

Weekly Notes

The Task Ahead

NOW the climate of animated suspense is over. The new Government formed at the Centre and the composition of the new Cabinet has not caused much surprise. Those who expected the infusion of new dynamism and vigour in the formulation and execution of Government policies by the introduction of more young blood in the Cabinet are a little disappointed. Of course, some welcome changes have been made like the creation of two new Ministries. Probably some more changes can be expected after a little while.

It is time now to face squarely the challenging tasks that lie ahead for the new Government. The formulation of the Third Plan and the Congress victory at the general elections should not create a feeling that all that needed to be done has been accomplished. One, however, does get a feeling even from the President's address of a little lethargy and inertia and a sort of a complacency in high places. In fact, the tasks facing the country are formidable and must be faced with a sense of purpose and dedication and imaginative vigour and determination.

The next five years in the country's history are crucial from many points of view. What happens during this period will determine for a long time to come the shape of democracy and the nature of development process in this country. The Congress and the new Government must accept the challenge of the times and see to it that firm foundations are laid for democracy with social justice and a high rate of economic development. The Congress has all along performed a historic function and the next five years are crucial in its history too. It could make a mighty effort to complete its historical task.

What, then, are the tasks facing the new Government in concrete terms? It has to create a greater harmony, and community of purpose and endeavour between the Centre and the States with regard to various development policies. Similarly, there has to be greater

co-ordination and harmony between the various Ministers at the Centre.

The tasks with regard to the Third Plan are all well known. The shortage of capacity in the strategic sectors of coal steel, transport and power has to be remedied; for, it is on these sectors that the rate of growth would depend. The agricultural sector too has proved a bottleneck and an adequate rate of growth of output of foodgrains as well as agricultural raw materials has to be assured. So much in fact would depend upon the adequacy of external resources that a determined effort to raise exports as well as, obtain external assistance in time has to be made.

All these should not be done in an *ad hoc* fashion as has been the practice so far. Various problems have to be solved in a dynamic perspective. The detailed perspective plan for the next fifteen years has already been promised; it is not known how far the work relating to this plan has progressed. This perspective plan is of great significance if various policies have to be formulated and co-ordinated with a view to attaining the take-off stage as early as possible.

The creation of two Ministries at the Centre is, from this point of view, a right move. The Ministry of Steel and Heavy Industries would control and regulate a vital sector of the economy. In fact, it has to solve the problem of evolving an effective and efficient management technique for the public sector industries; this is an urgent task. So is the task of the Minister of International Trade. So far it has not been possible to evolve an integrated export policy. This is the task of the new Ministry. Steel and heavy industries, and exports are vital determinants of growth; the new Ministries have a difficult and a challenging task to perform.

Dr Visvesvaraya

THE passing away of Dr Visvesvaraya marks more or less the end of an era in Indian history. He was one of the illustrious representatives of resurgent India. The age of

great awakening which started with Raja Rammohan Roy produced a galaxy of great men in different walks of life; they dreamt great dreams about India's tryst with destiny and worked towards their realisation.

Dr Visvesvaraya was one such dreamer who was one of the first to dream of industrialisation and planned economic development. He worked towards this end as an engineer in different parts of the country — in Bombay, in Hyderabad and in his own Mysore State. He designed and supervised the construction of several irrigation schemes; the multi-purpose Krishnaraj sagar dam across the Cauvery itself is a standing monument to his sense of dedicated service and great ability. As Dewah of Mysore he was responsible for the University of Mysore, the Iron and Steel Works at Bhadravathi a village improvement scheme and a system of economic investigation and planning for districts. He made Mysore the most industrialised of the princely States in the pre-Independence era.

His life, in a sense, represented the harmonious blending of Vedanta and Science and thus should serve as a beacon for generations to come in this country. Fittingly, the nation honoured him as Bharat-Ratna.

U S Steel Prices

PRESIDENT Kennedy has won a remarkable victory over the American steel companies on the question of the price increases in steel which some of the companies announced a few days ago. The United Steel Corporation, which was the first to announce the price increase, and the steel companies which followed it in a series of statements raising the price of steel to an equal extent, have all rescinded the price increase.

There was an implicit understanding that the steel companies would not raise prices for some time in view of the restrained attitude adopted by labour and in view of the need to hold the price line in the United States. Steel enters into a very large number of commodi-

ties concerned with the foreign trade of the United States, a field in which the U S Administration has been making special efforts to bring about an improvement of the existing surplus as an instrument for strengthening the dollar. If a rise in the price of steel had raised the prices of automobiles for instance, there might have been an upsurge once again in U S imports of small cars from Great Britain and the Common Market countries, while there would probably also have been a fall in the exports of automobiles and automobile parts to Europe. The whole policy of the U S Administration, therefore, hinged on the maintenance of the price of steel at the present levels and the action of the steel companies, therefore, threatened the success of that policy.

Mr Kennedy acted swiftly by ordering a Grand Jury investigation of the way in which the steel companies raised prices in a concerted fashion contrary to the provision of the antitrust laws. At the same time the Defence Department, which would have been directly affected by the increase in the price of steel announced its decision to restrict its purchases of steel to those companies which did not increase steel prices. A Congressional investigation of the whole affair was also threatened and the steel companies evidently thought discretion the better part of valour. They, therefore, announced their decision to return to the original prices of steel even though they insisted that their case for increasing prices was strong. It must be admitted that the price of steel has remained unchanged since August 1958. though there have been a number of wage increases since then. It is claimed, however, that the wage increases have been absorbed by increasing productivity in the industry and have not lowered profits. The fact remains that the pattern of the industry's behaviour was suspect in the eyes of the general public which is reported to have given its full support to the Administration on this question. Many businessmen pointed out that an industry may be forced to raise prices when its costs rise but this argument did not find sympathy with the general

public because of the particular circumstances in which the price increases were brought about.

The success of the President in getting the steel companies to rescind the price increases provides a measure of the power which the American President possesses to implement his policies provided he is determined to do so and has the support of the general public in his actions. In this particular case, the President appeared to have the support of a Democratic Congress which has not always been with the President in the implementation of his other policies. Politically, the whole incident will strengthen the hands of the President. This is of considerable importance at a time when there is so much controversial legislation sponsored by the Administration still pending before Congress or yet to come up before it.

Management and Accounting

WHAT is the true purpose of accounting in a business? Should the accountant content himself with recording the financial transactions of the company with the objective of preparing at the end of the financial period the usual set of accounts for statutory and historical purposes? Of course, it is never completely so. since rudimentary extrapolations of present costs and performance consciously or otherwise influence even the most unenlightened decisions about the future of a business. But in a modern, streamlined organisation like Hindustan Lever, the work of the accounts department only begins with the maintenance of the conventional records.

In his address to the Annual General Meeting of the company, Shri P L Tandon, Chairman of Hindustan Lever, draws a distinction between maintenance accounting and management accounting. The former is concerned with maintaining historical and statutory records, while it is the task of management accounting to provide management with an efficient information and advisory service.

What precisely is management accounting? Shri Tandon defines it as the provision, analysis, reporting and discussion of accounting information as a guide to

management in the day to day running and, what is becoming increasingly more important, in the future planning of business. There are, of course, the annual estimates and budgets for the coming years which forecast production, expenses and sales and work out likely profits and the yield on capital employed and chart out the likely pattern of cash flow. Based on the annual estimates is a variety of returns prepared at different intervals to meet the specific requirements of each department's management. There are, for instance, monthly profit and loss reports to the board, reports on weekly and fortnightly margins to the marketing management and even daily reports on raw material yields to the production department.

Shri Tandon also referred briefly to the cost concepts applied by his company. How does a company like Hindustan Lever which makes a variety of products, many of them closely allied and competing with one another in the market, calculate the cost of each individual product so as to cover not only those costs which vary with production and are therefore simple to calculate but also the 'fixed' costs like marketing and administrative overheads, advertising and the annual charge on capital employed? The answer is that this is not done. For individual products only the varying costs are calculated; the overheads are apportioned out only among groups of products. Thus for any particular product the margin is arrived at after deducting only the variable costs: for a group of commodities, however, sale proceeds must cover both variable and fixed costs and give a sufficient return on the capital employed in producing and selling the products.

The functions of the accounting department do not, however, end with reporting on the company's performance to the production and sales managements. They extend further to advising on development... from introduction of new packs and products to initiation of new projects. Are we then heading for a stage when accounting will displace management or, at the very least, dictate what policies the management shall follow? Shri Tandon