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PRODUCTIVITY ACCOUNTING - CONCEPTUAL ANALYSIS

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ABSTRACT

Productivity makes analysis of ability of organisation to transform labor, capital, and material into valuable goods and services. This, of course, is not a brand new concept. The challenge is to show the concept into useful measures management can use. Peter Drucker put the case for productivity measurement as follows: "Without productivity goals a business has no direction, and without productivity measurement a business has no control." the aim of productivity measurement, therefore, is control. Measurement of productivity drives both from financial accounting and value accounting. It also reflects the qualitative aspects. The term lice efficiency, effectiveness, capacity utilization and performance are used interchangeably in the concept of productive management. The study, measurement of research of production isn't so important, but its improvement is a vital criteria. Improvement in productivity can keep the value of production and price index checked. Higher productivity achievement means accomplishing more with the identical amount of resources or achieving higher output in terms of volume and quality for same input. As per "International Encyclopedia of Social Sciences" (1968) productivity refers to a category of empirical output input ratio that's widely utilized in economic history economic analysis and policy. Thus productivity may be a measure of input efficiency. It indicates what percentage units of output are obtained from a unit of input. Introduction of formal productivity accounting together with the financial and value register can be a watch opener to the company houses. Production per person hour has become the history of the past. What we want in the game of productivity management isn't simply the output by input concept of productivity but the excellent framework to assess how effectively the various assets bases of a corporation are acquired, developed and maintained and the way effectively these asset bases are utilized towards achievement of corporate objectives.

KEYWORDS: *Productivity, Economic Analysis, Conversion Efficiency, Profitability, Efficiency*.

Introduction

Productivity is defined as the ratio between the assembly of a given commodity measured by volume and one or more of the corresponding input factors also measured by volume. Productivity refers to measurable relationship between well defined output and inputs, i.e., between the assembly results and also the relative production agents in both the financial and physical terms in regard to given time and conditions. In other words, productivity is the ratio between the units of products or services produced and also the resources consumed in production during a specified period of time. It's the ratio of output to input with relation to given resources. The welfare of people, the expansion of enterprises and also the development of the national economies are largely passionate about their comparative productivity. There may exist the differences amount the varied countries of the globe supported political ideologies, economic systems or some such reasons, but all unanimously recognize the importance of the advance in the productivity levels. Productivity may be a ratio between the output of the wealth produced and also the input of resources employed in the method of any economic activity. The concept of productivity in fact, with some extent of confusion, has remained endless and challenging area of study. The changes in the productivity levels greatly influence a good range of human, economic and social consideration, like higher standard of living, rapid economic process, improvement in balance of payments, control of inflation, culture of nation etc.

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Role of Productivity and Productivity Measurement

Productivity could be a wider term and productivity measurements may be used for shaping general economic policies, for forecasting value and output, occupational shifts, labour requirements etc. they're also utilized in determining the distribution of the merchandise of industry and thereby in some sense they're relevant for collective wage bargaining. At industry level also, such measurements are very helpful. Comparisons of productivity changes in an industry over a period of time as also between two or more industries can indicate various interesting facts, regarding technical, economical and managerial aspects in the industry. Finally, at the plant level such measurement throws light on one aspect of, Managerial effectiveness in the individual plant or group of plants under the identical management. The objectives of productivity measurements are Efficiency, Maximum output, Economy, Quality, Elimination of waste, Satisfaction of kith and kin through increased employment, Income and Better standard of living. In this sense, the word productivity stands for correct utilization of all available resources to attain the most effective results at minimum cost. it should also mean more output, minimum cost, better quality of labor and satisfaction of all people who are engaged in the work and also of these for whom the services are rendered. Higher productivity implies that more is produced with the identical expenditure of resources or same amount is produced at less cost, thus releasing a number of these resources for the assembly of other things. The word 'productivity' carries a mess of meanings beginning with personnel efficiency of labour and output derived from a composite bundle of resources to the more philosophical meaning which is nearly synonymous with welfare and in one extreme case, has been o identified with time. Conclusively, the concept of productivity is widely accepted thanks to its universal application, since the measurement is represented in the ratio of percentage. Productivity may be a complex phenomenon and isn't only a technical or managerial problem. It's a matter which is anxious to government bodies, brotherhood and other social institutions. Finally the most indicator of improving productivity may be a decreasing ratio of output.

Importance of Productivity

Productivity is the crying need of the modem business world. The importance of productivity is no longer only limited to a specific organization but its scope has also been recognized in increasing national welfare. To reduce cost of production and successfully face the competition from in the country and abroad productivity consciousness should be stimulated for getting maximum utilization of accessible resources of men, machines, materials, capital and power. The valuation of a corporation isn't being done on the premise of sales, production or profitability but what a priority goes to realize by utilizing its resources at minimum and optimum level i.e., productivity. Higher or lower productivity affects costs, prices, profit, output, employment and investment. Normally business fluctuations occur due to the changes in the productivity. Productivity improvement leads to the increment of real wages, production, sales and profitability, which tends to extend the quality of living of the country. Thus, the improvements in productivity through analyzing the productivity measurement are recognized as a serious influence on many social and economic process, higher standard of living, improvement in national's balance of payment and even in inflation control. Productivity is vital to the purchasers who house the corporate directly or indirectly. It determines how competitive a company's product in the market. If labour, capital, material productivity of one company declines in relevance the productivity in other company providing the identical goods, a competitive imbalance is formed. If the higher cost of production are passed on, the corporate will lose sales as customers communicate the lower cost suppliers.

- Productivity measurement may be used for formulating general policy for forecasting value and output.
- Productivity is employed in determining the distribution of the merchandise of the industry and thus in some sense they're relevant for collective wage bargaining.
- Comparison of productivity changes in an industry over a period of your time as also between two or more industries can indicate various interesting facts regarding technical, economical and managerial aspects in the industry.
- Productivity analysis on the idea of economic statements are very useful for the shareholders and owner of the corporate by evaluating return on capital invested.
- Productivity projects can become a method of contributing to its improvement and hence saving the human resources, time, material and capital.
- Productivity not only provides the detail of what actually happened but its measures also are used as a follow up device to see how will the goals of management improvement are literally being achieved.

- Productivity report on the efficiency of the organization brings to the eye of the management any departure from the planned goals and from the pattern of changes in comparable organization.

Operationalisation of productivity improvement is achieved mainly through particular measures. If stuff forms the foremost cost component of the cost of a product of a corporation, it's perhaps natural for the corporate to look at its material productivity figure. While the analysis of the entire productivity figures over time reveals how the corporate is doing in overall terms, the same analysis of partial measures suggest the direction for future improvement. Techniques for productivity improvement are thus supported the directions suggested by analysis of partial measures. While any technique could also be chosen initially with a view to raising the productivity of any particular resource, it's nearly always among changes in productivity of another resources. Measurement of total productivity assumes importance at this stage, to establish whether a method goes to boost the general productivity.

Factors Affecting Productivity

Productivity isn't only to perform the operations of the priority in a very better manner, more importantly it's doing the proper things better. Productivity affecting factors are the most concern of productivity accounting as they'll effect negatively or positively in productivity improvement programmers. When the management takes the required steps to boost productivity, it becomes necessary to review the factors which can affect the productivity are the plant level which incorporates the factors littered with the labours, capital and other resources. These factors are often controlled by the management. So at the managerial level the factor is divided into two categories. These are External Factors and Internal Factors. The external factors are those factors which are beyond the boundaries of organization and therefore the control of which aren't in hands of the management. These factors are the government policies like import export policy, taxation policy, industrial policy, the stock market transactions etc. External factors also includes institutional mechanisms; political, social and economic conditions; the business climate; the skin resources available like outsiders finance, power, water, transport, communication and stuff supplied. The above factors relevantly affect the productivity which is expounded to every factors, but the management cannot actively take any measure to regulate them. When the manager lays the productivity plant that's important for them to handle and consider these matters. this stuff are out of control of the management at short term, may well be controllable at long run, if the perceptions are made regarding these factors while preparing the productivity plan.

Productivity Accounting

Productivity accounting could be a measurement which refers to the "measurable relationship" between well defined output and input in between the assembly results and therefore the relative production agents in both the financial and physical terms in regard to given time and conditions. Productivity measurement and analysis are helpful in locating the storage of a specific input factor, which could have caused a decrease in productivity, in word of I.H. Siegel, the most purpose in productivity analysis is to induce some idea of the efficiency with which resources are being utilized'. Measurement of productivity are often expressed in terms of ratio and analysis. Although the concept of productivity is definitely understood, but it's not really easy to live it. The matter which is usually faced is that whether to live total productivity or measure each factor separately. Measuring total productivity is a simple process but it'll be senseless, because and increase in one factorial productivity could also be counter balanced by another and a true productivity measurement can't be obtained. So it's better to live productivity by both the way i.e., single factor productivity and overall productivity. But in measuring overall productivity the management won't be ready to find that which is contributing more or less. During this case management are going to be unable to guage about the development of the productive factor.

Why Productivity Accounting is Important

An improvement in productivity is taken into account vital to realize several corporate objectives. Measurement of productivity therefore provides a crucial tool regarding this. It assists to produce areas for corrective actions, towards planning development, redeployment of resources and other management controls to attain better performance. Productivity analysis is used for shaping general policy, for forecasting value and output, occupational shifts, labour requirement etc. At industrial level also such measurement comparison of productivity change with in an industry over a period of time between two or more industries can indicate various valuable and interesting facts, regarding technical, economical and managerial aspects in the industry. At plant (organizational) level such measurements indicate efficiency of the concern's material, labour and other input factors. Productivity projects can become means for estimating requirement for labour, material and capital. Perhaps the best value of productivity measurement is its potential for contributing to improvement in the productivity and hence saving the human resources and money. Measuring productivity is important to live the changing productive efficiency with which the potential resources of a rustic or an industry were effectively utilized in the production of real goods and services during a given period of time, to grasp the target achieved in the use of particular resources, and to live the speed of economic process over a time of a specific society or a rustic. For improving productivity it's necessary to live it. A productivity measurement system provides documentation of efforts of managers and workers to enhance operations and productivity, thus becoming a basis for recognition of fine performance. These measurements is very helpful in estimation labour, material and capital requirements of the return. Measurement of productivity isn't an end in itself it's useful provided that it meets real management needs.

Conclusion

Productivity is one among those subjects about which much has been said and written in recent years. Despite the wide attention paid thereto, there seems to be lots of confusion prevailing about it. Various authors have defined it in several ways. Productivity could also be defined because the ratio of output to input. In general, productivity means increasing output through better utilization of existing resources, i.e., men, material, machine and money with none addition in cost of production. Further, productivity means efficient utilization of resources likewise as better technique of production. Productivity may also be defined because the relationship between results and also the time it takes to accomplish them. Time is commonly an honest denominator since it's a universal measurement, and it's beyond human control. The less time taken to realize the required result, the more productive the system is. Measurement of productivity may be a prerequisite of improvement of productivity. The effect of changes in price index has been kept move into order to create figures comparable. The most indicator of improving productivity could be a decreasing ratio of input to output at constant or improved quality. If productivity is defined for the individual worker because the relation of the quantity of specific work done to the potential capacity of the worker (in terms of cost or time), then for an enterprise or a sector it are often expressed because the relation between value added or the price of all input components. Thus, low productivity ends up in inflation, an adverse balance of trade, poor rate and unemployment.

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