CHAPTER 2
DESIGN OF THE STUDY

Statement of the Problem

Cooperatives in India emerged primarily to tackle the problem of credit. Provision of credit was the only service rendered by cooperatives in the beginning. The size of the credit cooperatives was small. Their transactions were limited to the collection of share capital, purveyance of credit, recovery of loan and so on. Even these limited transactions were seasonal in nature. The cooperatives did not have paid staff nor could they afford to have such staff. The affairs of the societies were managed by members themselves on an honorary basis. Many of the members did not have formal education and were not familiar with double entry system of book keeping. They therefore followed a simple and indigenously evolved traditional system of book keeping, the dictum of which was "transactions involve either receipt of money or payment of money".

Over the years cooperatives grew from mere associations of local farmers to large complex organizations. This necessitated the redesigning of the traditional method of cooperative account-keeping by incorporating cash, credit, bank, bill adjustment, appropriation and rectification transactions. This system has come to stay in almost all cooperatives.

As the cooperatives grow in size, they need to build up an accounting system which provides information at the right time to the right person for taking different kinds of decisions. The accounting system should help in planning and controlling the operations of the cooperative business. But then, the field realities are different.

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Cooperatives, by and large, irrespective of their size, have not given serious thought to introducing such an accounting system. The accounts departments in large-sized cooperatives look after only the routine finance functions and the head of the accounts division has to spend much of his time on routine finance functions.²

Financial reporting in cooperatives is largely external and mainly in the form of financial statements. Provision of information to internal management to help in the process of decision-making is not quite effective. A series of ‘its’ describe the position rather piteously. Reports are not prepared in many of the societies; if prepared, they are not prepared frequently enough; if prepared frequently, they are not in proper form; if prepared in proper form, they are not circulated in time; if sent out in time, they are not analyzed by the concerned departments; if at all analyzed, the findings are not used for making decisions.³

In some cooperative organizations comparative statements of financial performance, profitability ratios, liquidity ratios, efficiency ratios are found only in the audited statement. They are not being studied and used for the day-to-day management to improve performance and profitability. They are, in many cases, prepared to satisfy the financing agencies. This is the state of the accounting system in many larger cooperatives—not to speak of small-sized cooperatives.

Thus, in most of the cooperatives, the accounting function is primarily set-up only for record-keeping and not as a source of financial management information, leading to deficiencies in the information available for management.⁴


The issues which need to be examined therefore are: What is the status of financial accounting system in cooperatives? Whether the present financial accounting system is capable to providing required information in time to the management for making different kinds of decisions? If yes, how? If not, why? What is the status of different Management Accounting tools like budgeting, budgetal control, costing, internal audit and management reporting practices in cooperatives? What is the current policy and thinking on Management Accounting in cooperatives? Why has Management Accounting not been introduced in cooperatives? What are the difficulties in introducing the system? These issues form the primary focus of this study.

Review of Literature

Accounting in India is a little searched area. Research in accounting is still in its infancy. Till the mid-70s, research efforts in commerce and particularly in accounting, gained little momentum. According to a survey made by the Indian Council of Social Sciences Research (ICSSR) in 1976, completed research projects and doctoral theses awarded by Indian universities in accounting and allied areas were only 25 in number.

Two studies were published in 1991, one by Saeed (1991) and the other by Banerjee (1991). Saeed’s work was based on abstracts of dissertations which had been awarded Ph.D Degrees in different universities in India. The study reveals that, till 1990, out of 326 dissertations in Commerce and Management, only 57 (representing 17.5 per cent) relate to accounting, including auditing and finance. The second study by Banerjee gives a year-wise distribution of total Ph.Ds awarded during the period between 1975-76 and 1985-86, based on ICSSR dissertation abstracts. This study also reveals that the average percentage of

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7 Ibid., pp.26-32.
Ph.Ds awarded in accounting to total Ph.Ds and to Ph.Ds in Commerce was 18 per cent and 48 per cent respectively. \(^8\) Again, a sample study by Banerjee (1994) revealed two important facts viz., (i) more and more Ph.Ds are being awarded in the field of Accounting; and, (ii) in terms of functional areas of accounting, Ph.Ds produced in Management Accounting were highest in number (65 per cent), followed by financial accounting (27.5 per cent) and cost accounting (7.5 per cent). This implied that more and more emphasis has been given to studies related to finance, financial accounting and Management Accounting.\(^9\) But the subject of Cooperative Accounting, as a separate discipline in India has been receiving scanty attention from academics and the researchers for the simple reason that Cooperatives follow a unique system of account-keeping which differs significantly from the mainstream system. Many in the academic and accounting profession never tried to study the system of accounting evolved in Cooperatives either in isolation or in comparison with the modem system of account keeping prevalent in the public and private corporations and firms. The State—the sponsor of the cooperative movement—which takes in its hands the entire responsibility of promotion, control and administration of cooperatives (at least in the last three decades) has not also paid much attention to this aspect. Only a few who have been associating themselves with cooperatives have attempted to study, modify and improve the accounting system in cooperatives. Failure to improvise and to rationalize cooperative accounting and absence of established accounting principles and conventions have constituted a 'knowledge gap' for long. However, in recent years, there has been a growing interest among the cooperators on the relevance of the various management practices in cooperatives in the context of the changing economic scenario. The need for rationalising the existing, accounting systems and adoption of modern accounting tools and techniques is being emphasised in many quarters. As a result, certain attempts have been made to study the accounting practices in different types of cooperatives. A review of these studies conducted in the corporate and cooperative sectors is presented in the subsequent pages.

\(^8\)Ibid., pp.26-32.

\(^9\)Ibid., pp.26-32.
Istemis S Bemirag, (1995) conducted a study on management control systems, corporate strategies and performance measures in Japanese companies for their operations in the United Kingdom (UK). The extent to which these differ from those adopted by companies based wholly in the UK is an issue to explore, given the current interest in Japanese approaches to management. The study highlights management control styles of Japanese companies’ UK operations and it describes how Japanese companies are using management control systems to achieve continuous cost reduction and other strategic objectives. It also points out some of the management control problems the companies are experiencing in the UK. The study examines in detail the organizational forms and responsibilities, corporate strategies, capital investment techniques, and types of performance evaluation and remuneration systems to describe the management control styles of Japanese companies.

The study found that, in general, companies paid less attention to financial control systems than to achieving smooth production or good quality products. The Japanese companies accorded the highest importance to market share as a measure of performance used for internal evaluation. While profitability measures were given increasing importance, they were used selectively. This approach to performance evaluation was very different from those found in the UK companies, where financial controls were strictly used in order to increase short-term profits at the expense of long-term benefits in areas such as research and development and management training. Financial rewards were awarded for reducing product costs and improving working environment, but job security, opportunities for promotion and workers’ welfare were also used as other benefits available to the employees.

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Jong-Min Choe (1996) conducted a study on the relationships among performance of Accounting Information System, Influence Factors, and Evolution level of Information Systems in Korean business firms. The objectives of this study were to examine the direct relationships among factors influencing the performance of AISs, and to identify the moderating effect of evolution level of IS on the relationships. In this study, the direct relationships and the moderating effect of evolution level of Information System were hypothesized. One hundred organisations were randomly selected from a population of about 417 firms through a mainframe computer. Among these 78 responded to the request for information and were finally included in the study.

The study covered 450 users of Accounting Information Systems in 107 subunits such as departments of general accounting, finance tax and cost accounting, which mainly use the AIS. Therefore the unit of analysis was the subunit within the organisation. In a sample department, the main subsystem of AIS was surveyed. Data were gathered by interviews based on structured questionnaires.

The results of the empirical test suggested that there were significant positive correlations between the performance of an AIS and the influence factors such as user involvement, capability of system personnel and organisation size. It was also proved that the relationships between performance of AIS and influence factors are significantly influenced by the evolution level of the Information System. Hence, for the success of AIS, each influence factor should be considered differently according to its degree of importance and according to the level of Information System.

Pradhan B.Bibhuti and Jauanti Ningombam (1993) have made an attempt to study the Management Control System of Manipur State Road Transport


\footnote{Bibhuti B.Pradhan and Ningombam Jauanti, Management Control System of MSRTC, Finance India, 7(4), December 1993, pp.883-889.}
Corporation (MSRTC), India (1993), using both primary and secondary data. The study covered Management Control Structure and process, and the Reporting System followed in the institution. The study concluded that many of the tools and techniques normally applied in the process of Management Control were conspicuously absent in MSRTC. The study recommended, among other measures, (i) modification of the organisation structure based on the revenue, cost, investment and profit centre basis; (ii) building up of strong budgetary system and workers' participation in the framing of budgets; and, (iii) application of variance analysis system for effective control.

Soral G and Sudha Jain (1994) in their study on "Management Accounting in Small Business", argued that there was a wide gap between theory and practice of Management Accounting in the case of small businesses. The small businessmen may find that the existing Management Accounting techniques are of hardly any use. Further, very little research has been carried out on developing Management Accounting tools and techniques for small business. Therefore they attempted to examine these aspects, make broad suggestions for improvement and provide suggestions for further exploration. The study found that financial accounting was based on traditional system; costing was done through maintenance of separate registers; and, application of scientific budgeting, standard costing and variance analysis were absent in the small scale units. It also found that, while most of the respondents were not aware of Management Accounting and its utility, the remaining ones were of the opinion that such systems are of hardly any use for them. This, they argued, was the major reason for non-adoption of even simple tools and techniques of Management Accounting in these businesses, besides the limited financial and human resources and the prevalent traditional system of financial accounting which fails to provide support to Management Accounting System.

Seetharaman S.P., and GSrinivasan (1986) in their study on "Financial Reporting System for Producers' Cooperatives: A New Framework" found that

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3Soral G and Sudha Jain, Management Accounting in small business: A case study, Management Accountant (India), 29(11), Nov. 1994', pp. 818-819.
the current accounting practice does not capture the true performance of a Cooperative. It focuses only on the intermediate activity of buying and selling in the case of marketing Cooperatives and buying, processing and selling in the case of manufacturing Cooperatives. They argued that the Cooperatives, being socio-economic organisations, the reporting should cover both the enterprise and the institutional aspects. At the disaggregate level, economic activity of each individual is important and relevant for the member and, at the collective level, members work together for the development and support of the enterprise. The present accounting system/practice is focused on enterprise rather than institutional aspect, which is certainly misleading and inappropriate. Therefore, the study suggested a new framework of financial reporting, which treats members as divisions of the enterprise, that is, the proposed system incorporates the assets and liabilities of the individual members into the enterprise's assets. This, it is argued, would help in evaluation and planning of cooperative action more accurately. Secondly, when this frame is adopted, it is also possible to evaluate the performance of each constituent. This will be useful in improving the lot of the constituents, which is the fundamental objective of the cooperative.

The Agricultural Credit Review Committee (1989)\textsuperscript{15} as part of its review, appointed a consultant group to conduct a thorough examination of the accountkeeping system and to recommend measures for making improvement in accounting wherever possible. The committee felt that it would be fair to say that, in most cases the accounting function is primarily setup for record keeping, and not as a source of financial management information, leading to deficiencies in the information available for management. It found that the design of the loan ledgers currently in use did not facilitate speedy analysis of data and information generation and required changes in the format for making accounting information useful in the process of decision-making. Therefore, the committee was of the opinion that introduction of computers into the agricultural credit system would certainly improve accounting systems and generate more accurate, meaningful

\textsuperscript{15}All India Agricultural Credit Review Committee, A review of the Agricultural Credit System in India, Mumbai: RBI, pp.507-532.
and timely data from the field level through the apex level. Considering the capacity of the human resources to adapt themselves to the new system (computerization), the committee stated that, given the perceived level of education of the client banks' accounting staff the methodology envisaged to introduce computer based system is not too complex, provided they are given suitable training. It is, however, possible that some primary agricultural cooperatives would not find it easy to implement the system.

The committee also cautioned that, if the accounting system and the associated Management Information System are to be widely adopted, as a first step, the NABARD should prepare a manual based on the consultant's study report to be adopted by all the cooperatives in the credit sector. Secondly, as the Registrar of Cooperatives determines what books of accounts are to be kept, and the format in which they are to be kept, it will be essential that the Registrar of Cooperatives be involved in this process of computerization and installation of Management Information System in Cooperatives.

The Institute of Cost and Works Accountants of India (ICWAI), on the request of the NDDB, conducted a review of Uniform Accounting System (UAS) in the Cooperative Daily Sector in 1991. The major objectives of the UAS are: (a) calculation and reporting of operating cost and revenue; (b) provision of information for managerial planning and decision-making; and, (c) control operations and to check cost overruns at plant level. The review aimed at identifying the possible reasons for slow implementation of the system.

The review committee concluded that

(a) UAS manual is sufficient to calculate operating costs and revenues;

(b) due consideration to the requirements of the Companies Act has been given in the system;

(c) the system has in-built integration of financial and Management Accounting through "Responsibility Centre Module";

(d) UAS fulfils the prime objectives: it provides appropriate mechanism to facilitate the generation and collection of financial and operating information and it has its basic strength in presentation of data on uniform basis; and,

(e) another strong point lies in its provision for linkage between physical accounting and financial accounting, which is the most fundamental requirement for the decision-making purposes in decentralised organisations like Daiiy Unions.

Thus, the review revealed that, despite its high degree of suitability, the Uniform Accounting System has not been fully implemented for the simple reason that the cooperative daiiy unions lack required human resources in many cases.

Manickavasagam, P. (1992),\textsuperscript{17} in his study on Accounting Process in Cooperatives of Tamil Nadu, has made an attempt to demonstrate how adoption of double entry system could reduce the workload of the clerical staff in the cooperatives and make the preparation and understanding of financial statements easier. The study has made a detailed description of the system of accounting as practised in five selected cooperatives in Tamil Nadu, followed by an analysis of the inherent weaknesses in the system. The existing system, the author has maintained, is a fullfledged and standard system; yet it is an isolated accounting system. He, therefore, has suggested a modified Double Entry System for adoption in cooperatives. An important feature of the proposed system is that it would adequately fulfil the specific requirements of current inspection and cooperative audit. However, the author has failed to convincingly argue the possibilities of adopting the system on a large scale throughout the length and breadth of the country.

\textsuperscript{17}Manickavasagam, P., \textit{Accounting Process in Cooperatives of Tamil Nadu}, paper presented in the International Symposium on Rural Cooperatives held at IRMA, Anand, Gujarat, December 7-11, 1992.
Krishna Murthy G. 1992,\textsuperscript{18} conducted a study on Accounting and Financial Management in 38 randomly selected Primary Agricultural Cooperative societies in Warangal District. The primary objective of the study was to understand the status of accounting and financial management in cooperatives. The study has brought to light several shortcomings and gaps in accounting and financial management. The more important among them are stated hereunder.

(i) Most of the accounting and financial control measures were imposed on the societies and were not developed to suit the native needs of the primaries.

(ii) Though framing and preparation of budgets is a statutory obligation, no primary society except a few large cooperative credit institutions is found to have prepared them. The format and contents of the budgets etc., were not standardized and they varied from year to year within the same enterprise. There were no budgetary control practices.

(iii) Annual Financial Statements were not prepared on time and therefore they were not placed before the General Body.

(iv) About 80 per cent of paid secretaries were dependent on their supervisors for the preparation of the financial statements.

(v) Audit reports prepared by the departmental staff were not in conformity with time-tested audit principles and the prescribed format.

The study has made a few suggestions to overcome the lacuna in the existing systems. They are: (i) Standardisation of Account Books and financial statements; (ii) Introduction of double column cash book; and, (iii) Periodical training to personnel in accounting, auditing and management.

Narayanasamy, N.(1992),\textsuperscript{19} in his study on "Accounting Control Systems in cooperatives: Four Cases of Tamil Nadu", has examined conditions which


facilitate adoption of Management Accounting System (MAS) in Cooperatives. The study involved review of current accounting system, study of reasons for introduction/non-introduction of MAS and scrutiny of potential and constraints in the adoption of MAS. Four Cooperatives were studied of which two were federal societies where MAS had been introduced though mainly due to pressures from above. The other two were Primaries and had not introduced MAS. Of the two federal societies one was yet to operate MAS on full steam. It had just cleared the ground by restructuring the financial accounting. Certain hurdles like lack of exposure among the staff to the concept, poor salary and inadequate staff strength, frequent transfer of special officers, absence of electronic data processing system had yet to be overcome. The other federal society was yet to realize the full benefits of the system. The primaries, which had not introduced MAS but followed certain elements of MAS, had sufficient potential for introducing MAS. One of the primaries had recorded a tremendous growth over a period. The conditions which facilitated the introduction of MAS were awareness of the need for such a system, willingness to experiment, positive attitude, availability of electronic data processing facilities and existence of clearcut role perceptions within the organisation. In the other primary the need for MAS had not been realized. However, with training, motivation and incentive to the staff conditions congenial for the adoption of MAS could be created.

Sridharan.V.G. (1992),20 Study on Accounting Policies and Disclosures Practices in Indian Cooperatives is a field survey based on interviews with the management and the different interest groups of 15 Indian Cooperatives of varied hues. The study argued for more comprehensive legal regulations in accounting policies and general disclosures of information in Indian Cooperatives, assuming a prescriptive stand of user-orientation.

The study held that the regulations on accounting information by the professional bodies which are more explicitly applicable to the corporate sector should be translated into legally enforceable enactments for cooperatives, since

cooperatives, by and large, are outside the reach of professional audit. In the process, however, it also appreciated the need to tune such regulations to suit the distinct objectives of cooperative organisations.

Therefore, the author suggested that, in consistence with Uncooperative objectives, the accounting and disclosures policies and practices may be modified and adopted. Such changes may be effected taking into due consideration the legal and administrative constraints.

Abani.A.S. (1992),\(^{21}\) conducted a case study on the conceptualization and initiation of a scheme of large-scale standardization in the cooperative accounting structure using responsibility centres, and integration of financial and physical accounting records. The Uniform Accounting System was tailor-made for knitting together geographically-scattered units with little hope for continuous help and supervision such as the milk unions established under Operation Flood I.

A network of about 80 officers were involved in the evolution and implementation of the system. They had the benefit of pilot runs in the Sugam Dairy, Gujrat, India.

The major hope that drove this team was the vision that the system would generate greater synergy: internal, within the organisations, and external, across organisations. This would come from coordinated and reliable information being available within the unions as well as for the funding and project-implementing agencies. It was also expected to induce constructive and purposeful behaviour in those who generated the data.

The author described at length the features of the system. Reviewing the whole effort retrospectively, the author feels that all such transformations of moribund systems can be done only through task forces with clear targets and work consistently for some time. He sees the strong empathy of the task force with the accounting and finance staff as of strategic importance.

RajagopaSan.A.V.(1992), in his study on Patterns of Development and Implementation of Uniform Accounting Systems in Africa and India-some Lessons for Indian Cooperatives attempted to cull a set of normative rules for the development and implementation of Uniform Accounting Systems from the experience of Tanzanian dairies, Nigerian agricultural projects and the Indian public sector organisations in developing and/or implementing the systems.

UASs are seen as a tool in coordinating effective micro economic adjustments. There are compelling reasons, he argues, for adopting the UAS in the present economic situation. The path of implementing the systems is perceived as one of change with consensus, counseling and sustained team work.

The study also indicates certain precautions which would be essential if the systems are to be implemented in a desired manner. The relevance of the system to the cooperative sector along with the problems are briefly analyzed. It is found that the experiences of other developing countries have several interesting areas of commonality with the Indian cooperative sector.

Mohanan M., and Philip Thomes (1992), in their study on a framework for Reporting System of Federal Cooperatives stated that the reporting system of any organisation should suit its objectives and philosophies. It should enable the management and all others interested in the organisation to measure its real performance and the extent of achievement of its objectives and facilitate meaningful managerial decisions and formulation as well as implementation of policies and programmes.

They found that the present reporting system of cooperatives is similar to that of joint stock companies. It consists of a trading, and profit and loss account and balance sheet. These reports deal with only the enterprise aspects and totally


neglect institutional aspects such as members, social values of participation, self-regulation, leadership development and the economic values of prosperity and growth.

They suggested a framework which is more suitable for financial reporting for producers' federal cooperatives by incorporating primary and member details, in the existing pattern of reporting. The study argued that the incorporation of member details, as in the proposed framework, would facilitate: (a) more meaningful performance evaluation; (b) managerial decision-making; and, (c) formulation and implementation of member development programmes.

The study also illustrated the framework with the financial statements of a hypothetical milk producers' federal cooperative and its two affiliated primaries. The study argued that the financial reports should include and reveal the members' economic conditions. Transactions and the impact of such transactions upon the members' economic status should also be incorporated in the financial reports of the cooperatives. The authors illustrated with examples of balance sheet and income statement. They firmly argued that inclusion of member business details into the financial reports would give clear information and perspective to the decision-making process.

R.C.Sekhar, V.P.Gulati and M.M.T.Nambi (1992) have made an attempt to review the Coding Structures in Computerized Systems of Accounting and Inventory in Indian Cooperatives. Their attempt drew attention to the explosive implications of current electronic information technology and the related structures of codes for inputting, storing and processing of data. They dealt mainly with applications in accounting and inventory management. The varied role of coding in information processing was reviewed and it was shown that the choice of structure of codes had rapidly changed due to changes in the capabilities of

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hardware and their tumbling costs. This had resulted in the entire subject reaching a state of flux. There was a need for continuous and concurrent adjustment of sights by the practitioners. The paper listed and reviewed different structures including plain language variants which we might call the 'codeless' ones. Their potential scope for use in all their variety was examined from the perspective of Indian Cooperatives, big and small, centralized and decentralized, extensively networked and isolated. Examples were given from Cooptex the giant hand loom federal cooperative, Gujarat Milk Marketing Federation both centrally and in their dealer networks, the cooperative oil seed industry, the district milk unions and the vast cooperative venture of primary agricultural cooperative societies. The computer packages they had used varied from sophisticated relational database systems to simple application of commercially available inexpensive packages. The historical scenario for computer applications in Indian cooperatives was seen as staggeringly immense. Changes were imminent and much beyond the modest picture painted in the Khusro Committee Report. The greater was the need for hastening with the work on coding systems. The paper suggested not only in-house work in individual large organisations but also more effort to develop standardized structures which could be easily adapted by smaller organisations.

**Rationale for the present study**

The studies reviewed thus far pertain mostly to the corporate sector. Even such studies confine themselves to one or two aspects of Management Accounting. A study encompassing all the essential aspects of Management Accounting is yet to be undertaken. A few studies undertaken in the cooperative sector too are not comprehensive in nature. It is, in fact, a serious lacuna which provides opportunity as well as a challenge for further research in the field. One of the important conditions for further search for knowledge in any field is availability of an account of the system in proper description with deep insights. The attempts made so far in the field of cooperative accounting were piece meal in nature. In these circumstances an attempt to undertake a comprehensive study of accounting and use of accounting information by the management in its day-to-day operations as well as in the policy framing of the cooperative organisations is felt to be
timely and imperative for the reason that it would help identify and curb the shortfalls and lacunae in the existing accounting system besides forming a basis for further research.

Moreover, an attempt towards this end is considered as timely for the reason that cooperatives are now placed in a more competitive situation in the wake of liberalisation of the economy, wherein the success, even the survival, of any organisation depends on the adjustments and adaptations its makes in its operations to match the external competitive environment. Quick reaction to the changing business environment is ensured only when the organisation is effective in decision-making, which, in turn, depends on the availability of objective, reliable and timely information to the management. The accountant being an information scientist and a prime party in the decision-making, his role in provision of such information is quite essential. His job, and the quality of information that he provides, again, depend on the system of accounting and the tools and techniques he uses to convert the vast financial accounting data into usable information. It is, therefore, felt that a comprehensive study of this nature is pertinent. Hence this study.

Scope of the Study

The study has been undertaken with a view to examining the existing financial and Management Accounting practices and to evaluate the conditions congenial for introduction of Management Accounting in larger cooperatives in Tamil Nadu. The scope of the study is, therefore, confined to the financial accounting and planning and control tools such as budgeting, costing, internal audit and management reporting used in cooperatives. The study also makes an attempt to understand whether the existing accounting system provides enough scope for introducing Management Accounting practices.
Objectives

The objectives of the study are:

i) to review the current financial accounting system in the selected cooperatives;

ii) to assess the status of accounting-based planning and control tools and techniques used in the selected cooperatives; and,

iii) to explore the possibility of as well as constraints in introducing or improving the Management Accounting practices in cooperatives.

Definition of Concepts Used

1. Cooperative Accounting: Cooperative accounting refers to financial accounting practices followed in cooperatives. Under this system the accounting process normally culminates in the preparation of Receipts and Payments Statement, Final Accounts and Balance Sheet. The terms Cooperative Accounting and Cooperative Account-Keeping are used interchangeably in this study.

2. Management Accounting: For the purpose of this study, the term Management Accounting is used as defined by the Chartered Institute of Management Accountants. According to the Chartered Institute of Management Accountants, it is the application of professional knowledge and skills in the preparation of accounting information in such a way as to assist management in the formation of policies and in the planning and control of the operations of the undertaking.

3. MAS: Management Accounting System, in this study refers to the system formulated and recommended by the National Cooperative Consumers Federation (NCCF) to be followed by all the Cooperative Wholesale stores in the country. The system aims at improving the existing financial accounting and thereby promoting the practice of using accounting information in the process of decision-making.

4. MIS: Management Information System, in this study refers to the information system adopted by the Cooperative Milk Producers' Union,
Cooperative Spinning Mills and Cooperative Sugar Mills. The major objective of the system, in all the three types of cooperatives, is to provide required information in prescribed formats to both internal and external authorities to facilitate policy and managerial and operational decision-making.

5. **UAS**: Uniform Accounting System, in this study, means, an accounting system designed by NDDB and implemented in all the Cooperative Milk Producers' Unions in order to have uniform and standard patterns of financial accounting practices in all the units under the Daily Sector.

6. **Spinning Unit**: A Spinning unit is a Cooperative Spinning Mills, registered under the Cooperative Societies Act, which produces cotton and synthetic yam and supplies the same to the member Cooperative Weavers' Societies within its area of operation.

7. **Dairy Unit**: Daily unit refers to a District-level Milk Producers' Union, designed on the lines of the Anand model which procures, processes and supplies milk and milk products to consumers through different channels.

8. **Consumer Unit**: Consumer unit, in this study, means a District Wholesale Cooperative Society whose members are Primary Consumers Cooperative Stores at the village level and other types of societies involved in the distributive trade.

9. **Sugar unit**: Sugar unit means a Cooperative Sugar Mill (factory), registered under the Cooperative Societies Act, which is a primary unit where in sugarcane growers are the members who provide necessary cane for sugar production.

10. **Internal Audit**: For the purpose of this study the term Internal Audit is defined as an independent appraisal of accounting books and registers by an employee of the organisation in order to check the accuracy of the financial figures and methods adopted to control the operations of the organisation.

11. **Cooperative Audit**: The term Cooperative Audit, in this study, is used to mean the final audit undertaken by the auditors of the Department of Cooperative Audit, either concurrently or at the end of the accounting period.
The terms Cooperative Audit and Department Audit are used interchangeably in this study.

12. Functional Registrar: The Commissioner of Sugar, the Director of Handlooms and Textiles and the Commissioner of Milk are the Functional Registrars of Cooperatives in their respective sectors. All the powers of the Registrar of Cooperative Societies are conferred on the Functional Registrars. Therefore the terms Functional Registrar and Registrar are used interchangeably in this study.

Methodology

The study is a descriptive research based on case study method. The study has made an attempt to critically analyse the financial and Management Accounting practices in four different categories of cooperatives.

The case study method is found suitable in the present exercise for the reason that it enables a researcher to get an overall picture of an organisation and study its processes in an in-depth fashion. The cooperative form of organisations selected for this study allows a considerable scope for meaningful generalization of the results and findings. The reasons for the choice of the case study method are given hereunder.

First of all cooperation in India is a state sponsored movement. It is the product of governmental policy rather than voluntary effort and it exists without operational autonomy in any true sense. Secondly, as a consequence of the reason stated above, the government has an unlimited power to direct and control the cooperatives in every aspect which affects the functioning of the cooperatives. Thirdly, as a policy measure any decision taken by the State has to be followed by all the Cooperatives in the particular sector. Therefore, instead studying a large number of sample societies of the same sector, it was decided to select different types of cooperatives as cases for making an in-depth study and to draw inferences based on case analysis. The cooperatives selected for the study includes a cooperative wholesale store, a cooperative spinning mill, a cooperative milk producers' union, and a cooperative sugar mills.
The main reasons for selecting these different types of cooperatives were:
i) they are large in size; ii) their volume of transactions is heavy; iii) they are
amenable to introduction of Management Accounting System; and, iv) each
selected cooperative is distinctly different from the others.

Tools for Data Collection

A structured interview schedule was administered for eliciting required
information from the selected subjects. The schedule covers questions relating
to decision-making, planning and control processes, accounting system, and
various accounting tools and techniques used by the societies in the process of
information generation and communication. Administration of the schedule was
justified by the fact that the subjects selected for the study represent different
industries and that their Management Accounting Systems vary considerably.
The study, for the purpose of comparison, has brought all the divergent practices
into a uniform frame of analysis for systematic case analysis and presentation.

Sources of Data

Financial statements, reports, bye-laws, annual reports, reports which are
sent to external organisations, reports circulated internally, government orders,
circulars from the Registrar of Cooperative Societies, and circulars and orders
received from apex level organisations and financing institutions were scanned
for information and data. Personnel working in different departments/sections
were interviewed through an interview schedule for eliciting first-hand
information. In the process of data collection necessary clarifications were made
through discussions with the officials/personnel concerned in the cooperatives.

Framework of Analysis

The objective of this study is exploration of different accounting tools and
techniques used in the planning and control processes in cooperatives. It adopts
a framework of analysis which has two phases. As a first stage/step, detailed
description of the Management Accounting practices prevalent in the cooperative
societies was prepared. The second stage involved a critical analysis of the
Management Accounting and accounting tools and techniques used by the Cooperatives largely in consonance with and in the context of modern developments in the field. It must also be stated here that, in the preparation of cases a uniform pattern has been followed for facilitating cross comparison among different cases and for critically analyzing and drawing inferences in a coherent and sequential manner.

Thus, the framework of analysis includes: i) presentation of each case by describing the existing financial and Management Accounting practices, and, ii) drawing inferences from the cases and collating them to present a comparative picture of financial and Management Accounting practices.

Limitations of the Study

The major limitation which the study suffered was the non-availability of well informed personnel in cooperatives to clearly describe the practices and the stiff resistance or reluctance to provide the required data and information where staff are quite capable of explaining everything with reasonable clarity. The attempt to understand and present a brief description of the UAS and MIS of cooperatives, especially of Dairying unit was frustrated because the NDDB refused to provide the UAS and MIS manuals to the researcher at his written request. Therefore, the major portion of the analysis chapters had to be built up on the practices obtaining in Cooperatives other than Dairying Unit.

Secondly, as the study has been conducted in cooperative units at the intermediate level, that is, of moderate size and volume, the findings can be generalised only to some extent to Cooperatives of similar nature and size, especially within Tamil Nadu. Saving these two limitations, the study attempts to provide a true picture of the Management Accounting practices in the Cooperative Units under study.

Period of the Study

The data and information for case analysis were gathered during the period between August 1995 and November 1996.
Chapterisation

The outcome of the study has been presented in six chapters.

The first chapter provides an overview of the Management Accounting system.

The second chapter presents the design of the study.

The third chapter dwells upon the current financial accounting practices in cooperatives.

The fourth chapter deals with the Management Accounting Practices of the selected cooperatives.

The factors which favour or hinder the adoption of Management Accounting System are dealt with in the fifth chapter.

A summary of the findings and conclusions of the study is presented in the final chapter.