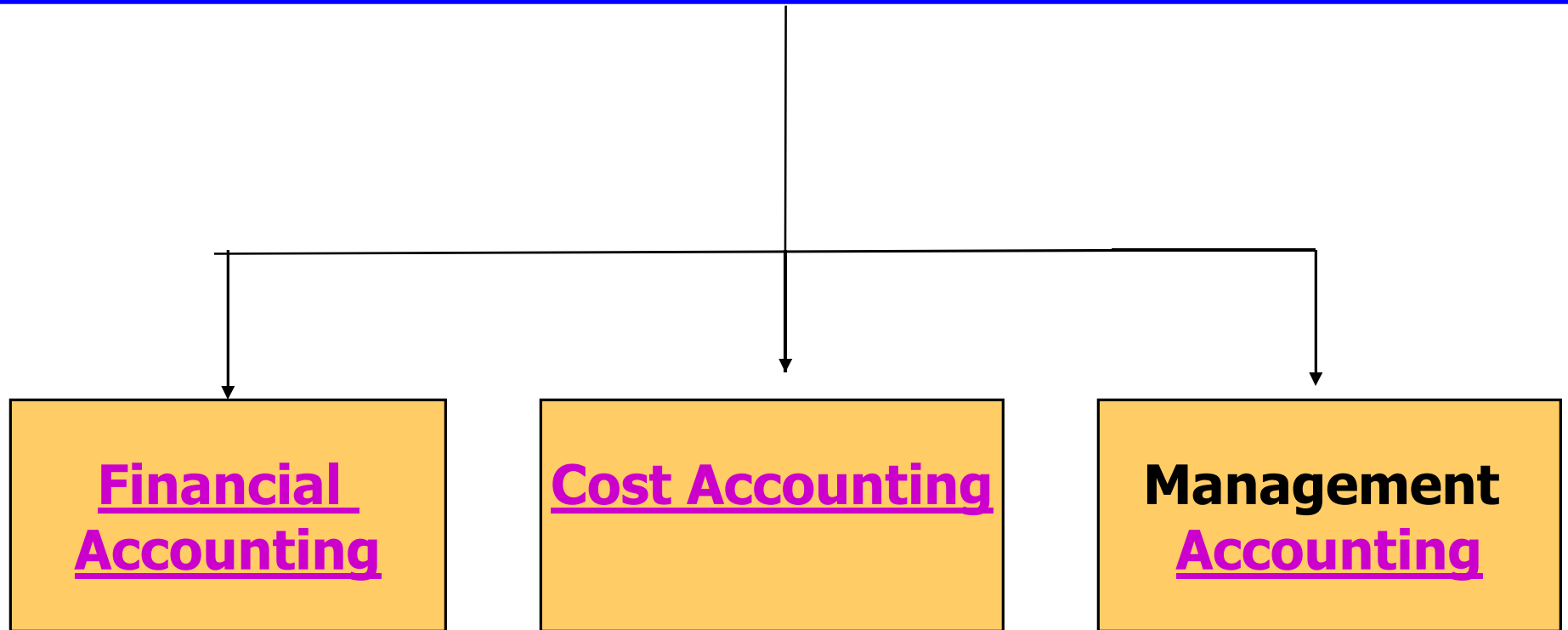


E4-E5(Management)

Cost Management

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Introduction of Accounting



Definitions in Cost Accounting

- COST
- COST CENTRE
- COST UNIT
- COST ACCOUNTING
- COST AUDIT
- COST ALLOCATION

COST CONCEPTS



- COST APPORTIONMENT

- COST MANAGEMENT

COSTING IN BSNL

References

- COST ACCOUNTING RECORDS (TELECOMMUNICATIONS) RULES, 2002
 - COST AUDIT REPORT RULES, 2001
 - CIRCULAR NO. 20 REGARDING REVISED ACCOUNTING PROCEDURE & ACCOUNT CODE W.E.F. 1-4-2003
 - CIRCULAR NO. 23 REGARDING MAINTENANCE OF COSTING RECORDS AS PER COST ACCOUNTING RECORDS (TELE) RULES 2002.
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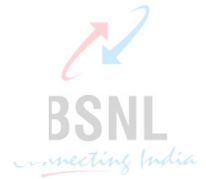
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OBJECTIVES



- To maintain Cost Accounting Records according to Cost Accounts Records (Telecommunication) Rules, 2002.
 - To compile Cost Centre wise cost information.
 - To allocate/ apportion the cost of service Cost Centre to Operation Cost Centers or Service-Products.
-

OBJECTIVES

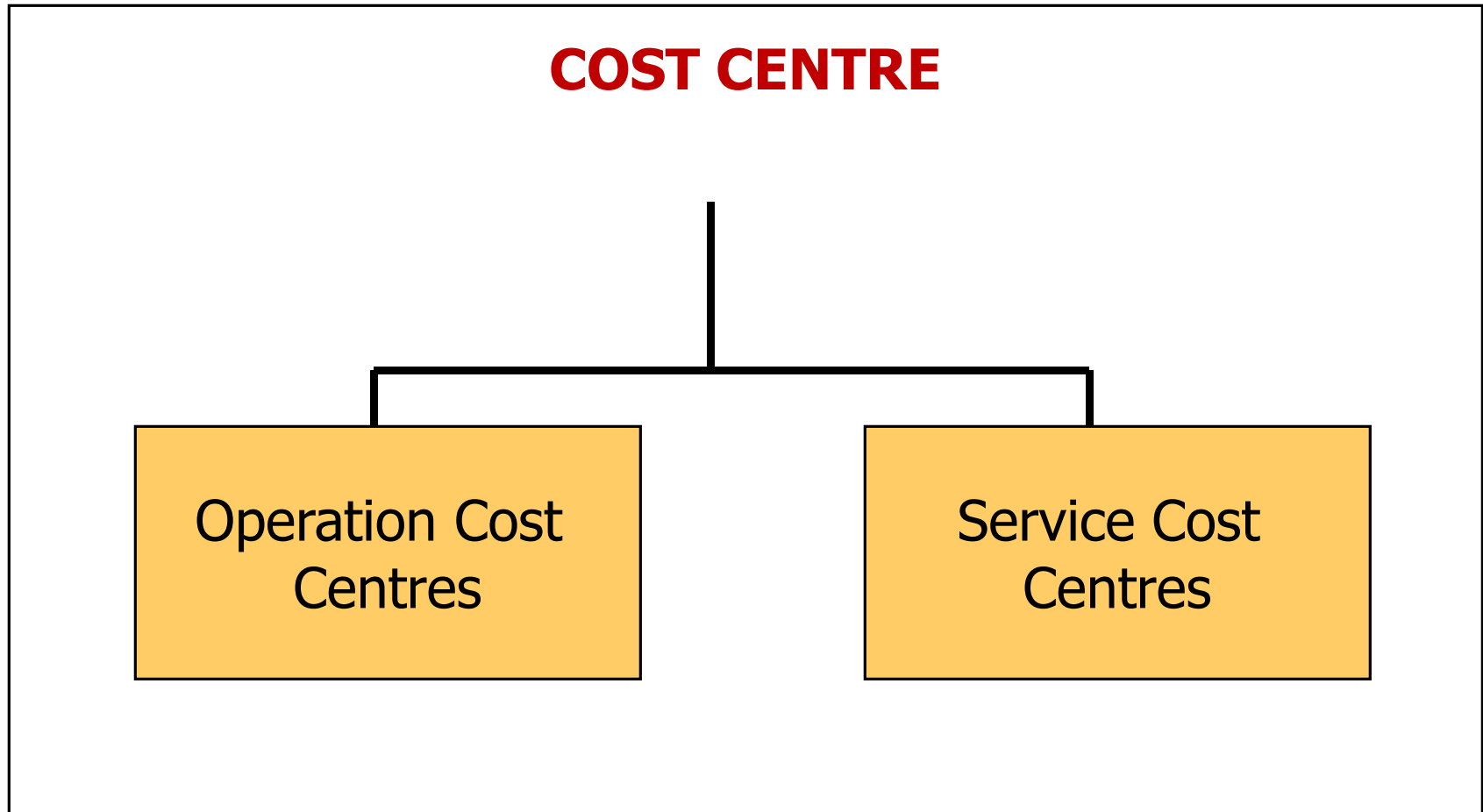


- To determine the cost of different service-products.
- To identify profitable/non-profitable operation centers.
- To generate data to facilitate fixing tariff.
- To provide essential cost information for strategic decision-making.
- To provide base for cost reduction programme.

OBJECTIVES



- ❖ To generate cost information for reports for submission to Regulatory Authority or other bodies.
 - ❖ To prepare statements of Cost & Revenue for Rural Operation Centers for claim of subsidy/grants from Government.
-



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Allocation & Apportionment

Operation Cost Centre

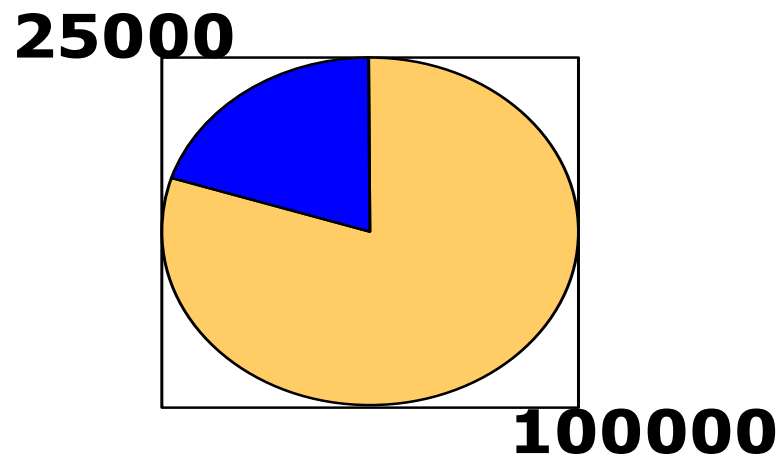
Service Cost Centre

Services	Basic	Mobile	Internet	S1(Civil)	S2(Elec)
1	1500	-----	-----	-----	-----
2	-----	1200	-----	-----	-----
3	-----	-----	1000	-----	-----
4	-----	-----	-----	300	-----
5	-----	-----	-----	-----	600
Allocation	1500	1200	1000	300	600
Apportion	300	300	300	(-) 300	(-) 600
CP	1800	1500	1300	Nil	Nil

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Cost

Cost of production



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Operation Cost Centers

1. SSAs OF METRO DISTRICTS	OPERATION MAINTENANCE
2. MAINTENANCE REGIONS	ADMN. PROJECT EXECUTION
3. DATA NETWORK	INTERNET SERVICES

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SERVICE COST CENTRES

CO BSNL	ADMN PLANNING
CIRCLE OFFICES	ADMN
TRAINING CENTRES	TRAININGS
FACTORIES	EQUIPMENT
CIVIL DIV.	CIVIL WORK
ELEC. DIV.	ELEC WORK

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SERVICE PRODUCTS (SERVICES OFFERED BY BSNL)

dia

SERVICE PRODUCTS	CODE
BASIC	01
NLDS	02
ILDS	03
CMTS	04
TELEX	05
TELEGRAPH	06
WILL	07
LEASED CIRCUIT	08
INTERNET	09

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COST ACCOUNTING RULES HAVE SPECIFIED MAINTENANCE OF NINE SETS OF DIFFERENT INFORMATION :-



1. Assets-(service-Product wise)
 2. Costs –(Cost centre/service-Product-wise)
 3. Revenue – Service product wise
 4. Activity- Operation and Service product wise
 5. Statistical / Technical records
 6. Captive Consumption
 7. Reconciliation of Cost & Financial Accounts
 8. Adjustment of Cost Variances
 9. Records on Related Party transactions
-

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Required Proforma



PROFORMAS	STATEMENT	To be prepared /maintained by
'A'	ASSETS REGISTER	All Cost Centers
'B'	OPERATION COST STATEMENT	Operation Cost Centers

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Required Proforma



PROFORMAS	STATEMENT	PREPARED/ MAINTAINED BY
'C'	Part I – Statistical Information	Operation Cost Centers
'C'	Part II – Service Costs Statements	Operation Cost Centers & Service Cost Centers

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Required Proforma



PROFORMAS	Prepared/ maintained by	Operation Cost Centers
'D'	Apportionment among different Service- Products and their margin.	All SSAs Consolidation will be done at Telecom Circles.

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Financial Accounting



- Financial accounting focuses on reporting to external parties. It measures and records of business transactions and provides financial statements that are based on Generally Accepted Accounting Principles **(GAAP)**

Cost Accounting

- Cost Accounting provides information for management accounting & Financial accounting. Cost accounting measures and reports financial and non financial information relates to the cost of acquiring or utilizing resources in an organization.

Management Accounting



- Management accounting measures and reports financial & non financial information that helps managers make decisions to fulfill the GOALS of an Organization

COST

- Cost is a measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or rendering services.

Cost Centre



-
- Cost center is the smallest segment of activity or area of responsibility for which costs are accumulated. Cost Centre may be a Location , or Item of equipment. Such as SSAs.
 - Operation Cost Centres
 - Service Cost Centres

COST UNIT



-
- A single unit of any product or service is known as COST UNIT
 - Cost Unit: Unit of measurement of goods manufactured.
(per piece, per kilogram, per metre, per scooter, per motor car)

COST ALLOCATION

- Cost allocation is the process of charging the full amount of cost to a particular costs center. This is possible when the nature of expenses of expense is such that it can be easily identified with a particular cost centre.

Cost Apportionment



- It is a process of splitting up an item of cost and charging it to the cost centers on an equitable basis.

THANKS

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