) Citric acid  
(h) Industrial alcohol as cooking fuel
POWER & FUEL

Indian sugar industry is one of the main producers of renewable power using bagasse, a by-product from sugarcane crushing operations as fuel. The total installed capacity for sugar based cogeneration in India is around 1,400 MW in June 2010, against 437 MW in March 2005. Indian sugar industry has a gross potential to generate about 5000 MW of such power annually, as per MNRE. In the year 2010-11, the peak energy deficit in India was about 10%, which is multiplying in the absence of sufficient addition of new power generation capacities. India has set targets to achieve an installed cumulative, grid connected renewable energy capacity of 74 GW by 2022 (15% of total energy) which is 4.1% at present. Bagasse based power generation needs to be an important part of that.

Sugar industry produces many by-products which can be used as power and fuel. They are bagasse, methane gas and industrial alcohol as cooking fuel.

CONSUMPTION OF STORES

In India major consumption of sugar is at the domestic level i.e. near about 220 MT sugar was used in the year 2011-2012. There are nearby 900 million domestic consumers in India. Domestic consumption of sugar in India had slight fluctuations during past 12 years. Indian sugar industry contributes 14.68% of global sugar production, while its share in global sugar consumption is around 13.4%. Sugar exports from India had shown
remarkable growth during 2006-2008 i.e. from 17.28 MTs to 49.56 MTs. However, exports of sugar declined substantially during 2008-10 to 2.35 MTs. during 2011-12 over their respective previous years it again increased to33.9 MTs. Sugar imports during 1999-2012 had mixed growth trend.

If the consumption at domestic level is analysed than there may be household users (900 million), retailers selling sugar (300,000) million, institutional sale (7100 million) and Licensed wholesalers (70,000 million). Institutional segment appears to be a major segment utilising near about half of the sugar consumption.

**CASE I MAIN CASE STUDY – SIMBAHOLI SUGARS**

Simbhaoli sugar mill was established in 1933. It has been a major producer for producing sugar in India. Simbhaoli Sugars is a technology company with a business mix that produces a number of products viz. refined (sulphur-less) sugar, specialty sugars, quality liquor, co-generated power, extra neutral alcohol (ENA), ethanol, bio-manure and technology consultancy. Being India's largest integrated sugar refinery, the Company has pioneered path-breaking innovations in sugar refining (Defeco Remelt Phosphotation and Ion Exchange technology), high value, niche products (specialty sugars) and clean energy (ethanol). Simbhaoli Sugars has been producing top quality sugars since eight-decades.
It was established in 1933 by Sardar Raghibir Singh Sandhanwalia. Simbhaoli Sugars was amongst the first sugar plants to be set up in North India. Today, it has been evolved into a 1500 crore organisation, which is professionally and technology driven. It has three sugar complexes - Simbhaoli (Western Uttar Pradesh), Chilwaria (eastern Uttar Pradesh) and Brijnathpur (Western Uttar Pradesh) have an aggregate crushing capacity of 20,100 TCD.

Simbhaoli Sugars have fully integrated three sugar refineries with the distillery, co-generation and bio-compost units. Most of the sugar produced confines to EU grade. The result is energy conservation, optimal utilization of by-products, cost savings and most importantly, a product portfolio that includes specialty sugars, potable liquor, ethanol, power and organic manure.

Company has strong retail presence in ten states in India: Uttar Pradesh, Delhi, Rajasthan, Himachal Pradesh, West Bengal, Bihar, Sikkim, Assam, Arunachal Pradesh, Andhra Pradesh, Kerala, Haryana, Uttarakhand, Jammu and Kashmir, Tripura, Chandigarh, Orissa and Meghalaya.

**Analysis**

The Company's financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting standards. The estimates and/or judgments have been made on a consistent, reasonable and prudent basis to reflect true and fair view
of the state of the affairs of the Company. Moreover the company is undergoing regular audits by its auditor therefore it could be well said that company is following the accounting standards. The findings after analyzing the company’s annual reports and discussion with management, accountants and its auditors are as follows:

1. **Change in the Accounting Year:** Since its origin the Company was having its accounting period of twelve months. The Company has changed its accounting year from October-September period to April-March to facilitate comparative analysis with other companies, and have a uniform accounting year under the Indian Companies and Income Tax Acts. Accordingly, the current accounting period covers 18 months period commencing from October 1, 2010 to March 31, 2012. According to the accounting standard AS-1 proper disclosure of accounting policies should be there. On changing the accounting Year Company has disclosed it in its auditors report.

2. The Cash flow statement of the company is prepared under the "indirect method" set out in Accounting Standard-3 prescribed in Companies (Accounting Standards) Rules, 2006. Cash-flow statement is compulsory for all the firms of level 2 and listed companies

3. **Valuation of Inventories:** Stores, spare parts and tools and appliances are a part of inventory and mostly they are valued at cost or under. Stock-in-trade is valued at the lower of cost and net
realizable value. The basis of determining cost for different categories of inventory differs from item to item. It is mandatory to value inventory under AS-2. Simbhaoli Sugars Value inventory differently for different items. Here company has changed its policy for valuing inventories in the accounting year 2007-2008. Since 2004 the company has been valuating inventories (raw material and processed goods) by Annual weighted average method. Processed goods are valued at material cost plus appropriate share of labour and manufacturing overheads. After wards it has started valuating inventories (raw material and processed goods) by FIFO, material cost plus appropriate share of labour and manufacturing overheads. It has started valuating By-products at estimated realizable cost. Raw material is valued by First in first out (FIFO) after 2007-2008.

4. **Research And Development** The details relating to Research and Development activities carried out by the Company are stated in Form B of company’s annual Report as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. In Major practices SSL has continued its cane development program including distribution of sugarcane seeds for varietal replacement, pest and insect control etc to augment cane supplies in its reserved areas. It has propagated schemes for multi-cropping of different crops with sugarcane to maximize the earnings of the farmers. Assistance(s) have been obtained from banks and sugar development fund. The benefits of these initiatives will be
available in the long term in the form of improved farm yield and healthy cane crop. Further Measures have been taken to reduce steam and water consumption to achieve economy of scales. New high pressure energy efficient boilers with high degree of automation are installed to increase power generation and saving thereof. Major benefit that has been derived is Power consumption reduced significantly while sale of power increased. Company saved bagasse that will be helpful in off season raw processing and power generation.

5. **Government Grants:** AS-12 is also followed and is specified by the company. Government grants related to revenue are recognized in the profit and loss account over the years necessary to match them with the related costs. Government grants related to depreciable fixed assets are recognized in the profit and loss account over the useful life of the asset to which they relate.

6. **Employee Benefits:** The Company has classified the various benefits provided to employees as Defined contribution plans (including Superannuation fund and Provident fund) and Defined benefits plans (including Gratuity & Compensated absences – Earned Leave/ Sick Leave/ Casual Leave), which have been recognized in the profits and loss account. In accordance with the Accounting Standard 15 (revised 2005), actuarial valuation was
done in respect of the aforesaid defined benefit plans and details of the same are given in the annual reports.

7. **Depreciation/Amortization**: According to AS-6 depreciation should be revealed in the Annual reports. The straight line method at the rates applicable to the balance useful life of the relevant assets as estimated by the valuer or at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, whichever is higher. In respect of other assets, the depreciation is provided by applying the following method at the rates specified in Schedule XIV to the Companies Act, 1956. Since 2004 depreciation on Buildings other than Simbhaoli Distillery Division and Chilwaria sugar division is done by Written down method. Depreciation on Buildings (Simbhaoli Distillery Division and Chilwaria Sugar Division) is done by Straight line method. Depreciation on Plant and machinery (other than electric installations, typewriters and office equipments) is carried by written down method up-to sep 30,1987 and after wards by Straight line method. Railway siding/electric installations/ typewriters and office equipment/furniture and fixtures/motor lorries and vehicles are deprecated by written down method.

Software is amortised on over its economic useful life of 10 years on straight line method. Fixed assets costing up to `5,000 are fully depreciated in the year of acquisition.
8. AS-17 states the requirement of segment reporting. Company is reporting under three heads viz. Business segments, Geographical segments and Segment accounting policies.

Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" notified by the Companies (Accounting Standard) Rules, 2006, the Company's business segments include: Sugar, Alcohol and Power. Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same. There is only one geographical segment. The accounting policies in relation to segment accounting are disclosed as Segment revenue and expenses, Segment assets and liabilities, Inter segment sales.

Inter segment sales between operating segments are accounted for at market price. These transactions are eliminated on consolidation. In the previous year, pursuant to the Notification dated March 31, 2009 issued by The Ministry of Corporate Affairs, amending Accounting Standard (AS) 11 - 'Effects of Changes in Foreign Exchange Rates', the Company had chosen to exercise the option under paragraph 46 inserted in the standard by the notification. Accordingly with retrospective effect from 1st October 2007 onwards exchange differences on all long term monetary items to the extent such items
were used for financing fixed assets were added to/subtracted from the cost of those fixed assets and depreciated over the balance useful life of the assets.

9. **Basis of Accounting:** The consolidated financial statement have been prepared in accordance with Accounting Standard 21 (AS-21) - consolidated Financial Statements" and Accounting Standard 27 (AS -27) - "Financial Reporting of "Interest in Joint Venture" as notified by Companies Accounting Standard Rules, 2006.

The subsidiaries considered in the consolidated financial statements are: 2009-2010 To appoint a director in place of Dr. G S C Rao, who retires by rotation and being eligible, offers himself for re-appointment.

10. **Contingent Liabilities not Provided for:** In the year 2011-2012 claims against the Company not acknowledged as debts ` 707.30 lakhs (previous year `147.66 lakhs). All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not in the opinion of the management, have a material effect on results of operations or financial position of the company. This can be considered as Disclosure of accounting treatment.

The financial statements are prepared under the historical cost convention and have been prepared in accordance with the
mandatory accounting standards prescribed by The Institute of Chartered Accountants of India and relevant presentational requirements of the Act. However, attention is drawn to the Auditors’ qualification on deferred tax as per Accounting Standard 22.

CASE II SHORT CASE STUDY- DHAMPUR SUGARS

Dhampur Sugar Mills was established in 1933. It began its operations in a small town called Dhampur located in the state of Uttar Pradesh, India. Lala Ram Narain ji was the founder of the two sugar mills one at Dhampur and the other as a 50% partner, at Bareilly, in Uttar Pradesh.

Dhampur Sugar Mills situated at Dhampur is one of the leading integrated sugarcane processing companies in India. Initially Dhampur sugar mill was having a crushing capacity of 300 tons of cane per day. With its continuous and pioneering efforts to harness the full potential of sugarcane, Dhampur sugars has expand its product range beyond sugar to include renewable power, fuel ethanol, alcohol based chemicals and bio fertilizers.

Analysis of Dhampur Sugar Industry

alcohol, extra neutral alcohol, alcohol based chemicals and bio fertilizers. Parent plant is situated at Dhampur. As mentioned above it was established in 1933. Dhampur plant produces sugar, Renewable power,
Summary of The Thesis

Alcohol, Extra Neutral Alcohol, Rectified Spirit, Industrial Alcohol, Alco-Chemicals, Industrial Gases and Bio-fertilizer. Dhampur sugar has three subsidiary units situated at Asmoli, Mansurpur and Rajpura.

Dhampur sugar consistently followed the accrual basis of accounting. Its accounts were prepared on the basis of accounting standards as per Section 211(3C) of the Companies Act, 1956, issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Company’s financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting standards. Moreover the company is undergoing regular audits by its auditor therefore it could be well said that company is following the accounting standards. The findings after analyzing the company’s annual reports and discussion with management, accountants and its auditors are as follows:

1. **Change in the Accounting Year:** In the year 2010, the financial year 2009-10 of the Company was extended up to 31st March, 2011 from 30th September, 2010. Henceforth, the financial year of the Company was recognized from 1st April to 31st March. The financial year period changed as the Company needed to align its accounts with the emerging changes in law and accounting. The financial results for the period under review covered a period of 18 months, and are not comparable with the results of 2008-09, a financial year that covered only 12 months. The year 2008-09 refers to 12 months

2. **Valuation of Inventories**: Stores, spare parts and tools and appliances are a part of inventory and mostly they are valued at cost or under. Stock-in-trade is valued at the lower of cost and net realizable value. The basis of determining cost for different categories of inventory differs from item to item. It is mandatory to value inventory under AS-2. Dhampur Sugars Value inventory differently for different items. Company is valuing raw material at cost and finished goods including in transit (molasses) at lower of cost and net realizable value. Stock of finished farm products, molasses and bagasse are carried at estimated selling price. Packing materials, stores, spares, standing cane and other crops are carried at cost while goods in process / work in process is carried at estimated cost. Loose tools and instruments are carried at depreciated value.

3. **The Cash Flow Statement** of the company is prepared under the "indirect method" set out in Accounting Standard-3 prescribed in Companies (Accounting Standards) Rules, 2006. Cash flow statement is compulsory for all the firms of level 2 and listed companies

4. **Research and Development** The details relating to Research and Development activities carried out by the Company are stated in Form B of company’s annual Report as required under the
Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. Specific areas in which the Company carried out R&D Planting of new varieties of early maturing seeds for higher sugar recovery, yield in sugarcane and for early commencement of crushing operations. Benefits derived as a result of the above R&D includes Higher recovery per cent at units. Efforts in brief made towards technology absorption, adoption and innovation leads to improved juice clarification for the manufacture of export quality, low ICUMSA sugar. Other benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development and import substitution.

5. **Depreciation/Amortisation:** According to AS-6 depreciation should be revealed in the Annual reports. The straight line method at the rates applicable to the balance useful life of the relevant assets as estimated by the valuer or at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, whichever is higher. In respect of other assets, the depreciation is provided by applying the prescribed methods at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on plants and buildings acquired after 31st March, 1989 is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on other fixed assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
6. **Government Grants:** AS-12 is also followed and is specified by the company. Government grants related to revenue are recognized in the profit and loss account over the years necessary to match them with the related costs. Government grants related to depreciable fixed assets are recognized in the profit and loss account over the useful life of the asset to which they relate.

7. **Employee Benefits:** The Company has classified the various benefits provided to employees as Defined contribution plans (including Superannuation fund Provident fund and ESIC) and Defined benefits plans (including Gratuity & Compensated absences – Earned Leave/ Sick Leave/ Casual Leave), which have been recognized in the profits and loss account. In accordance with the Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plans and details of the same are given in the annual reports. Company's liabilities towards gratuity are determined using the projected unit credit method which considers each period of service as giving rise to additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Short term benefits (namely leave encashment) are provided for on accrual basis.

8. **AS-17 States The Requirement of Segment Reporting.** Company is reporting under three heads viz. Business segments, Geographical segments and Segment accounting policies.
Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" notified by the Companies (Accounting Standard) Rules, 2006, the Company's business segments include: Sugar, cogeneration and distillery (chemicals). Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same. There are four geographical segments. The accounting policies in relation to segment accounting are disclosed as Segment revenue and expenses, Segment assets and liabilities, Inter segment sales.

Inter segment sales between operating segments are accounted for at market price. These transactions are eliminated on consolidation. The Company has opted for change in accounting policy in respect of foreign exchange difference relating to translation of long term foreign currency monetary liabilities in accordance with the notification dated 31st March, 2009 issued by the Ministry of Corporate Affairs.

1. **Basis of Accounting:** The consolidated financial statement have been prepared in accordance with Accounting Standard 21 (AS-21) - consolidated Financial Statements" and Accounting Standard 27 (AS -27) - "Financial Reporting of "Interest in Joint Venture" as notified by Companies Accounting Standard Rules, 2006.
2. The financial statements are prepared under the accrual cost convention and have been prepared in accordance with the mandatory accounting standards prescribed by the Institute of Chartered Accountants of India and relevant presentational requirements of the Act. However, attention is drawn to the Auditors' qualification on deferred tax as per AS-22.

Findings

1. Sugar Industry occupies an important place among organised industries in India. Its main raw-material is sugarcane. The special thing for all kinds of the raw material is that it should contain the highest percentage of sugar cane juice for which it is used as raw material. But the quality of sugarcane of our country is not good and researchers are trying to update it but due to lack of interest and proper attention from the government side, they have succeeded to a bit today. The success achieved is only due to the interest of sugar industries for improving their profit share.

2. The production cost of sugar is also high due to inferior quality of Indian sugarcane. Since sugar mills are running to loss so they are unable to pay the cane grower timely. So the quality improvement in cane grower is the need of the time. The sugar policy of the Government has been seriously lacking a long-term perspective. Controls, decontrols, partial controls, etc. have been used in past in an adhoc manner. It is necessary to assure supply of sugar to poorer
sections at reasonable rate. But government policy on cane prices, control of price of sugar, dual pricing etc. have been designed and implemented for the benefit of sugar mill owners and distributors and rarely for benefits of cane growers or for benefit of consumers of sugar. Most of the problems of sugar industry are the result of the government's policy.

3. In the sugar industry several by products especially bagasse and molasses are found. At one time bagasse was used as fuel. Most of sugar factories did not know what to do with the accumulating molasses, a health hazards.

4. India ranks first in sugar consumption and second in sugar production in world and its share in global sugar trade is 14.68 MnT. Indian sugar industry has been facing raw material, resource as well as infrastructure problems. Globalization has brought a number of opportunities but at the same time posed certain challenges before sugar industry. Most of sugar units in India utilize production capacity below 50%. Most of the sugar factories suffer low capacity utilization and inadequacy of raw material in India. Mounting losses and decreasing net worth of sugar factories have become responsible for sickness of sugar industry. Indian sugar industry has been cash striven for decades. Low cash inflow due to piling stocks leads to serious financial crisis and finally to closing sugar factories.
5. Sugar prices have been a political issue rather than economical issue. Many a times it worsens economy of sugar factories. The main concern of sugar industry in India is fluctuations in sugarcane production due to inadequate irrigation facilities, lower sugarcane yield, and frequent droughts in tropical and sub-tropical areas where sugarcane is grown on a large scale. In addition, sugarcane yield has been lower. Sugar recovery is also lower in comparison with other sugar manufacturing countries. This leads to escalation of production costs and weakness competitive edge of the industry.

6. Most of sugar mills in India are having daily sugarcane crushing capacity of 1500 tones. These mills cannot have economies of scale so they have to incur high production costs. Indian sugar industry is characterized by high production costs. Therefore, daily crushing capacity should be extended to 2500 tones. Obviously, industry has a great challenge of existence in global market.

7. In recent years, sugarcane production in India has decelerated to a great extent due to water and power shortage. Special attention is needed to be given on water resource management. All the area under sugar cultivation should be brought under drip irrigation to conserve water as well as fertilizers. Adequate and regular power supply to sugarcane growers and sugar factories would increase production and productivity. To enhance share of Indian sugar
industry in global trade, quality and quantity of sugar needs to be enhanced.

Findings of Case I main case – Simbhaoli Sugar Mills

1. On analyzing the company’s Annual reports, Balance sheets, Cash-flow statements and P&L accounts it can be concluded that company is following almost all the accounting standards prescribed by the ICAI. Major and important areas in which changes has been occur are analysed in deep.

2. AS-14, i.e. accounting standard for amalgamation and AS-19 i.e. accounting standard for are lease not applicable in the company.

3. AS-11 i.e. accounting standard for foreign transaction and exchange rates was not applicable at the initial stage but company has stated that it was applicable after 2006. They had affected to the company’s financial state to a lot.

4. If the key management team of the company is analysed than it could be concluded that professional manages the company and there are highly qualified professionals in all the functional areas of management.

5. Simbhaoli Sugars is providing all the benefits like provident funds and leaves etc to their employees as prescribed the Government of India.
6. As far as Financial Statements speaks company is not doing well in financial terms. Financial statements are showing that company is continuously accumulating heavy losses.

7. Sugar industries are following all the accounting standards enforced by ICAI.

8. Further sugar industries are facing acute and severe competition from its competitors and globalization has also posed several problems before the organization like to improve the quality of sugar.

Findings of Case II short case – Dhampur Sugar Mills

Findings:

1. Like the major case the company’s Annual reports, Balance sheets, Cash-flow statements and P&L accounts of Dhampur sugar mills are also analysed on the same guidelines and it can be concluded that company is following almost all the accounting standards prescribed by the ICAI. Major and important areas in which changes has been occur are analysed in deep.

2. AS-14 i.e. accounting standard for amalgamation is not applicable in the company.

3. AS-11 i.e. accounting standard for foreign transaction and exchange rates was not applicable at the initial stage but company has stated that it was applicable later on.
4. Dhampur sugar mills are following AS-19 i.e. accounting standard for lease also.

5. Dhampur sugar mills are also managed by a highly professional team which is highly qualified. This can be concluded on the fact that the Dhampur Group has educational facilities at its units. It has also established model schools near Dhampur and Asmoli. These schools not only provide quality education to the local population but also to students from surrounding areas.

Dhampur has recently set up the Academy of Modern Learning with branches at Asmoli and Gunnaur. The schools are equipped with modern learning and sports facilities and encourage co-curricular activities to facilitate wholesome development.

6. As far as Financial Statements speaks company is doing well in financial terms from the initial stages.

7. Dhampur Sugars are following all the accounting standards enforced by ICAI.

8. Further like other sugar industries it is also facing acute and severe competition from its competitors and globalization has also posed several problems before the organization.
Suggestions

1. Companies should spend an ample amount of money on Research and Development to the quality of sugarcane. Government should pay more attention on the improvement of the quality of sugarcane. Although the focus of agriculture scientists has been on increase in productivity, by providing scientific inputs but still more efforts are required. Companies and government should join hands for such efforts instead of working individually State Agriculture Departments are demonstrating these inputs in fields with farmers.

There is a need for rationalisation of sugar cane policy to encourage farmer to improve yield and mills to build up rapport with farmer to build up trust, commitment resulting in assured supplies of clean and freshly cut cane (improve extraction). In return farmer gets better and quick return. Mills and farmers work together to improve yield and extraction through better harvesting.

2. Various state departments of agriculture should monitor the quality and the value of direct inputs like seed, pesticides, Irrigation, fertilizer, manure etc. and also the fixed costs like interest, rental of land etc. so that the farmer is compensated more than the cost of the inputs.

3. **Multicropping Pattern** – to return farmer more yield multi-crop cultivation should be encouraged as it results in maximization of crop production. Ratoon cropping could be encouraged as with ratoon short duration crop like pulses are undertaken. Thus with multi-
cropping-ratoon farmer can plant other crops with sugar cane plant which will give the best return to farmers.

4. Small cottage industries may be established for disposing these by-products in a positive way for preparing paper, card boards, alcohol, fertilizers, cattle field etc.

5. Central Government needs to coordinate this with state government electricity boards for utilisation of the surplus power, which sugar mills can generate. Co-generation should be encouraged. Commercial aspects of power purchase arrangement and distribution needs a broader study.

There exists a potential in terms of increase in productivity, extraction and production. Like in the past planners/policy makers/farmers producers - should get together to form a policy also acceptable to politicians. Optimisation of sugar mill capacity i.e vertical growth is the need of the day.

6. Decontrol may not be the answer. At the same time dual pricing policy has to go to provide level playing field for all sweeteners. Govt. can procure sugar from market and subsidies in case, it is a must for PDS. For the good of consumer, farmer and the mills sugar price should move in a band, meaning monthly inflow to market to be regulated by Government.
Conclusion

Case I Simbhaoli Sugar Mills

1. If the Executive of the company’s Management is analysed than it could be concluded that company is managed by professional management and there are highly qualified professionals in all the functional areas of management which also validate our first assumption i.e. sugar industries are managed by professional management and there are highly qualified professionals in all the functional areas of management.

2. Simbhaoli Sugars is providing all the benefits to their employees. As far as Financial Statements speaks company is not doing well in financial terms. Financial statements are showing that company is continuously accumulating heavy losses. This contradicts our second assumption that Sugar industries are performing well in financial terms, quality-wise and in human resource aspects.

3. Sugar industries are following all the accounting standards enforced by ICAI i.e. contradicting our third assumption i.e. Sugar industries are deviating from following the accounting standards specified by ICAI.

4. Further sugar industries are facing acute and severe competition from its competitors and globalization has also posed several problems before the organization which is validating our last assumption i.e. Sugar industries has to face acute and severe competition from its competitors.
competitors and globalization has also posed several problems before the organization.

**Case II Dhampur Sugar Mills**

1. If the Executive of the company’s Management is analysed than it could be concluded that company is managed by professional management and there are highly qualified professionals in all the functional areas of management which also validate our first assumption i.e. sugar industries are managed by professional management and there are highly qualified professionals in all the functional areas of management.

2. Dhampur Sugars is providing all the benefits to their employees. As far as Financial Statements speaks company is doing well in financial terms from the initial stages and has continuously improved its position. This validates our second assumption that Sugar industries are performing well in financial terms, quality-wise and in human resource aspects.

3. Sugar industries are following all the accounting standards enforced by ICAI i.e. contradicting our third assumption i.e. Sugar Industries are deviating from following the accounting standards specified by ICAI.

4. Further sugar industries are facing acute and severe competition from its competitors and globalization has also posed several problem before the organization which is our last assumption i.e. Sugar Industries has to face acute and severe competition from its competitors and globalization has also posed several problems before the organization.