Study of Accounting disclosure practices

in Sugar industry (A Case Study of Sugar Industries in Western
Uttar Pradesh)

Purpose of Study:-

The main aim of the study is to have a deep insight into the system of accounting disclosure practices in sugar industry of Western Uttar Pradesh and to indentify the areas of accounting which are not in accordance to standard accounting practices and resultantly leaving confusion or ambiguity in the minds of the users of accounts

In the present global economic situation of our country where much mergers and takeovers are taking place, investment decisions are taken on the basis of financial statements and information. If accounting disclosures are not made according to standard accounting practices the investor cannot make comparative analysis of such statement of accounts, then the purpose of financial statements will be grossly defeated.

The study has covered the practical impact of accounting standards on the accounting disclosures made by the sugar industries of Western Uttar Pradesh.
Selection of Industry:

Sugar is one of the essential articles of daily food for the masses and its importance as a part of balanced diet cannot be ignored. It is so sweet that it’s every day use brings sweetness in the life of public.

According to our holy scriptures in the past feast was used to be broken with sugar cane juice, but now sweetness is depleting from the same juice. Seeing the fully grown up crop of sugar cane the farmer either repent or is obliged to fire the same. Cane area is continuously increasing, yet despite the record production of sugar cane farmers and mill owners are cursing for their misfortune with their arguments.

The sugar industry ranks second among the major agro based industries in the country next only to cotton textiles. Sugar industry not only occupies a unique place on the international map, but also a significant role in the national economy. It is rightly said that sugar was produced and consumed in India at a time when the words was not aware of it. India primarily being an agriculture country requires the growth and expansion of those industries, which are based on agriculture. The industry employs 3,56,000 workers and a much larger number of agriculturists and traders who drive their means of subsistence from the industry. The total capital investment in the industry is several
thousand crores of rupees. The total number of factories in 2006-2007 was 504 and the production of crystal sugar was 160.68 Lakh tones in the same period. Out of the total, 68 factories are in public sector spread in the nine states of the country and rests of the mills are in the private sector and co-operative sector. Out of the total highest number of units of the industry are located in Uttar Pradesh, which numbers to 119, out of it 35 Sugar Mills are in Western Uttar Pradesh, 6 Mills are in co-operative sector, 24 in private sector and 5 are run by Uttar Pradesh Sugar Corporation Limited.

Despite the recent liberalization drive sugar industry operations are tightly controlled by the government. Government has a strong say in all the critical activities like cane purchase, can development, sugar sales, sugar distribution etc. leaving the sugar mill owners resort to tight rope walking to keep themselves in business.

For overall profitability, sugar mill are typing to streamline all the critical activities to be maximum extent possible and proper system of sugar cane purchases also play an important role in achieving that objective.

The sugar mills normally face a problem of irregular cane supply from growers for various reasons. Irregular cane supply in return adversely affects recovery and dirage figures which are the critical factors for profitability.
The sugar industry is facing a severe liquidity crunch on account of rising interest burden and higher administered sugar cane prices declared by the government to appease the sugar cane farmers. On account of this, sugar cane arrear had mounted to `1200 crores but have been brought down to about `500 crores. This had been done by restoring to short term borrowings at high cost and the burden is proving to be heavy. The mills with production capacity of 1250 T.C.D. are suffering losses due to their higher cost of production. Most of the mills run by Uttar Pradesh Sugar Corporation Limited are running in losses due to their lessor production capacity. Unless sugar mills with lesser production capacity are either improved or merged or taken over, will not survive for longer period.

**Research Methodology**

For the proposed project methodology has included intensive and critical analysis based on the collected data. The data collected is primary as well as secondary data. Primary data has been collected by conducting surveys. The study of accounting patterns of selected private sector sugar industries has been done critically. The proper survey techniques have been adopted. The various queries raised and opinion of expert advisory committee thereon have been analysed. The primary drafts and exposure drafts of proposed accounting standards have been obtained from accounting standard board of ICAI.
The secondary data has been collected from the accounts published in annual reports of different sugar industries as well as newspapers, magazine, research journals. The reports of different committees set up for the relevant subject are also included in the scope of study.

The government publications have been studied and research bureau has been contacted to collect information and data. Direct and indirect personal investigation has been done to collect opinion.

The current period of time is taken up for the purpose of evaluation of accounts. The period after 2004 is taken up for the purpose analyzing impact of mandatory accounting standards on corporate accounting disclosures.

The collected data have been edited by using approximation techniques and due care has been taken to maintain high degree of accuracy regarding secondary data. The proper classification and tabulation has been done and stress has been given on the graphical and diagrammatic presentation in order to make the text of study easily understandable.

**The Expected Contribution from the Study:**

In my opinion no in depth study has been made on this subject so far to the best of my knowledge. The proposed study therefore will make a qualitative improvement over the existing knowledge on the subject. A study on this subject will be of immense use from the point of view
streamlining the accounting disclosure system of sugar industries on the basis of standards issued by Institute of chartered accountings of India. The study is meant to provide a line of action for the improvement in the Accounting disclosure practices. The study will also establish the importance of accounting standards and their role in the development & economic growth of our country.

Chapter I

1.1 Introduction
1.2 Need & purpose of study
1.3 Accounting disclosure system in sugar industry

Chapter II

Accounting Standards in India

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2.2 Advent of accounting standards in India
2.3 Standard issuing authority in India an introduction
2.3.1 Establishment of the ICAI
2.3.2 Object of establishment
2.3.3 The council of the ICAI
2.3.4 The regional councils of the ICAI
2.3.5 Standing committee of the ICAI and their functions
2.3.6 Accounting standard board
2.4 The authority attached with accounting standards
2.5 Importance of accounting standards

Chapter III

An Introduction to Sugar Industry

3.1 Manufacturing process
3.2 Raw Material
3.3 Additional cane prices
3.4 Indirect Materials
3.5 Molasses
3.6 Wages and retaining allowance
3.7 Power & Fuel
3.8 Consumption of stores.
Chapter IV

Standard Accounting Practice Issued by Institute of Chartered Accountants of India

4.1 Introduction
4.2 Accounting Standards in force
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4.2.2 Valuation of Inventories
4.2.3 Changes in financial position
4.2.4 Contingencies and events occurring after the date of balance sheet
4.2.5 Prior period and extra ordinary items and changes in accounting policies
4.2.6 Depreciation accounting
4.2.7 Accounting for construction contract.
4.2.8 Accounting for research and development.
4.2.9 Revenue recognition.
4.2.10 Accounting for fixed assets.
4.2.11 Accounting for effect of changes in foreign exchange rates.
4.2.12 Accounting for government grants.
4.2.13 Accounting for investments
4.2.14 Accounting for amalgamation.
4.2.15 Accounting for retirement benefits in financial statements of employers.

Chapter V
Research Methodology

5.1 Research Design
5.2 Tools of Study
5.3 Period of Study
5.4 Method of Data Collection

Chapter VI

Professional Opinion about Accounting Standard and Corporate Disclosures

6.1 Introduction
6.2 Opinion about accounting standards
6.3 Opinion about SAP’s
6.4 Opinion about guidance notes
6.5 Opinion about present corporate disclosures.
6.6 Opinion about harmonisation of Accounting Standard.
6.7 Opinion about Standard setting process.
6.8 Opinion about general working of ICAI.
6.9 Opinion about effect of making the accounting standards mandatory.

Chapter VII
Case Study

7.1 Main case study
7.2 Short case study

Chapter VIII

Summary Conclusions & Findings

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