A STUDY OF COST ANALYSIS AND CONTROL WITH REFERENCE TO TATA MOTORS LIMITED

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ABSTRACT
System are concerned Tata Motors along with its 24,000 odd employees have managed to come up with the idea of the cheapest car ever produced in the history of automobiles. The launch of Tata Nano has revolutionized the auto industry that has been generating immense interest in India and abroad. The Tata Nano is the smallest car ever manufactured in India and is available in the market in five variants. The Tata Nano which is a rear engine, four passenger car with fuel efficiency of around 26 kmpl, priced at an unbelievable amount of Rs 1,00,000 has become a rage in the Indian subcontinent. TATA Motors has vision of being the best in the industry as far as ethics, products and value.

Keywords: Cost; Cost Control

INTRODUCTION
Cost & Cost Control
The management is efficient if it is able to accomplish the objective of the enterprise. It is effective when it accomplishes the objectives with minimum effort and cost in order to attain long-range efficiency and effectiveness management must chart out its course in advance. A systematic approach to facilitate effective management performance is profit planning and control costing. Costing is therefore an integral part of management in a way. Cost control system has been described as historical combination of a "goal setting machine for increasing enterprise profits and a goal achieving machine for facilitating organizational co-ordination and planning while achieving the costed targets".

Meaning of Cost Control
It is the process of establishing of department costs relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with costed results, either to secure by individual action the objectives of the policy a firm basis for its revision.

Cost control is a continuous process, which helps in planning and coordination. It provides a method of control too. A cost is a means and cost control is end result.

In a word of J.A Solt "cost control is the system of management control and accounting in which all operations are forecast and so as possible planned ahead and actual result compared with the forecast and the planned ones.

NEED OF THE STUDY
Cost reduction aims to make real reduction in production cost or buying price of a goods and service without reducing suitability of these as far as the utility for its purpose is concerned.

Companies that are in loss need to increase profits or must effectively cut extra expenses in order to succeed. So implementing effective cost reduction strategies can be important factor in determining the survival of business.
When company need cost reduction quickly, expenses cut first will be normally those that are not fixed in nature or directly tied to the production. It is not good to implement drastic reduction in expenses that produce company product or service without careful evaluation.

If one know and understand the importance of cost control tools in business. That business has much better chance of surviving irrespective of any stages of economic cycle is occurring.

OBJECTIVES OF STUDY

The study has the following Major Objectives:

1. To provide frame work of cost control and cost analysis.
2. To describe the cost sheet and balance sheet of company and how cost control and cost reduction analysis helped in increasing profit of company.
3. To analyse the cost system practice by TATA Motors ltd with reference to balance sheet, cash flow and profit and loss account.
4. To evaluate and suggest modification to the current cost system and putting inside on how it could be improved and implement better changes in future.

HYPOTHESIS

Following hypothesis was formulated for this research work:

HO: The very basic concept we learned in costing is the total cost of producing a specific level of output is the cost of all the factors of input used. Conventionally economist use models with two input capital as K and labour as L. Capital cost are assumed to be fixed in nature and does not vary with the level of production. Whereas labour is the variable input meaning that amount of labour used varies with the level of output. So in the short run the only way to control the cost is to make changes in variable cost, which eventually leads to making cost reduction in payroll department.

One of the main cost reduction techniques in variable cost would be laying off employee of the company. I think in long run that effect company.

Sure payroll costs of companies are very high for most businesses. However, companies also face substantial costs related to mistake, error, accidents, and surprise internal and external events. Collectively known as "operational risks", these cost are substantial but if manage properly could be reduced the bottom line with very few negative side effects.

RESEARCH METHODOLOGY

A research is a systematic investigation into existing or new knowledge. It is used to establish or confirm facts, reaffirm the results of previous work, solve new or existing problems, support, theorems, or develop a new theories. This study is restricted to TATA Motors ltd only. This study includes various cost control and reduction technique adopted by TATA Motors with analysing cost sheet of the company. Data and information collected from the concern executive of the company.

Primary Data

Direct observation: what you actually observe and let you focus on detail importance to you see a system in rather than theoretical use.

Survey: Written surveys let you collect considerable quantities of detail data.

Secondary Data

Secondary data are collected from external sources such as TV, Radio, internet, Magazines, newspaper, Reviews, Research articles. The data of Tata Motor Ltd. have been collected mainly from secondary sources. There is a lot more secondary data than primary data available.
LIMITATION OF THE STUDY

In the process of carrying out this research work the most nagging problem facing the study is how to obtain reference materials.

There are also the problems associated with personnel's accepting to give vital information which will be of help to the research.

The use of cost may be to restricted use if resources. Cost is often taken as limits. Efforts may therefore not be made to exceed the performance beyond the cost targets.

Cost control strategies are often very hard to implement in business because of resistance by employee of the organization.

Automobile Industry in India

The automotive industry in India is one of the largest in the world with an annual production of 23.37 million vehicles in F.Y. 2014-15, following a growth of 8.68 per cent over the last year. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP). The Two Wheelers segment, with 81 per cent market share, is the leader of the Indian Automobile market, owing to a growing middle class and a young population. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 13 per cent market share.

India is also a prominent auto exporter and has strong export growth expectations for the near future. In F.Y. 2014-15, automobile exports grew by 15 per cent over the last year. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the Two Wheeler (2W) and Four Wheeler (4W) market in the world by 2020.

Market Size

The industry produced a total 14.25 million vehicles including PVs, commercial vehicles (CVs), three wheelers (3W) and 2W in April-October 2015, as against 13.83 in April-October 2014, registering a marginal growth of 3.07 per cent, year-to-year.

The sales of PVs grew by 8.51 per cent in April-October 2015 over the same period in the previous year.

The sales of PVs grew by 8.5 per cent in April-October 2015 over the same period in the previous year. The overall CVs segment registered a growth of 8.02 per cent in April-October 2015 as compared to same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) registered very strong growth of 32.3 per cent while sales of Light Commercial Vehicles (LCVs) declined by 5.24 per cent during April-October 2015, year-to-year.

Investments

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted foreign direct investment (FDI) worth US$13.48 billion during the period April 2000 to June 2015, according to data released by Department of Industrial Policy and Promotion (DIPP).

Some of the major investments and developments in the automobile sector in India are as follows

- General Motors plans to invest US$1 billion in India by 2020, mainly to increase the capacity at the Talegaon plant in Maharashtra from 130,000 units a year to 220,000 by 2025.
- Global auto maker Ford plans to manufacture in India two families of engines by 2017, a 2.2 liter diesel engine code-named Panther, and a 1.2 liter petrol engine code-named Dragon
Germany-based luxury car maker Bayerische Motoren Werke AG's (BMW) local unit has announced to procure components from seven India-based auto parts makers.

**History of the Automobile**

The early history of the automobile can be divided into a number of eras, based on the prevalent means of propulsion. Later periods were defined by trends in exterior styling, size, and utility preferences. Starting in late 1700's, European engineer began tinkering with motor powered vehicles. Steam, combustion, electrical motors had all been attempted by the mid 1800's. Even though some of the earlier speed record was set by electric cars, they did not stay in production past the first decade of the 20th century.

In the early 1900's, the United States had about 2000 firms producing one or more cars. In 1976 the Motor Vehicle Manufacturing Association had only 11 member. The same situation happened in Europe and Japan.

At the beginning of the century the automobile entered the transportation market as a toy for the rich.

**Invention of Automobile**

In 1768, the first steam powered automobile capable of human transportation was built by Nicolas-Joseph Cugnot.

In 1807, Francois Isaac de Rivaz designed the first car powered by an internal combustion engine fueled by hydrogen.

In 1886 the first petrol or gasoline powered automobile the Benz Patent-Motorwagen was invented by Karl Benz. This is also considered to be the first "production" vehicle as Benz made several other identical copies.

At the turn of the 20th century electrically powered automobiles appeared but only occupied a niche market until the turn of the 21st century.

**Tata Motor Ltd.**

**Company Profile**

Tata Motors Limited India's largest automobile company was established in the year 1945 by Jamsetji Tata. It is the market leader in the commercial vehicles segment and among the top three in the nation in the passenger cars segment. Tata Motors is India's most reliable, dynamic and futuristic automobile manufacturer. With more than 130 models spanning a wide range of Commercial Vehicles, Passenger Cars and Multi-Utility Vehicles; Tata Motors provides the wheels for India's growth.

Tata Motors entered the passenger vehicle market in 1991 with the launch of the Tata Sierra, a multi utility vehicle. This was followed by the launch of the Tata Estate in 1992 (a stationwagon based on the existing Tata Mobile light commercial vehicle) and the Tata Safari in 1998, India's first sports utility vehicle.

Tata launched the Indica in 1998, the first fully indigenous Indian passenger car. Although initially criticised by auto-analysts, its excellent fuel economy, powerful engine and an aggressive marketing strategy made it one of the best selling cars in the history of the Indian automobile industry. A newer version of the car, named Indica V2, was a major improvement over the previous version and quickly became a mass-favourite. Tata Motors also successfully exported large quantities of the car to South Africa. The success of Indica played a key role in the growth of Tata Motors.

According to OICA data of 2007, Tata Motors not only made a 70% cumulative Market share in the Domestic Commercial automobile sector but also had a 0.81% share in the world market, thereby getting listed both in the Bombay Stock Exchange as well as in the New York Stock Exchange.
In January 2008, Tata Motors launched Tata Nano, the least expensive production car in the world at about ₹120,000 (US$3,000). The city car was unveiled during the Auto Expo 2008 exhibition in Pragati Maidan, New Delhi.

Tata has faced controversy over developing the Nano as some environmentalists like Anumita Roychoudhury, of the Centre for Science and Environment in Delhi, and chairperson of the Intergovernmental Panel on Climate Change (IPCC), are concerned that the launch of such a low-priced car could lead to mass motorization in India with adverse effects on pollution and global warming. Tata had set up a factory in Sanand, Gujarat and the first Nanos were rolled out in summer 2009.

Tata Nano Europia had been developed for sale in developed economies and it hit markets in 2010 while the normal Nano had hit markets in South Africa, Kenya and countries in Asia and Africa by late 2009.

Tata Motors Cars meanwhile has launched further expansion into Southeast Asia with plans to sell cars in Vietnam, and the Philippines.

At the 12th Auto Expo in February 2014, Tata Motors unveiled The Bolt, a hatchback and The Zest, a compact sedan. They are slated to launch in August 2014.

**Company Manufacturing Unit**

The company has four major manufacturing units in Jamshedpur (Jharkhand), Pune (Maharashtra), Eucknow (Uttar Pradesh), Pantnagar (Uttarakhand) and Dharwad (Karnataka). Today Tata Motors has about 4000 vehicles plying Indian roads since its first production in the year 1954.

Tata is not restricted to the domestic market it had extensive expansion plans via exports and strategic alliances. It recently entered into an alliance with automobile giants Fiat to produce power trains. It has also completely overtaken some of the eminent global automobile giants like Daewoo and Hispano Corrocera and the Jaguar and Land Rover brand from Ford Motors.

**The Current Cost Control System in TATA Motors Ltd.**

In current to cooperate cost control system- The company's ability to leverage its technological capabilities and the manufacturing facilities among its commercial vehicle and passenger vehicle businesses enables it to reduce costs.

As an example, the diesel engine used in the Indica platform was modified for use in the Ace platform, which helped to reduce development costs. Similarly, platform sharing for manufacturing of pick up trucks and utility vehicles enables the company to reduce capital investment that would otherwise be required, while allowing it to improve the utilisation levels at its manufacturing facilities.

The company's vendor relationships also contribute to cost reductions. For examples, the company believes that the vendor rationalisation program that it is undertaking will provide economies of scale to its vendors, which would benefit the company's cost programmes.

The company is also undertaking various internal and external benchmarking exercises that would enable it to improve the cost effectiveness of its components, system and sub systems.

The company has intensified efforts to review its cost structure through a number of measures, such as reduction of manpower costs and rationalisation of other fixed costs. And also has undertaken initiatives, such as increased sourcing of materials from low-cost countries, reduction in the number of suppliers, the rationalisation of its marketing efforts, a reduction of manpower costs through increased employee flexibility between sites and several other initiatives.

Furthermore, company is exploring opportunities through reduction in number of platforms as well as engineering costs, increase use of off-shoring and several other initiatives.
CONCLUSION

The automobile and cars has had a perceptible shift from what was there in late 1990's and starting of 2000's, now the market has wider variety of choice, player will have to compete on various fronts viz. Pricing, technology, product design, productivity after sale service, marketing and distribution. In the short run, market shares of individual manufacturers are going to be sensitive to capacity, product acceptance, pricing and competitiveness pressures from other manufacturers.

As income grows people feel the need to own their own vehicle to meet the need of private means of transport for them and their family. So the demand of car and automobile are expected to rise in next few years. In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months.

Suggestions

As for the suggestion goes I think the planning is the most important and has become the primary function of the management. Planning is the very basic of any cost which may incur in near future, so any planning should be set up with very careful consideration.

Cost control has become essential tool of management for controlling and maximizing of profit. Cost control should not be applied in every processes, there are some processes where cost reduction would result in loss of quality which would eventually have an adverse effect on company. So cost control tool should be applied only where it would work with minimum negative side effect E.g.: on "operational risks", costs related to mistake, error, accidents, and surprise internal and external events.

REFERENCES

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