



Cost and Management Accounting

Profession in Bangladesh
in Retrospect:

Beyond the Imagination

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Abstract

Cost and management accounting profession in Bangladesh have its root in British India. However, this profession has got its institutional foundation during pre-independence period. And now the profession has its strong implication in defining socio-economic environment in Bangladesh. This paper is an attempt to draw a timeline on the evolution and growth of this profession with a critical assessment of its future directions. The author is highly motivated to initiate a personal journey out of passion and intuition which is felt to be important for documentation and attracting further studies on the area. The contents are based on different secondary sources along with the wisdom of the author which is generated from close involvement with the profession.

Keywords: Cost accounting, management accounting, profession, Bangladesh.

Introduction

The genesis of management accounting as a separate branch of knowledge within accounting paradigm is not properly documented in literature as financial accounting. It offers a great deal of debate and criticism regarding the actors and agents behind the development and growth of management accounting and the profession. Some treatise gives the credit to some evolutionary societal reforms initiative like industrial revolution, outbreak of world wars for political correction and confirmation of power, advent of innovative life changing technologies in the field of science and communications like steam engine, telegraph etc. These collective efforts bring a significant change on how accounting is used and perceived and give it a role of forward thinking ability along with a successful postmortem analyst. Market demands and accepts this revised role of accountants which gradually give rises to a profession name as 'management accounting profession'.

Two basic views on the history of management accounting exist, namely that of the economic rationalists and that of the Foucauldians. The economic rationalists view accounting as a functional account of technical responses to changing economic demands (e.g. after the Industrial Revolution). In an attempt to understand modern management accounting, some historians have adopted a so-called Foucauldian approach. This implies that the history of key developments in this field has been rewritten as a result of new evidence, new interpretations, and refocusing on familiar events (Hoskin & Macve, 2000). The Foucauldians focus on historical developments since the 18th century, mainly because of links to changes in economic society during that period. The proponents of this point of view attempt to portray management accounting as a social theory and to examine it in terms of social, economic and cultural conditions at the time (Murai, 1999).

However, the development of management accounting profession in Bangladesh offers a mixed gesture combining economic rationalization and that of Foucauldians. The privatization move of the government during eighties demonstrates economic renationalization process and decades after nineties reflect the absorbance of the justification of Foucauldians' thoughts. This article presents a brief overview on management accounting profession in Bangladesh in retrospect.

A Historical Proliferation

The development of cost and management accounting as a separate branch was the demand of the time due to the changing needs of the society where financial accounting becomes a prey to the typical need of corporate managers. The institutional form of this development starts with the formation of dedicated institute to look after this profession in 1919 in UK and USA. This formation have a direct impact on the development of cost and management accounting profession in this part of the world as Bangladesh was under the rule of British and Pakistan for more than 200 years. Thus, this section presents the history in brief without which it seems to be incomplete.

1919	1944	1951	1977
ICWA, UK	ICWA, India	PIA, Pakistan	ICMAB, Bangladesh

Figure 1: Timeline of development of management accounting profession

In 1919, the first professional management accounting institute has been established in UK named as "The Institute of Cost and Works Accountants" (ICWA). It specialized in the development of accounting techniques for use in the internal control of manufacturing, service and public sector operations. It developed a position as the leading professional body in the areas of product costing, budgeting, management accounting, investment appraisal and business decision making.

In October 1944, the Institute of Cost and Works Accountants organization in Ireland was formed. The institute changed its name from ICWA to the "Institute of Cost and Management Accountants" (ICMA) in 1972 and subsequently to the "Chartered Institute of Management Accountants" (CIMA) in 1986, after it was granted a Royal Charter, a globally recognized accounting qualification, based in the UK and particularly honored in Commonwealth countries. It has played a role in founding fraternal professional bodies such as the Institute of Cost and Management Accountants of Pakistan, the Institute of Cost and Management Accountants of Bangladesh, the Institute of Cost and Works Accountants of India and the Institute of Management Accountants (USA).

In India, an institute under the name of "Indian Institute of Cost and Works Accountants" was formally registered on 14.6.1944 under the Companies Act (Later on replaced by the Institute of Cost and Works Accountants of India established by an Act in May, 1959). In the early stages of the Institute's existence, the progress was very slow. Except in Government establishments catering to War needs, there was virtually no cost accounting in the country. The Defense Ministry realized the important role of cost accountants in industrial activities and this led the Ministry to encourage people in its employment to pass the Institute's examinations. The Ministry also deputed candidates to receive training in the Institute's training center at Calcutta. With the cessation of the War, a large number of Government employees became surplus hands. Some cost accountants were drawn to private industry, which soon began to feel advantage of employing them. Cost accountancy started to gain ground in industry.

In Pakistan, the successful initiative to develop the profession came from Mr. M. Shoaib, the then Financial Advisor on Communications to the Government of Pakistan. At his initiative the Pakistan Institute of Industrial Accountants (PIIA) under the Indian Companies Act VII of 1913 (as applicable to then Pakistan) has received the Certificate of Incorporation (SIND 856 of 1951-1952) signed by Registrar of Joint Stock Companies for Sind which read as -

"I hereby certify that The Pakistan Institute of Industrial Accountants is this day incorporated under the Indian companies Act, VII of 1913 (as applicable to Pakistan) and that the Company is Limited. Given under my hand at Karachi this twenty-third day of May, one thousand nine hundred and fifty-one."

Signed
Registrar of Joint Stock Companies for Sind,
Karachi

Mr. M. Shoaib was the founder President of the Institute and he was a Fellow member of the British Institute of Cost and Works Accountants and had the practical experience of having founded its counterpart in India in 1944. The sapling planted in 1951 had, by 1966, taken firm roots and was happily growing into a healthy tree. Later on, a bill "to make provision for the regulation of the profession of Cost and

Industrial Accountants and for that purpose to establish an Institute of Cost and Industrial Accountants" was finally moved in the National Assembly by Mr. Shoaib on 27th July 1965. The bill was passed on 30th June 1966 and the President's assent to it was received on 14th July 1966. The Act, called the "Cost and Industrial Accountants Act, 1966", was published in the official gazette on 19th July 1966. It came into force on 20th August 1966. It was amended in 1976 to be known as "Cost and Management Accountants Act, 1966". At its birth in 1951, the Institute was named as "Pakistan Institute of Industrial Accountants". When the company so named was dissolved on the commencement of the Act, the Institute constituted under this Act was called "Pakistan Institute of Cost and Industrial Accountants". Whatever the rationale, the Institute continued to be known for ten years, from 1966 to 1976, by the name the 1966 Act had given it. Then there came a further change of name in 1976 from when it has been known as the Institute of Cost and Management Accountants of Pakistan (ICMAP).

The Pakistan Institute of Industrial Accountants (PIIA), which was initially a company registered under the Companies' Act, 1913 and subsequently reconstituted under the Cost and Industrial Accountants Act, 1966 and later renamed as the Institute of Cost and Management Accountants of Pakistan by Cost and Industrial Accountants (Amendment) Act 1966 had its Head quarter in Karachi, the first capital of Pakistan, with skeleton and consolatory Branch Offices in the then East Pakistan. On independence, the branch of PIIA in Dhaka was renamed as Bangladesh Institute of Industrial Accountants (BIIA) ran under the same Act. It has been continued as such until 1977 when the Institute of Cost and Management Accountants of Bangladesh (ICMAB) was constituted under the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977). For smooth running of the ICMAB detail Bye-laws and Regulations was framed in due course. On 27th February 1980 the Council of the Institute of Cost and Management Accountants of Bangladesh, with the approval of the Government, published the Cost and Management Accountants Regulations 1980. However, the institute is in the process of enacting new act to regulate the cost and management accounting profession in Bangladesh under changing business environment.

ICMAB in Global Arena

The ICMAB is one of the active members of the Confederation of Asian and Pacific Accountants (CAPA) which was formed in 1957 with its Headquarter in Manila, the Capital City of the Philippines. Starting from the attendance to the 9th Conference of CAPA held in 1980, the ICMAB regularly participates in various activities of CAPA. On 24 May, 2004 the 16th CAPA International Conference was hosted by ICMAB in Dhaka. This was inaugurated by the Hon'ble President of the People's Republic of Bangladesh Professor Dr. Iajuddin Ahmed. In May 1983, ICMAB was admitted as a member of the International Federation of Accountants which had been formed in Munich on 7th October 1977 with its Headquarter in New York.

The ICMAB is one of the founder members of the South Asian Federations of Accountants (SAFA) which was formed in August 1984. The ICMAB President attended the SAFA formation meeting held at New Delhi in August 1984 and was elected Chairman of the first Professional Development Committee of SAFA. Four other senior members of ICMAB were nominated as members of the Technical Standard Committee, Continuing Professional and Development Committee, Research and Development Committee and Ethics Committee of SAFA. The need international SAFA Conference will be held in Dhaka on December 2004. The ICMAB President represented the Institute in international seminar held during 11th to 16th November 1984 in Manila on "Accounting Education for Development" which was jointly sponsored by the International Federation of Accountants, the World Bank and the Asian Development Bank and participated by 150 participants of 40 countries. ICMAB is also hosting SAFA conference in this year (2015) scheduled to be held on October 18 and 19 in Dhaka. The ICMAB regularly participates in all major events of the national, international and regional accounting bodies. The Exposure Drafts, the International Accounting Standard (IAS) and the International Standards on Auditing (ISA) are regularly received from the International Accounting Standards Committee and the International Auditing Practices Committee respectively and disseminated to the members and students of the ICMAB to keep them abreast of the latest development in the Accounting and Auditing profession.



Memorandum of Understandings

Very recently, the ICMAB has signed two important MoU with two professional accounting institutes of United Kingdom. They are Chartered Institute of Management Accountants (CIMA) and Chartered Institute of Public Finance and Accountancy (CIPFA). These signings have brought special height to CMA profession locally and globally and have attracted mass media publication and regulatory attention. The MoU between CIPFA and ICMAB was signed on 14th of December 2014 to strengthen public financial management in Bangladesh. CIPFA will provide necessary training and other supports to ICMAB members to develop a platform for strengthening the public finance and accountancy profession in Bangladesh.

Another MoU signed between CIMA and ICMAB brings a radical change in every sphere of ICMAB. As CIMA has conducted some studies on ICMAB as consultant under ROSC project of World Bank, they have enough understanding on the areas where ICMAB needs improvement. In line with that CIMA has extended an all out effort to develop management accountancy profession in Bangladesh through different measures to strengthen ICMAB. Among others, some important supports that CIMA will provide to ICMAB are sharing curriculum, providing accelerated route for membership, consultancy support on governance and ethics, provide training, sharing rich documents, organizing value added programs jointly etc. This MoU has brought some tangible benefits to ICMAB which will remain as a glowing milestone forever. The leaders of ICMAB related to this success deserve special credit.



Capitalizing the CIMA-ICMAB MoU

Signing the MoU will result nothing if it is not implemented properly. The achievements ICMAB so far made under the MoU are commendable. It needs a continuity to avail maximum out of it. Under the MoU, more than 200 associate and fellow members of ICMAB have enrolled with CIMA with the desire of fulfilling the educational requirements to get CIMA membership. Fellow members have already attempted strategic case study exam three times. Due to the different type of exam and assessment system, the success rate may not be up to expectation; however, already four of ICMAB members have come out to be the beneficiary of the MoU. It is expected that, the success rate will be higher this time. Thanks to CIMA for arranging training programs at different occasions for ICMAB members to prepare them for case study exam by bringing foreign trainer. Under the MoU, CIMA has also offered a migration plan for existing ICMAB students if they like to enroll themselves with the CIMA. The biggest success is the curriculum. CIMA has shared the 2010 professional curriculum with ICMAB without any cost. ICMAB was badly in need of changing its curriculum as ICMAB

curriculum has been changed in 2007 for the last time. As a requirement of IFAC, it is an established norm that the curriculum needs revision on every five years interval. By five years time, every curriculum becomes outdated due to the changing needs of the market. Thanks to CIMA to share their costly and highly researched curriculum with ICMAB. Now the ICMAB curriculum structure is as follows:

As per the new curriculum structure, ICMAB opens two entry routes, intermediate entry route (IER) for HSC passed students who will start from knowledge level and graduate entry route (GER) for graduate students who will start from business level. If ICMAB can attract HSC passed students desired to be management accountants in their professional career, it will provide a new impetus for management accounting profession in the country. Mostly all the papers ICMAB adopted under CIMA 2010 professional certification except three papers of knowledge level and three papers in regulatory pillar. Knowledge level papers are the extra papers for HSC passed students for their smooth journey in professional papers and papers in regulatory pillar are for mitigating the local market requirement. Students who are qualifying the respective CIMA papers under ICMAB, CIMA will give direct award of those papers. Thus, if any students need CIMA certification, he may enroll with CIMA and pass only three case studies under CIMA to qualify for CIMA membership. However, CIMA will not award CIMA membership to any students of ICMAB until the student becomes the member of ICMAB.

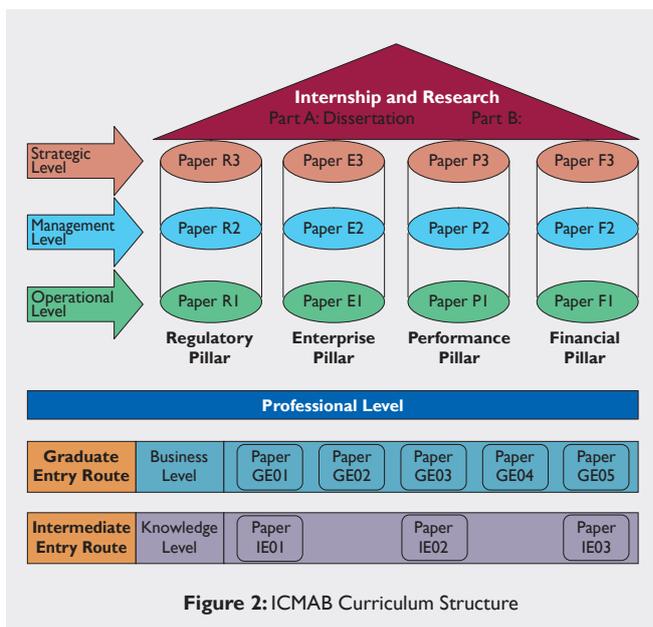


Figure 2: ICMAB Curriculum Structure

Cost and Management Accountants in Legal Periphery

In Bangladesh until 1994 there was no statutory enactment as to the maintenance of cost accounting records of any sort and audit thereof by manufacturing companies. Two sections (Box 1 below) have been provided in the Companies Act, 1994 requiring certain companies to maintain specific cost accounting records and audit of the same as and when desired by the government. So long, as there was no statutory obligation regarding maintenance of specific cost accounting records and audit of the same, companies particularly manufacturing companies are maintaining their cost accounting records to suit the purposes and requirements of their internal management and the requirements of their external financial audit by chartered accountants.

Realizing the needs of Cost Audit for the economic development and also for the effective and appropriate control of the organizations and the economy as a whole, the Government of Bangladesh made cost audit compulsory in 2001 through promulgation of an SRO no. BAM/PTM/AP/17/87/397 dated December 11, 2001 the contents of which are given below:

- (a) Cost Audit shall be done in Nationalized Sugar Industries and in all Public Limited Companies;
- (b) Such Cost Audit shall be completed from the financial year ended June 30, 2001 and from any other financial year ended after the above date of June 30, 2001;

- (c) Such Cost Audit shall be done by a Cost and Management Accountant in pursuant to provisions made in the Cost Audit (Report) Rules, 1997; and
- (d) Cost Audit shall be made on the basis of books of accounts maintained according to the provisions of section 181 (1) of Companies Act, 1994.

In line with the above Gazette Notification, the government issued another order dated 26.12.2002 to do cost audit in 5 companies of fuel and power sector and in 6 companies of Jute sector. Through SRO No. 17-Law/2005 Dated January 17, 2005, Govt. has prescribed the Cost Accounting Record Rules for the following sectors:

- (a) Sugar Industries;
- (b) Chemical Fertilizer;
- (c) Textile Industries;
- (d) Jute Industries;
- (e) Pharmaceutical Industries;
- (f) Fuel and Power Industries; and
- (g) Edible Oil and Vegetable Ghee Industries;

Govt. of Bangladesh also made it mandatory through an order dated December 03, 2005 of Commerce ministry to submit Cost Audit Report to the Govt. for all the financial years from 2006 onward by 42 Textile industries, 12

Section 220: Audit of certain matters by Cost and Management Accountants -

- (1) where in the opinion of the Government, it is necessary to do in relation to any company required under clause-(d) of sub-section (1) of section 181 to include in its books of accounts the particular referred to therein the Government may, by order, direct that an audit of cost accounts of the company shall be conducted in such manner as may be specified in the order by an auditor who shall be a Cost and management accountant" within the meaning of the Cost and Management Accounts Ordinance, 1977 (L III of 1977).
- (2) An audit conducted by an auditor under this section shall be in addition to an audit conducted by an auditor appointed under section 210.
- (3) The provisions relating to audit of a company specified in this Act mutatis mutandis, and so far as they are applicable, apply to an audit conducted under this section.

Section 181: Books to be kept by company and penalty for not keeping them -

- (1) Every company shall keep proper books of account with respect to-
 - (d) in the case of a company engaged in production, distribution, marketing, transportation, processing, manufacturing, milling extraction and mining activities, such particulars relating to utilization of material, labor and other items of overhead cost.

Box 1: Excerpt from Companies Act, 1994

Pharmaceutical Industries and all the Nationalized Chemical Fertilizer Industries. Govt. imposed penalty and imprisonment also for non-compliance. As per the circular, cost audit can be conducted only by a Cost and Management Accountant as per CMA Ordinance 1977 (LIII of 1977).

It may be well mentioned here that the rapid economic rising of today's India largely because of vital rule of Cost Accountants after they have made the Cost Audit Compulsory in India.

In pursuant to the above Government orders all the mills of Bangladesh Sugar and Food Industries Corporation (BSFIC) have already brought under cost audit. Some other companies as specified in the order-dated 26.12.2002 had also completed cost audit of its cost books for one or more years.

After the recognition through Companies Act 1994, the cost and management accountants have received due recognition in different legal enactments like certification of corporate governance report through securities laws, working a tax practitioners as per income tax ordinance, certifying transfer pricing statements as per income tax ordinance etc. These recognitions indicate the regulators confidence on the capacity of professional cost and management accountants and at the same time, endorse the acceptability of this profession by the society where it serves.

Making the Profession Holistic

The institute has recently taken a holistic approach to explore the market keeping a continuous tie with the major stakeholders. It continuously involves itself to identify the gaps and limitations so that these can be properly managed. It tries to come very close to the corporate to identify their expectations so that the expectations can be properly blended with the curriculum and training that ICMAB pursue. ICMAB holds CFO conference to draw the attention of business leaders where CFOs of renowned companies from home and abroad joined. This program has received extensive media coverage and praised by one and all. ICMAB also manages to make some successful arrangements with local body corporate for mutual benefit.

At regular interval, ICMAB arranges open seminar to induct the profession before audiences. It organizes formal induction programs at different universities and colleges throughout the country to attract young talents towards the profession. ICMAB building becomes a vibrating one with dedicated support staffs who are being trained considering the demanded service of the market.

ICMAB left no stone unturned to continue a close tie with the regulators. The role of ICMAB in building skilled manpower to supplement the Government's Sustainable Development Goals (SDGs) is well understood and the regulators come forward with supporting hands at every possible respect. ICMAB is really thankful for the regulatory supports which redefined the profession and user new hope and prosperity.

Conclusion

With the gradual denationalization, privatization, divestment and disinvestment of the government owned manufacturing and service industries-in line with the global open market policy of the World Trade Organization and globalization, standardization and unification of the accountancy profession coupled with Information Technology Management, accountancy sector in general, and cost accountancy sector in particular, is facing new challenges. There are opportunities for and threats to this profession. The institute is continuously scanning the environment and takes corrective actions to combat the challenges. Professional cost and management accountants in Bangladesh are being fully equipped to face the challenges of the new millennium and to play more effective role in the strategic decision making processes in the national economy. Increasing foreign direct investment and opening of the nascent capital market to the foreign portfolio investors are some of the special areas where the specialized services of the professional management accountants are being utilized. In this journey, the institute seeks support from every stakeholder so that it can serve even more professionally in coming days. 