iCMA

Key Functional Divisions Involved in Cost Data Reporting

Functional Divisions?

- Functional divisions are different departments in a business, each with a specific role or function.
- Every division focuses on one key area like production, buying materials, hiring people, managing money, or selling products.
- Each division works like a piece of a machine. They all help the business run smoothly and meet its goals.
- These divisions share data and reports with CMA to help calculate accurate costs, control expenses, and improve profits.
- The functional divisions mean splitting the work into parts so that each team becomes an expert in one area and supports the business effectively.

List of Functional Divisions Supplying Data to the CMA:

1. Operations Management
2. Supply Chain Management
3. Human Resource Management
4. Finance and Accounting
5. Sales and Marketing
6. Research and Development
7. Information Technology

FUNCTIONAL DIVISIONS

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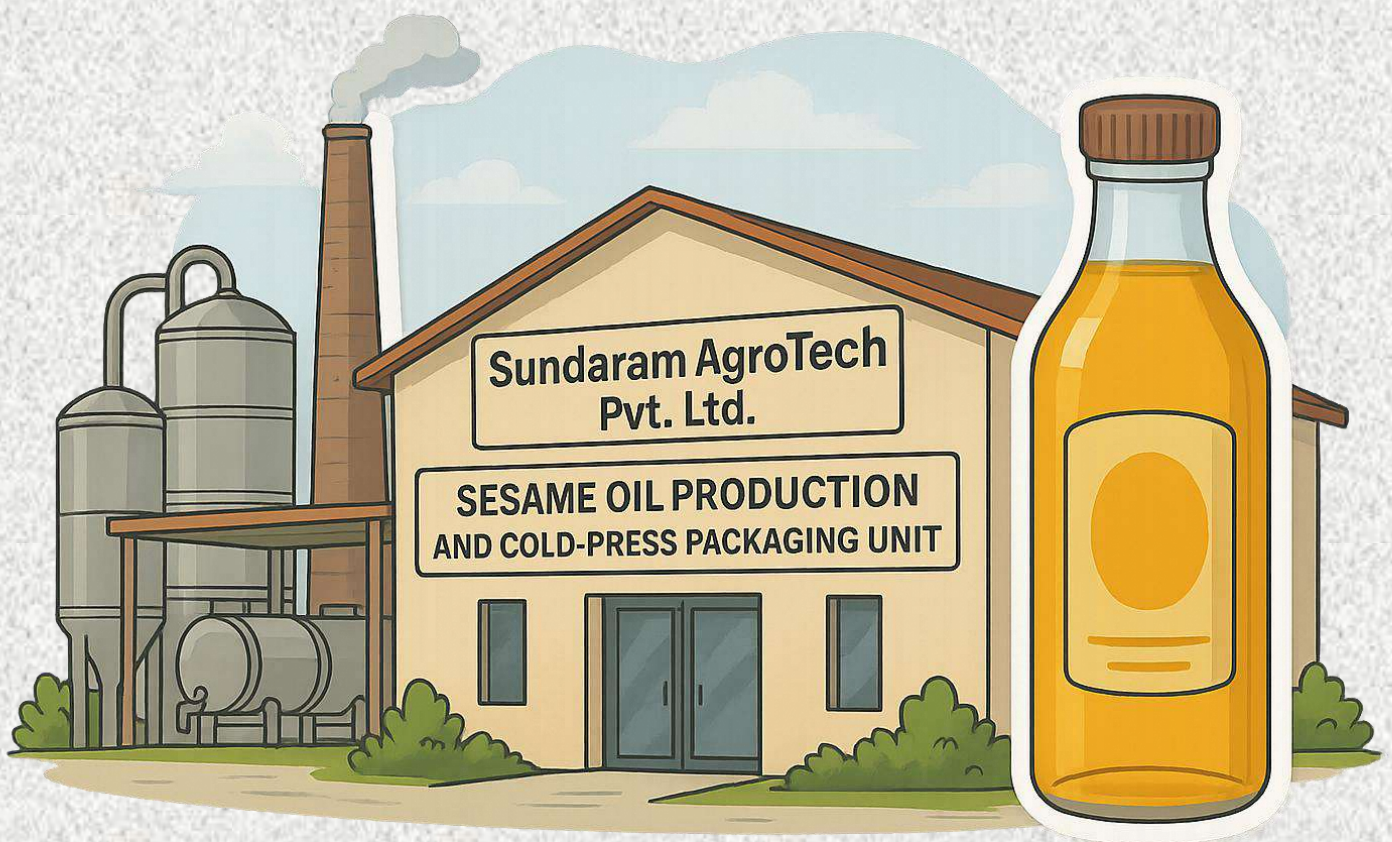# Key Functional Divisions Involved in Cost Data Reporting

Model Company:

Company: Sundaram AgroTech Pvt. Ltd.

Business: Sesame Oil Production and Cold-Press Packaging Unit.

Location: Tiruppur, Tamil Nadu

Tagline: "Bringing Tradition to Tables with Tech"

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This is a tech-enabled sesame oil manufacturing company that produces cold-pressed oils in Tiruppur and distributes them across South India.

The CMA uses data from every functional division for cost computation, pricing, variance analysis, forecasting and reporting.
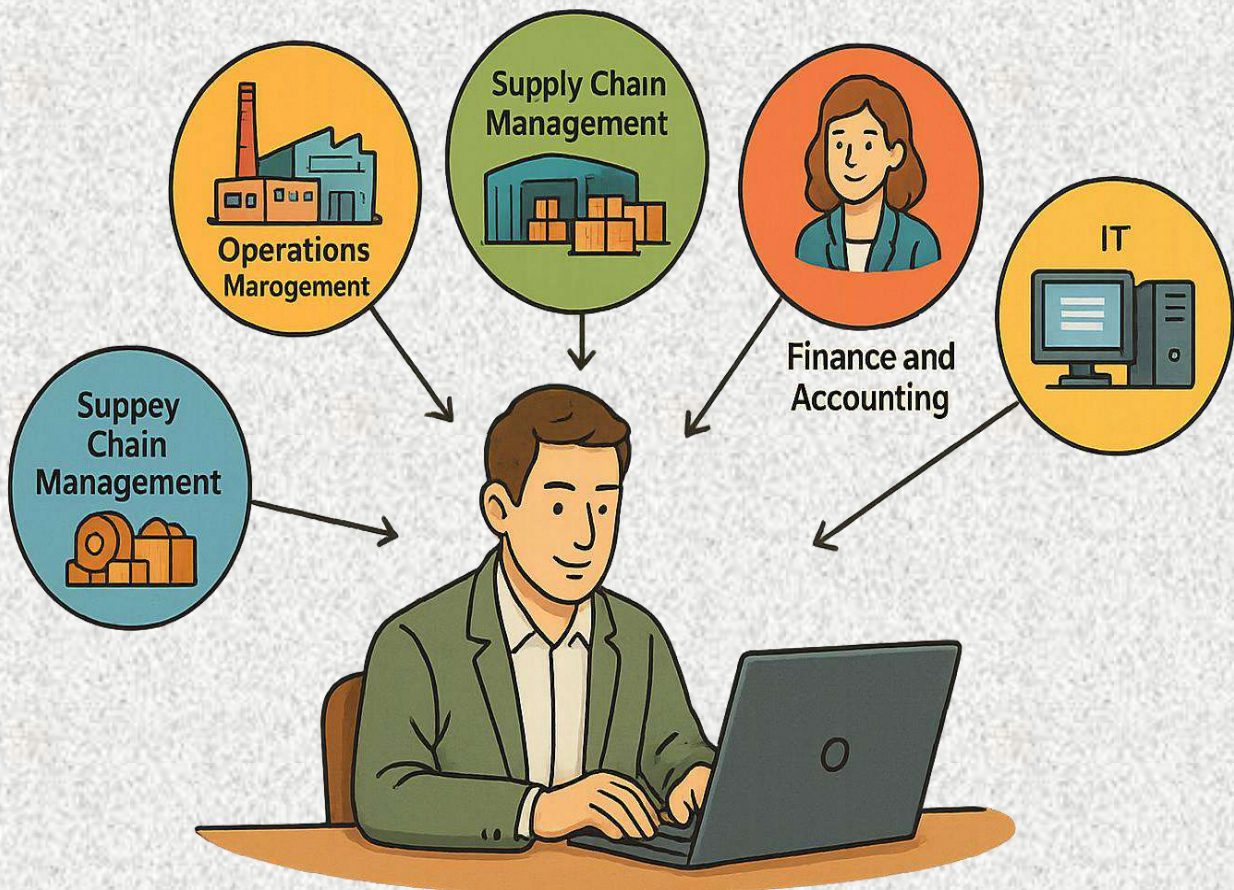
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1. Operations Management:

- Operations Management involves managing the core activities of production and service delivery.
- It includes the Production and Engineering/Maintenance departments.
- For a CMA, this division provides essential data such as units produced, machine hours, labour efficiency, scrap, wastage, and equipment downtime.
- This data helps in determining cost per unit, standard costing, and identifying variances between actual and expected performance.
- Operations data helps the CMA analyse capacity utilization, process bottlenecks, and cost-saving opportunities.

Live Example,

The production team tracks litres pressed, machine hours, and wastage. CMA uses this to calculate per-unit cost, identify yield variance, and analyze downtime impact. Efficient operations reporting ensures accurate cost control and production efficiency at Sundaram AgroTech.

- This function is central to cost audit and cost control, ensuring that the company's operations are running efficiently and within budgeted cost levels.

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2. Supply Chain Management:

- Supply Chain Management involves the Purchase and Stores (Inventory) functions that deal with the flow of raw materials and goods.

- This division supplies the CMA with key data such as material purchase cost, inward freight, taxes, storage expenses, material consumption, and closing stock of Raw Materials, WIP, and Finished Goods.

- Purchase provides supplier-wise cost details, lead time for deliveries, and price fluctuations, while Stores maintains records of inventory movement, stock ageing, and wastage.

- For a CMA, this data is vital to calculate material cost per unit, inventory valuation, and analyse economic order quantity (EOQ) and stock turnover ratios.

Live Example,

Purchase team logs sesame seed cost, transport, and taxes. Stores track material issues and closing stock. CMA uses this data to compute landed material cost, identify material losses, and maintain inventory valuation for Sundaram AgroTech's sesame oil production process.

- Mismanagement here can inflate cost sheets and disturb pricing decisions. SCM plays a key role in ensuring materials are cost-effective, timely, and traceable for cost analysis.

3. Human Resource Management:

- Human Resource Management deals with managing manpower – both direct (factory labour) and indirect (administrative and support staff).
- For the CMA, HRM provides essential data such as wages and salaries, overtime payments, bonuses, incentives, employee working hours, and absenteeism records.
- This data is crucial for determining direct labour cost, allocating indirect labour cost, and analysing labour efficiency.
- HR also supports the CMA in labour budgeting and cost control by supplying details on manpower planning, recruitment costs, and training expenses.

Live Example,

HR shares labour attendance, wages, overtime, and bonus data. CMA uses this to determine per-unit labour cost and flag idle time. Labour cost variance and manpower utilization are analyzed regularly for cost accuracy at Sundaram AgroTech, Tiruppur.

- Thus, HRM plays a major role in ensuring that labour costs are properly captured, monitored, and controlled in the overall cost structure.

4. Finance and Accounting:

- The Finance and Accounting division provides the CMA with a wide range of data necessary for cost classification, allocation, and control.

- It includes both financial accounts and management reporting functions. Key data shared by this division includes actual expenses, budgeted costs, overheads (admin., selling, and distribution), asset depreciation, and capital vs revenue expenditure.

- CMA uses this data to prepare the Cost Sheet, match actuals with budgets, perform variance analysis, and determine profitability per product or service line.

- The finance team also provides information on loans, interest, lease payments, and insurance costs, which are often apportioned across departments or cost centres.

Live Example,

Finance records direct and indirect expenses like rent, depreciation, and utilities. CMA classifies them into cost centres. Accurate overhead allocation helps determine total product cost and supports cost audit compliance at Sundaram AgroTech's cold-pressed oil manufacturing unit.

- Finance ensures that all monetary transactions are recorded systematically, helping the CMA with accurate cost allocation and reporting.

5. Sales and Marketing:

- Sales and Marketing is the revenue-generating arm of a business, and it provides the CMA with data related to sales volume, selling prices, trade discounts, promotional expenses, commission to agents, delivery charges, and market returns.
- This division helps the CMA in calculating selling and distribution overheads, cost-to-sales ratio, and customer profitability.
- The sales data is vital in revenue matching, cost-volume-profit (CVP) analysis, and pricing decisions.
- Marketing expenses, like advertising, product promotions, and branding costs, are usually treated as indirect costs, which need to be apportioned logically across products or regions.
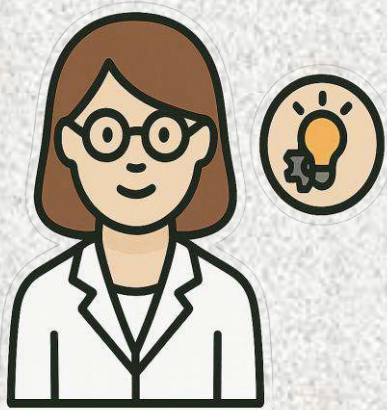
Live Example,

Sales reports include litres sold, discounts, and delivery charges. Marketing spends on social media are also tracked. CMA uses this to compute selling overheads per product, aiding pricing and profitability decisions at Sundaram AgroTech.

- Thus, the Sales & Marketing division helps the CMA assess how efficiently sales are contributing to the overall profit after accounting for all related costs.

6. Research and Development (R&D):

- The R&D division is responsible for innovation, product design, process improvements, and testing.
- This division supplies the CMA with data related to research expenditure, prototype development, trial production, design costs, and failure analysis.
- R&D costs can be capitalised or treated as period costs depending on whether future economic benefits are expected.
- The CMA uses this data to determine the cost impact of new products, track non-recurring development costs, and allocate them appropriately over the useful life of the product.

Live Example,

R&D costs from packaging trials, product testing, and design innovations are shared with CMA. These are allocated over product life. This tracking ensures innovation costs are capitalized or expensed rightly in product costing system.

- R&D plays a strategic role in improving product quality and reducing long-term costs, and the CMA ensures these costs are monitored and reported accurately in accordance with CAS 18.

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7. Information Technology (IT):

- The Information Technology (IT) division supports the CMA by maintaining business systems like ERP software (e.g., SAP, Tally),

- MIS reports, data analytics tools, and other digital infrastructure. IT provides cost centre-wise data, real-time production tracking, inventory movement, automated reports, and data backups.

- For CMAs, accurate and timely information from IT systems enables better cost control, budgeting, variance analysis, and performance tracking.

- IT also supplies the costs related to software purchases, licensing, IT support services, automation projects, and depreciation of hardware/software.

For instance,
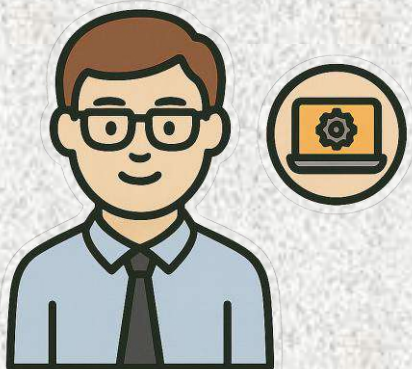
ERP systems track materials, billing, and barcode-based stock flow. CMA uses real-time data for batch costing and variance analysis. IT ensures seamless, secure integration of operations, to maintain accurate & timely cost records.

- Hence, IT is not just a support function but a key enabler of efficient cost accounting, especially in modern, data-driven business environments.

VIGNESWAR RK

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← Thank You for Reading!

- If you found this basic document is useful, I'm glad it served its purpose.
- This topic is especially helpful for students, new cost auditors, CMAs, and anyone interested in how businesses manage cost data across departments.
- **I believe in sharing what I learn and helping others grow along the way.**

Let's connect on LinkedIn:

Vigneswar RK

www.linkedin.com/in/vigneswarrk

Feel free to reach out with questions, feedback, or just to say hello!

Let's grow together.

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