CHAPTER 1

INTRODUCTION

Industrial revolutions have brought into existence a number of large industrial houses all over the world and this has brought the people closer. During the era of industrial revolution, transportation system has changed, by which trade between countries and countries, movement of goods from one place to another has become easy, which has led to keen quality consciousness & competitive marketing at the global level.

The technological revolution of the 20th century, specially in the last two decades has brought the world very near in trade and commerce. New inventions, innovations, and research have brought into existence the electronics fields. The electronics field have developed facilities, by introducing many types of office automation and military equipments for smooth and effective functioning, e.g. telephone instruments, radars, computers etc.

To equip oneself for the global market it is a necessary for every industrial house to satisfy existing as well as the prospective customers promptly by developing new products at competitive rates.

For smooth and efficient running of a unit, a number of offices are required to deal within own country as well as in other countries.

As number of offices, suppliers and customers are scattered in large geographical areas, fast and perfect communication system are invented. Extensive use of telecommunication system has developed, the main among telecommunication usage has been
radars, wireless communication, microwave communication, satellite communication etc. Today data transmission is also done through telecommunication systems.

For the task of compiling complicated accurate statistical data, analysing them in time, computing machines are invented, and are known as computers. Today a variety of mainframe, medium size, small special purpose and personal computers are available to meet industrial as well as individual needs.

The market winner is basically one who has capacity to satisfy the demand of market by supplying quality product at competitive price. To gain control over these factors, statistical data and costing details are required.

OBJECTIVES OF THE STUDY

The main objective of this study is to analyse the costing system of the telecommunication and computer manufacturing in the electronics industry.

We have also made an attempt to trace the development of telecommunication and computer sectors at the global level and in India.

We have also studied the financial performance of these two sectors with reference to operating efficiency, component wise behaviour of costs for both sectors, cost accounting system, pricing method, and the role of costing in pricing, and cost control system and internal control system followed by companies engaged in both sectors.
SOURCES AND COVERAGE OF DATA

For getting the true results, the research was carried out in two stages.

PRIMARY DATA

In the first stage, costing and control systems adopted by sample companies were studied in detail, through internal documentation and procedures of the company and interviews with company’s executives.

SECONDARY DATA

In the second stage secondary data were analysed in depth to study the growth and performance of both sectors. The data sources were annual reports and accounts of the sample companies, annual reports of government bodies and departments, technical details of the products, trade journals etc.

SAMPLE

The sample included seven companies in the telecommunication sector and nine companies in the computer sector. Sample companies were chosen based on their market shares. These companies put together command around 65 per cent of the market share in respective sectors. The names of the companies taken in the sample is given below in Table 1.1.
Table: 1.3 List of sample companies

1. Telecommunication sector:
   1. Bharti Telecom Limited
   2. Northern Digital Exchanges Limited
   3. Swede (India) Teltronics Limited
   4. Tata Telecom Limited
   5. Telematics Systems Limited
   6. United Communications Limited
   7. Webel Communications Industries Limited

2. Computer sector:
   1. Digital Equipment (India) Limited
   2. Hindustan Computers Limited (HCL)
   3. International Computers Indian Manufacturers Limited
   4. PCS Data Products Limited
   5. PSI Data Systems Limited
   6. Tata Honeywell Limited
   7. Tata Unisys Limited
   8. Usha Microprocess Controls Limited
   9. Zenith Computers Limited

PLAN OF THE STUDY

1. Chapter: I. Introduction:

   The objectives of research study, methodology and sources and coverage of data are explained.

2. Chapter: III. Electronics Industry:

   An attempt is made to study and evaluate development of electronics industries at global level and with specific
3. Chapter II. Telecommunication and Computer Sector: Growth and Performance

The growth of telecommunication and computer sectors in India has been studied in detail. Also, the government policies for both sectors have been critically studied.

Financial performance with particular reference to operating efficiency is examined for both sectors.

4. Chapter IV. Manufacturing Process for Telecommunication and Computer Sector:

To study and understand the costing system; the product, method of productions and technical aspects of the business are to be thoroughly studied and examined. Here, an attempt has been made to describe in brief the manufacturing processes and raw materials and components.

5. Chapter V. Costing and Pricing in Telecommunication and Computer Sectors:

Componentwise behaviour of costs for both sectors have been analysed in detail, and an attempt has been made to identify factors which have an impact on costs.

The cost accounting system, pricing methodology, and the role of costing in pricing are analysed.

Based on a detailed and critical examination of the costing system, and empirical data, standard or estimated costs and actual costs of the company and of the product(s) have been

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calculated. The methodology of product cost variance analysis and corrective actions adopted by companies have also been dealt with in brief.

6. Chapter VI. Cost Control System in Telecommunication and Computer Sector:

The cost control system and internal control system followed by companies engaged in both sectors have been studied and conclusions are drawn.

7. Chapter VII. Conclusions:

The main findings, and the conclusions of the analysis are explained in brief.