

Executive summary

The report is based on Management Accounting Practice At Beximco Pharmaceuticals Ltd: A Review Of Costing Function'. The purpose of this report is to understand how the cost elements of materials are being determined and to identify the factors which affect the costing procedure. .

Beximco is part of the Beximco Group of Companies. The history of pharmaceutical business of the company dates back to the early 70s, when it started to import market and distribute medicines from world renowned companies like Upjohn Inc. of USA and Bayer AG of Germany. Since the very beginning, the company was highly successful in generating increased demand for its products which eventually justified local production. Accordingly a pharmaceutical manufacturing facility was designed and constructed in 1980 under the technical supervision of Upjohn Inc. of USA, to manufacture their products under license. Products made under license of Bayer AG of Germany followed. BPL has now grown to become one of Bangladesh's leading pharmaceutical companies, supplying more than 10% of country's total medicine need. Today Beximco Pharma manufactures and markets its own branded generics for several diseases including AIDS, cancer, asthma, hypertension, and diabetes for both national and international markets.

Management Accounting is concerned with the provisions and use of accounting information to managers within organizations, to provide them with the basis in making informed business decisions that would allow them to be better equipped in their management and control functions. Listed below are the primary tasks performed by management accountants generated by different cost accounting tools that are as follows: Variance Analysis, Rate & Volume Analysis, Product Profitability, Cost Analysis & Cost Benefit Analysis, Cost-Volume-Profit Analysis, Life cycle cost analysis, Capital Budgeting, Strategic Planning Strategic Management Advise, Internal Financial Presentation and Communication, Sales and Financial Forecasting & Annual Budgeting, Cost Allocation and Resource Allocation and Utilization.

Basically, **Cost accounting information** -- and, more generally, accounting information -- has **three basic roles in organizations:**

1. Financial reporting,
2. Operational control and improvement, and
3. Decision making and planning.

Costing procedure of a Pharmaceuticals company is very important and vast thing. It needs to update in a regular basis. Moreover, all Pharmaceuticals firms try to keep this information secret in this competitive market. Like all other pharmaceuticals company Beximco follows standard costing method for medicine productions. The unit price of each medicine is calculated by batch wise. About 70-80 percent of all manufacturing materials are purchased from the foreign county. Only 20- 25 percent of the total are collected from the local markets. Beximco purchases more than 600 items of raw materials and more than 3,000 packaging materials for manufacturing of medicine.

Major reasons for which the price of the materials is affected are-LC opening charge, Demurrage charge, Inflation, Exchange rate changes and C & F commissions, etc. Yearly increment of salary is one of the major issues of labor rate increasing. Beximco Pharma provides salary increment every year. Therefore, the cost of direct labor is increased. The reasons for increasing the overhead cost are- Markets rates of utilities like gas, electricity and water, Repair and the maintenance costs, Insurance premiums etc. are increased due to reducing the life of the machines. Product development costs are increased due to highly competition in the medicine markets both home and abroad.

Pharmaceuticals sector of Bangladesh like all other industries is going to face new challenges. Rising price of materials in the international market and higher domestic inflation is going to be a big issue. Besides, competition in the local pharmaceuticals market is expected to intensity further. Beximco has to be aware of those issues to become a market leader in the industry. Though the sales revenue has decreased in the last year due to various reasons, it has the ability to regain its glorious pasts and advanced further •