PREFACE

Before independence depreciation was taken to be hypothetical cost and not an out of pocket cost by our business organization. These business organizations were of the opinion that depreciation was a process of allocation and not a process of valuation, but due to rising prices, now they are of the opinion that depreciation will be charge on replacement cost of fixed assets. Now every business organization will be charge on replacement cost of fixed assets. Now every business organization feels and realized that if such inflationary condition persist, it would be difficult for them to replace their fixed assets without additional funds, which can only be accumulated by charging depreciation on replacement cost. Also, the burden of income tax and other direct tax are were very heavy in recent year a business concern in normalcy not left with adequate saving for the replacement of its fixed assets in future. The replacement cost of all the fixed assets have increased sharply during the last two decades, owners of fixed assets have been favorly inclined in recent year to provide depreciation on replacement cost. In our country depreciation is all allowable expenditure, thus if we charge depreciation on replacement cost, the capital consumption will remain intact for capital formation in business organization.

In modern time of globalization depreciation accounting has its own significance in price fixation, price regulation, bonus determination, managerial commission, financing policy of banks and other business houses, insurance payments etc. These matter are correlated with depreciation, because without making a through study of depreciation accounting above decision cannot be taken on rational basis. Further more, for the last two decades our own government has been trying to finance business organization
to replace their old obsolete fixed assets. Our government for replacement of fixed assets has proposed many schemes and all these schemes are based on the study of depreciation accounting. No serious study seems to have been done in our country concerning the problem that arises out of depreciation particularly in the context of rising price thus not only empirical studies in the field of depreciation accounting lacking but it rather appears to be a neglected area of accounting.

Depreciation accounting has assumed greater significance particularly during 21st century due to various factors. The foremost amongst them is that depreciation now constitutes a sizeable portion of the production in view of the large-scale mechanization of production process of industries secondly, in view of rising cost of fixed assets a desiring involving replacement of fixed assets or expansion of existing plant and machinery can not be taken without taking into consideration the impact of depreciation.

Depreciation policy has to indicate as to what asset will be subject to charge of depreciation determination of residual value, determination of economic life of these fixed assets method of depreciation and rate of depreciation a modern business organization while formulating its depreciation policy should be guided by the accounting standard issued by the Institute Of Chartered Accountants Of India, the apex body in the field satisfy the well accepted operation criterion for financial management decision namely maximization of wealth. There fore, every improvement in depreciation policy should have maximization of owner’s wealth as its basic objective. That is to say it should result in providing for adequate amount of profit so the sufficient provision is available to the available to the company at the end of useful life of assets.
In present time cement industry is one of the biggest and basic established industry of M.P. state. It stands in needs of rehabilitation and modernization since independence. Its fixed assets were old and out dated. Many units are closed due to old plant and machinery. One of the major reasons of this closer of mills may be the bad condition of there fixed assets and poor depreciation policy.

In view of above facts and reasons I have choose research work in this area. This research work is completed by collecting and analyzing the factual primary and secondary data regarding depreciation accounting of three selected cement manufacturing units in Madhya Pradesh state. The period of my study is taken from financial year 2000-01 to 2006-07.

My research topic is “A Comparative Study Of Depreciation Accounting In Cement Industry In M.P. (With Special Reference of ACC & Prism Cement)”. The study of this area is divided in seven chapters. The first chapter deals with introduction. The second chapter describes history and development of cement industry. The third chapter discusses conceptual framework of depreciation accounting. The fourth chapter critically examines the depreciation policy in cement industry in Madhya Pradesh. The fifth chapter discusses depreciation accounting in actual practice. Sixth chapter examine with depreciation accounting and changing price level. Seventh chapter narrates the main findings and suggestions of my research.

I am heavily indebted to my supervisor Dr. B.L. Sharma and his wife Smt. Premlata Sharma who went through my pages very carefully and offered valuable suggestions. His belief in my capabilities and his constant encouragement and stress on doing quality research work that can be useful to the society kept the tempo alive in times of duress. He has been a constant source of encouragement. It has always been a great learning experience to
In present time cement industry is one of the biggest and basic established industry of M.P. state. It stands in needs of rehabilitation and modernization since independence. Its fixed assets were old and out dated. Many units are closed due to old plant and machinery. One of the major reasons of this closer of mills may be the bad condition of there fixed assets and poor depreciation policy.

In view of above facts and reasons I have choose research work in this area. This research work is completed by collecting and analyzing the factual primary and secondary data regarding depreciation accounting of three selected cement manufacturing units in Madhya Pradesh state. The period of my study is taken from financial year 2000-01 to 2006-07.

My research topic is “A Comparative Study Of Depreciation Accounting In Cement Industry In M.P. (With Special Reference of ACC & Prism Cement)”. The study of this area is divided in seven chapters. The first chapter deals with introduction. The second chapter describes history and development of cement industry. The third chapter discusses conceptual framework of depreciation accounting. The fourth chapter critically examines the depreciation policy in cement industry in Madhya Pradesh. The fifth chapter discusses depreciation accounting in actual practice. Sixth chapter examine with depreciation accounting and changing price level. Seventh chapter narrates the main findings and suggestions of my research.

I am heavily indebted to my supervisor Dr. B.L. Sharma and his wife Smt. Premlata Sharma who went through my pages very carefully and offered valuable suggestions. His belief in my capabilities and his constant encouragement and stress on doing quality research work that can be useful to the society kept the tempo alive in times of duress. He has been a constant source of encouragement. It has always been a great learning experience to
listen to his valuable insight on the subject, and his belief in the critical importance of simplicity of approach and focusing on the “Problems.” It would be my good fortune if the present study satisfies even a fraction of his expectation.

I will be failing in my duty if I do not acknowledge with gratitude my indebted to Dr. D.C. Kanchan, Dr. D.C. Agrawal, Dr. M.S. Nigam, Dr. R.P. Saxena. (Reader Commerce Department, BundelKhand College) BundelKhand University, Jhansi, Dr. Rajesh Pandey, Dr. S.P. Singh (University of Allahabad.) and Dr. Manish Srivastava who not only inspired me but also gave me valuable suggestions from time to time.

Mere acknowledgement may not redeem the debt I owe for the potential blessing from by my father Shri Pradeep Kumar and mother Smt. Savitri Devi unless brought in noble deeds. During the initial phase of study the collection of literature on the subject and reliable data, which is critical to empirical studies such as the present one has been the most demanding task. The officers and staff of Prism Cement, ACC, Birla Corporation Ltd., Central Library, Gwalior (M.P.), Central Library, University of Allahabad and Central Library, Jaipur are to be thanked for the kind attention.

I am thankful to Mr. Akhilesh Kumar, Director of Nehru Youth Society, Muraunipur (Jhansi) and typist Mr. Anil Kumar who had taken pains to type this research thesis.

Place- Mahoba
Date 22 • feb 2008

(Vishnu Kumar)