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PRODUCTION AND MARKETING ARE THE STEPPING STONES OF ACCOUNTING: A QUIZZICAL STUDY

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ABSTRACT

Production and Marketing functions give birth to accounting. Production process of goods and services is the originating point followed by formulation of a successful marketing mix and strategy to win permanent ultimate customers, be it industrial or ultimate, for maximization of their satisfaction profitably. Without production and marketing operations, there is nothing to record, analyze and therefore there is no information to communicate and none to look for information for decision making. These two variables, thus, become the stepping stones of finance and accounting. Hence, the gateway of accounting opens up provided there is a flow of production and marketing activities. When the former (Production and Marketing) do not exist, the existence of the latter (Accounting) does not arise. There arises a need for creating and maintaining a good relationship among these three variables to ensure positive and healthy interactions within and outside an organization and thereby enhancing the profitability by satisfying the customers for its survival and growth. There is no doubt advanced technology in these three variables plays a key role for standardizing the output, enhancing the marketing efficiency and ensuring transparency in accounting. This paper attempts to conceptually analyze the interrelationship among the production, marketing and accounting process, to identify the pattern of interactions that exist among these three variables – Production, Marketing and Accounting and to contribute to the growing body of knowledge in the fields of production, marketing and accounting.

KEYWORDS

Production and Marketing, Accounting, Interrelationship, Interactions.

INTRODUCTION

Accounting is an old discipline which was conceptualized as a field of study. It is as old as money itself. It has existed long before the concept of 'finance' was developed. Records of accounting, in fact, can be traced as far 7000 years ago. It has developed to meet challenges and requirements of the ever growing society. Present day accounting is a social system. Changes occurred gradually in the science of accounting as the needs arose. In India, accounting was practiced twenty three centuries ago as it is clear from the book named 'Arthashastra' written by Kautilya, King Chandragupta's minister. The modern system of accounting based on the principles of double entry system owes, however, its origin to Luco Pacioli who first published the principles of Double Entry System in 1494 at Venice in Italy. The art of accounting has, thus, been practiced for centuries but it is only in the late thirties of 20th century that the study of the subject 'Accounting' has been taken up seriously. *In the recent years, large scale of production, cut throat competition, widening of the market and changes in technology have brought remarkable changes in the field of accounting.* The object of accounting is to record, classify, summarize, analyze and interpret the business transactions and to ascertain operating results and financial position and to communicate to various users. In other words, it aims at ascertaining whether the business operations have been profitable or not, ascertaining the financial position of the business, and generating information which may be helpful to various parties in planning, control and evaluation of performance and decision making.

OBJECTIVES OF THE STUDY

The main objectives of the study are;

- [1] to study the pattern of relationship among the production, marketing and accounting process in practice.
- [2] to examine the interactional process among these segments, and
- [3] to contribute and add new angle to the existing body of literature in the fields of production, marketing and accounting.

RESEARCH METHODOLOGY

This study is based on conceptual analysis which is *review, conceptual and evaluative* in nature. The concept available in literature – books, journals, newspapers, etc., - has been used for the study. Internet has also facilitated to collect the relevant data. Appropriate analysis, based on the concepts, has been made for interpretation and results.

HYPOTHESES

This study has the following hypotheses for testing;

1. Production and Marketing are the stepping stones of accounting.
2. There is a high interactional process among the processes of Production, Marketing and Accounting.
3. The variables – Production, Marketing and Accounting – are interrelated.

RELATIONSHIP AMONG THE VARIABLES

- **PRODUCTION AND MARKETING**

There is a curious relationship between production and marketing, especially in the realm of software development. Any software development team is putting their energy into planning the functionality, the features, the benefits, the user interfaces, code development etc., And they are doing this based on their knowledge of the market. Their commitment that yes, people will need and will use their software – they will buy it. And they may do a great job, using all the latest tools, testing, retesting, debugging, refining, build, and then they'll freeze it and roll it out. To some degree, though they have just created an asteroid floating in silent space. May be it's an impressive asteroid – huge... or small and beautiful, shining and spinning in cold silence. If they are smart, during the development process, they will have reached agreements with alpha and beta sites and other brand new customers to get testimonials, white papers and invitations for site visits and they will have started creating valuable content and engaging all channels of social media, including the press. Otherwise, they have created a beautiful shining spinning asteroid far out there in the solar system. They need to be aware that to find the right people that would potentially be buyers, and to communicate with them in such a way that they commit to the next buying phase... is actually just as difficult and demanding as it was to write the software in the first place.

- **ACCOUNTING AND MARKETING**

All businesses must keep some form of accounting system to monitor the financial results of a business. The financial statements help management gauge the profitability of a business concern within a given period. The accounting department is responsible for the preparation and analysis of the financial statements. It monitors the financial condition of a company based on financial statements that are compiled on a regular basis. They can monitor sales trends and expense

trends in the business that can provide management with the information it needs to make plans for expansion for cost reductions. The marketing department is responsible for managing and developing the sales of a business.

INTERACTIONAL PROCESS AMONG THE VARIABLES

Some of the most important expenditures a business can make are in the areas of marketing and advertising. A business must be able to market its goods and services; however they must also be able to manage the cost of the marketing and advertising efforts. Simultaneously, the accounting department must work closely with the marketing department to monitor trends in the business as well as manage the efficiency of sales promotions initiated by the marketing company. For instance, a marketing campaign might be successful in terms of gross sales, but the accounting department might determine that the cost of the campaign was too high.

The proximity in work is thus becoming essential between marketing and accounting to enable the management to sensitize the areas where the marketing campaigns are successful. Another very important reason for the coordination of these two variables is to prepare budgets for future expenditures for the marketing campaigns. *It is then the role of accounting department to measure the marketing departments adherence to budget limits and also the efficiency of the budgets that have been utilized.*

TABLE 1: ANALYSIS OF THE RELATIONSHIP AND INTERACTIONAL PROCESS AMONG THE VARIABLES

Sl.No.	ITEM OF ANALYSIS	PRODUCTION DEPARTMENT	MARKETING DEPARTMENT	FINANCE & ACCOUNTING DEPARTMENT
1.	Aim	To produce maximum goods	To sell Maximum Goods and satisfy the customers	To provide sufficient fund to Production and Marketing Departments.
2.	Dependence	Depends on Marketing and Finance Departments for sale of goods and financial support for efficient production respectively.	Depends on Production and Finance departments for procurement of goods for sale and financial assistance for successful marketing respectively.	Depends on Production and Marketing Departments for data to prepare the financial statements.
3.	Feedback on performance	Provides to Marketing and Finance Departments	Provides to Production and Finance Departments	Provides to Production and Marketing Departments
4.	Relationship	Reciprocal -mutually extends cooperation and exchanges information to Marketing and Finance Departments	Reciprocal - mutually extends cooperation and exchanges information to Production and Finance Departments	Reciprocal - mutually extends cooperation and exchanges information to Production and Finance Departments

Source: Data based on analysis of concepts under this study

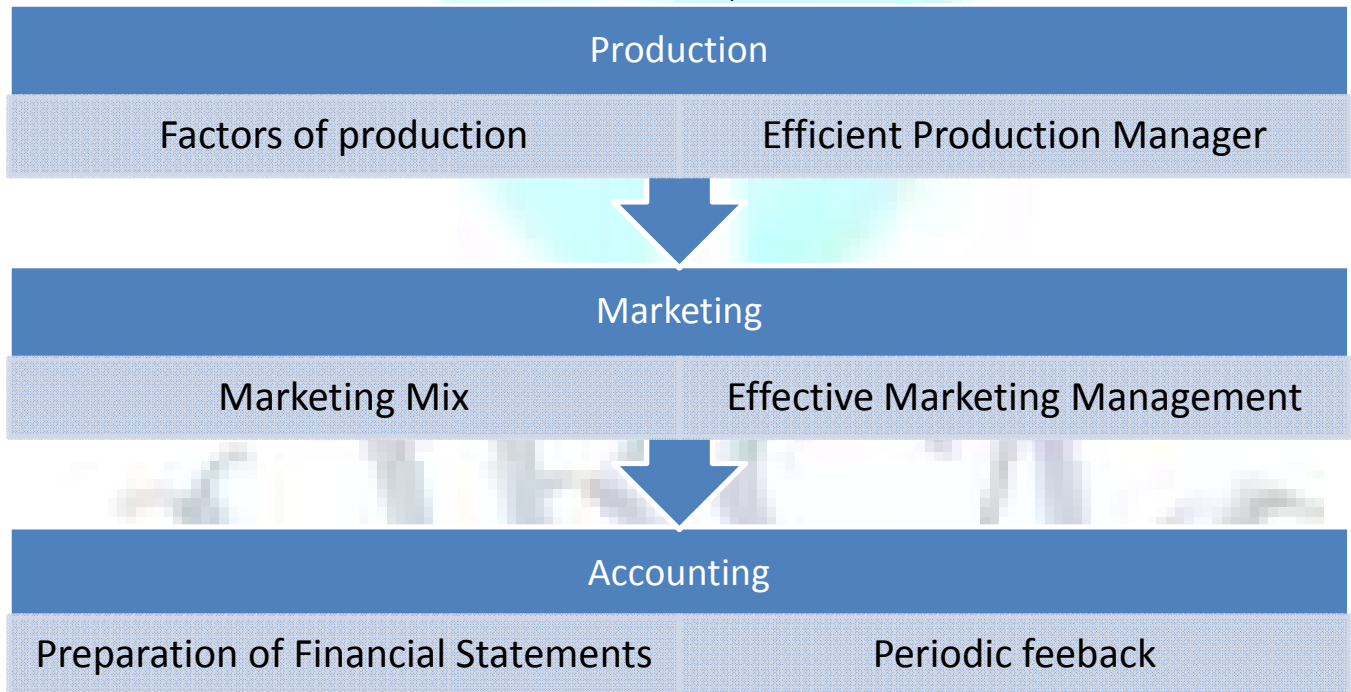
Therefore, from Table 1 – it is clear that the variables, production and marketing, are the stepping stones of accounting. There is an existence of high degree of interactions among all the three variables encircling the accounting. These variables are interrelated to each other.

Their interrelationship may be put it in the form of equation as under;

$$Production + Marketing = Accounting$$

The same relationship may also be depicted in the form of a chart/model as shown under:

FIG.1: RELATIONSHIP AMONG PRODUCTION, MARKETING AND ACCOUNTING



Source: Model developed under this study.

Fig.1 shows that production is the originating point for any transaction since products or services are required to satisfy the unlimited and ever growing human wants. At this stage, all the factors of production - land, labour, capital and organization – are efficiently coordinated and integrated by a prudent production manager for production of goods and services. When the production process ends, the marketing process begins. Therefore, when the products and services are available at the production point, the production process ends where the task of marketing begins.

At the stage of marketing, appropriate marketing mix – product, price, promotion and physical distribution – is designed and provided through suitable marketing programmes. This facilitates the process of movement of goods from the producers to ultimate consumers for consumption. Maximum satisfaction derived from consumers which lead to creation of more demand and more purchases resulting in augmentation of profits to the firm.

These two processes – Production and Marketing – creates the transactions of business – starting of business, purchase of assets, sale of goods, incurring expenditure/ loss etc., . This gives birth to accounting. Thus, the child of accounting is born to the parents of production and marketing. Accounting, thereafter,

systematically records these business transactions of financial character, classifies, analyzes, summarizes and interprets the results for periodical communication to the interested parties. This entails the preparation of various financial statements – Profit and Loss Account (Income Statement), Balance Sheet (Position statement) etc., in compliance with the accounting standards. Simultaneously, cost accounting assists the production manager to ascertain the cost of a product at the stage of production. Management accounting plays a significant role and influences all the three variables – production, marketing and accounting - at various levels of decision making. It is, thus, becomes a feedback to a business firm for sound decision making and revision and formulation of production and marketing strategies for effectiveness.

ACCOUNTABILITY OF MANAGERS

- **Production** – A production manager is expected to be creative and innovative while shouldering the responsibilities of production department. His efforts are the most crucial inputs for the subsequent stages – marketing and accounting processes. Setting standards, measuring the actual output, identifying the deviations and initiating remedial measures for corrections during the process of production brings out quality output with minimum cost. Efficient budgetary planning and control in production management will enhance the level of quality of output. He should ensure timely production of right products at the right time, at quality and at right affordable cost with the right use of advanced technology. He should facilitate smooth flow of goods and information to marketing and finance departments for proper planning and control. Simultaneously, he should also not fail to put the latest advanced technologies in production at use in order to face the acute global competition in the product/service markets. This will result in maximum production of quality products/services at minimum costs. Keeping in view the social responsibility of the business, it becomes the responsibility of a production manager to produce the quality output capable of satisfying the consumers with minimum costs.
- **Marketing** - A marketing manager shall have to design a strategy to provide an appropriate marketing mix for creation of demand and optimal satisfaction of the consumers. Marketing researches may be undertaken from time to time for his product positioning and adaptation of market in commensurate with volatile marketing environment. Constant study on consumer behavior will reflect the tastes and preferences of consumers that in turn facilitates the process of identifying and expanding the potential target markets for his products and services. These activities have therefore become the responsibility of a marketing manager to establish a link between production and consumption points in the process of satisfying the diverse needs of consumers by supplying the products and services at affordable prices.
- **Accounting** – This variable provides varied services through various branches of accounting at multifarious phases of operations of a business. For instance, cost accounting assists in ascertaining the unit cost of a product for cost control. Financial accounting is directed towards the preparation of financial statements whereas the management accounting supplies the required information for different levels of management for decision making. It is therefore the accountability of the accounting manager to prepare the relevant accounting records of his respective department, be it production, marketing or finance, and provide a useful information in time responsibly. By doing so, every executive is made accountable for his managerial action in a firm.
- Over and above, these three managers – Production, Marketing and Finance – should shoulder joint responsibilities and extend cooperation to each other in discharging the functions of their respective departments for attaining the common goals, apart from their individual departmental accountabilities.

RESULTS AND DISCUSSION

As termed and analyzed in this study, it is observed that the production and marketing processes give birth to accounting. As parents do care children initially and the children care them at old age, the production and marketing affairs provides a platform and basis for accounting. Without these processes, there requires no necessity of accounting as there is nothing to record or analyze. The parents in a family learn many attributes and qualities gradually even from children which shapes their character and personality. Likewise, the production and marketing programmes – budgets, marketing mix and so on - are revised and changed to adapt to the needs of target markets based on the information provided by the periodic financial statements. This is feasible because the accounting provides information to the management in time for formulating pertinent policies, decisions, planning and controlling activities. That is how the interactional process takes place among these fundamental segments – production, marketing and accounting. Thus, accounting becomes a source of document reflecting and representing the history of production and marketing activities of a firm as the children do in reality. The information among these three departments flows upward and downward for effective communication for sound decision and reviewing the policies and strategies for attaining the overall goals of the business.

From the above analysis of the interrelationship and interactional processes among the three variables – Production, Marketing and Accounting, it is obvious that all the hypotheses - Production and Marketing are the stepping stones of accounting, there is a high interactional process among these processes which are highly interrelated – are being proved.

FINDINGS OF THE STUDY

The findings of the study are;

- The variables, production and marketing, are the stepping stones of accounting.
- There is an existence of high degree of interactions among all the three variables encircling the accounting.
- The variables – Production, Marketing and Accounting – are interrelated.

CONCLUSION

Production and Marketing functions entail the production and distribution of the goods and services. These activities in turn give birth to business transactions such as purchase of materials, sale of goods, manufacturing and selling expenses, procurement of assets and so on. Besides, in each phase of these two functions, accounting plays a key role in planning and control of costs. Meanwhile, management accounting assists all the levels of management by providing the right information at right time to right managerial personnel for right and sound decisions to put all the activities of a concern in the right track.

Therefore, the production and marketing are the roots from which the plant of accounting stems out and begins its journey towards growth. Thus, these two variables act as the stepping stones of accounting to attain the overall goals of the business venture. This will result in enhancing the quality of the output, promoting the level of efficiency of marketing and ensuring the transparency in accounting for review of policies and strategies of a business concern. There is no doubt that the development of advanced technology and electronic media lays a fabric for smooth interactional processes among these three variables for survival and growth of a firm in the long run.

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