

ST. MARY'S UNIVERSTY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

**AN ASSESMENT OF COST ACCOUNTING PRACTICE
CASE STUDY IN KALITY FOOD SHARE COMPANY**

BY

GIRUM KETEMA

FERHAN MOHAMMED

HANA LELISA

JUNE, 2014

ADDIS ABABA

**AN ASSESMENT OF COST ACCOUNTING PRACTICE
CASE STUDY IN KALITY FOOD SHARE COMPANY**

BY

GIRUM KETEMA

FERHAN MOHAMMED

HANA LELISA

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING IN PARTIAL FULLFILMENT OF THE
REQUIRMENTS FOR THE DEGREE OF BACHELOR OF ART IN
ACCOUNTING**

JUNE, 2014

ADDIS ABABA

ST. MARY'S UNIVERSTY

AN ASSESMENT OF COST ACCOUNTING PRACTICE CASE STUDY IN KALITY FOOD SHARE COMPANY

BY

GIRUM KETEMA

FERHAN MOHAMMED

HANA LELISA

BUSINESS FACULTY

ST. MARY'S UNIVERSITY

Approved By the Committee of Examiners

Department head

Advisor

Examiner

Examiner

signature

signature

signature

signature

ACKNOWLEDGEMENT

First of all, we would like to thank those how cooperated by giving their time for answer to our interview and questions.

Next we would like to send our appreciation of our advisor **INS.YESERASH ALEMU** for giving us a continuous guidance through the process of this paper. The paper would not have been done this way without her help.

Finally our gratitude goes to cost accounting department of the company workers how gave us the necessary information for fulfillment of our paper

LIST OF TABLES

Table 2.1: The difference between job order costing and process costing.....	13
Table 3.1: Presentation of the characteristics of the study participants.....	18
Table 3.2.1: Respondents answer about the cost accounting department.....	20
Table 3.2.2: Respondents answer about the cost accounting department.....	22
Table 3.2.3: Issue related with store keeper and costing department.....	24
Table 3.2.4: Presentation of accounting system and production.....	25
Table 3.2.5: Presentation of product costing system.....	27
Table 3.2.6: Issue related with manufacturing overhead allocation.....	31
Table 3.2.7: Presentation of byproduct, spoilage and process costing.....	34
Table 3.2.8: costing system effectiveness and convenience.....	36

ACRONYMS

KFSC = Kality Food Share Company

APOHR = Actual Product Overhead Rate

UC = Unit Cost

TC = Total Cost

PO = purchase order

TABLE OF CONTENTS

Acknowledgement.....	a
List of tables.....	b
Acronyms.....	c
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Back ground of the study.....	1
1.2 Background of the organization.....	2
1.3 Statement of the problem	3
1.4 Research question.....	3
1.5 Objective of the study.....	4
1.5.1 General Objective.....	4
1.5.2 Specific Objective.....	4
1.6 Significance of the study.....	4
1.7 Scoop of the study.....	4
1.8 Limitation of the study.....	5
1.9 Research design and methods.....	5
1.9.1 Research design.....	5
1.9.2 Source and type of data.....	6
1.9.3 Population and sampling design.....	6
1.9.4 Data collection method.....	6
1.9.5 Method of data analysis.....	6
1.10 Organization of the study.....	7
CHAPTOR TWO.....	8
Review of related Literature.....	8
2.1 Definition of cost accounting.....	8
2.2 Classification of costs.....	8
2.2.1 Cost in their relation to the production.....	9
2.2.2 Cost in their relation to manufacturing department.....	10
2.3 Use of cost information.....	10
2.3.1 Cost for planning and control.....	10
2.3.2 Cost for analytical purpose.....	11
2.4 Costing system.....	11
2.4.1 Job order costing system.....	12
2.4.2 Process costing system.....	12
2.5 purpose of product costing for the company.....	14
2.6 Roles, responsibility, duties and accountability of cost accountant.....	15
2.7 Purchase procedure.....	15

CHAPTER THREE.....	17
Data presentation, analysis, and interpretation.....	17
3.1 Analysis of the characteristics of the study participants.....	18
3.2 Analysis of the study findings.....	20
3.2.1 Organization of costing staff department.....	20
3.2.2 Purchase of raw material and inventory management.....	22
3.2.3 Accounting system and production.....	25
3.2.4 Manufacturing overhead allocation.....	31
3.2.5 Byproduct costing, spoilage and process costing.....	34
3.2.6 Costing system effectiveness and convenience.....	36
CHAPTER FOUR.....	38
Summary, conclusion, and recommendation	38
4.1 Summary.....	38
4.2 Conclusion.....	40
4.3 Recommendation.....	41

BIBLIOGRAPHY

Bryman, A. & Bell, E. (2011). **Business research methods**, Oxford University Press, New York.

Cherrington, (1998). **Cost Accounting A Managerial Approach** (2nd Edition). West publishing Company, New York

Fess Waren, (1999). **Accounting Principles** (18th edition), West publishing Company, New York.

Frig mark. L,(1986). **Cost accounting**, Har Court Barece Jovanovich, Publisher.

Horngren C.T. (2003). **Cost accounting a Managerial Emphasis** (11th Edition), West publishing company, New York.

Horngren C.T, (1991). **Cost accounting, a managerial emphasis** (9th edition), U.S.A, Person prentc hall.

Mahar, Michal (1997). **Cost Accounting** (5th edition), Chicago, Craw Hill.

Mosich A, (1989). **Intermediate Accounting** (6th edition). West publishing Company, New York.

CHAPTER ONE INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Cost accounting is an accounting system that provides financial and non financial cost related information. Product costing is the cost of direct labor, direct materials, and manufacturing overhead that are used to create a product. And the purposes are for preparing financial statement, setting price and for control purpose (Horngren C.T, 2003). Thus cost accounting provides information for both management and financial accounting.

Technological advancement and growing need of mankind has been the prime cause for today's dynamic business environment. So the need for consistent recording in business enterprises arose (firgomark.L, 1986). Cost accounting especially for manufacturing companies is the key factor for achieving the desired profit since cost of raw materials is the major expense.

For this reason we are attracted to study the topic to assessment of Cost accounting practice in Kality Food Share Company.

1.2 BACKGROUND OF THE ORGANIZATION

Kallti Food Share Company was established in 1938. It is located at the heart of Kality situated 17km from metropolitan Addis Ababa along the artery motor ways stretched through the resort of Debrezeit. Currently the factory runs seven production lines with annual production capacity of 921, 625 Kilograms of different food products and the factory manage's a total of 520 employee labor. The working forces are composed of professionals and non professionals. The professionals are engineers, mechanics, administrators, and accountants and so on ranging from first degree to second degree. (Company's policy and procedure manual)

It occupies a pioneering status signaling a breakthrough in the onset of industrialization in Ethiopia. Over the last seven decade of its existence, this giant industry had been consistently running a wealth of experience industrial production and marketing mix of food products. The present Kaliti food share company has grown into far reaching reputation. For mounting quality test of its product among the consumer all over the country. (Company's policy and procedure manual)

The company purchase the raw materials form government agricultural organization, private agricultural organization and other industries.

Kaliti food Share Company has five major departments and one service namely; finance, commercial, production and technique, human resource development and administration audit department and production, and service quality improvement and assurance service. Four departments and the services are directly responsible to the general manger as it can be observed from the organizational structure audit department is responsible to audit committee which turns responsible to the privatization and public enterprise supervising agency. The general manger is responsible to the board of directors which is responsible to

the privatization and public enterprise supervising agency. (Company's policy and procedure manual)

1.3 STATEMENT OF THE PROBLEM

As it is stated in the background section, product costing is the cost of direct labor, direct materials, and manufacturing overhead that are used to create a product. And the purposes are for preparing financial statement, setting price and for control purpose. Even if product costing has the above listed benefits for firms, the company under this study (Kaliti Food Share Company) has a problem to entertain such benefits from its costing department. The student research team had identified the existence of this problem, during observation of the company, by interviewing the company's manager. The manager explained that the company has a problem of price setting for its products because the production cost of products is not properly and clearly determined. Based on this information the research team had been initiated to assess and examine the company's costing system for the purpose of identifying the causes of the company's managerial problem and proposing the possible solution of overcoming such causes.

1.4 Research questions

The student research team had raised and answered the following specific researchable questions based on the possible causes of the main research problem.

1. How is the company costing staff organized?
2. How is the company determining the production cost of its products?

3. How is the company's product costing system effective and convenient?

1.5 OBJECTIVES OF THE STUDY

1.5.1 General Objective

The general objective of this study was assessing and examining the product costing system of the company under study to identify the real causes of why the main research problem is occurring and existing in the company; and finding possible solution to overcome the identified real causes.

1.5.2 Specific objectives

The student research team had planned some specific activities to be performed to answer (find the solution) of each specific questions to find out the point where the real causes of the main problem are located as specific objective of the study; and were started as follows:

1. To examine whether the company has well organized costing staff or not?
2. To examine the company's system of product cost determination?
3. To evaluate whether the company's product costing system is effective and convenient or not?

1.6 SIGNIFICANCE OF THE STUDY

Doing a research has its own reason or significance in which it contributes for the improvement of resolving problems of the company. This study would be significance to inform the corporation about its

strength and weakness on the existing system and the possible suggestions may contribute to the company (Kaliti Food Share Company) to manage its resources properly and correct its problems using the outputs of this paper. It also helps the student research team to develop research skills and, also the research paper can be used as base for further research.

1.7 SCOPE OF THE STUDY

The study would cover as much as possible all cost accounting practice which is focused on Kaliti food Share Company. This research paper is specifically designed to assess the cost department of the company. This Study would be delimited in the head office of the company, finance administration department, purchasing department and cost accounting department only.

1.8 LIMITATION OF THE STUDY

The limitations that could occur during the time of research study are:-

1. Time and financial constraint to go every day and collected the data in detail.
2. The interviewees and our time may not be one and the same.
3. Some staff members might not be willing to give the required information because of carelessness or personal reasons.

1.9 RESEARCH DESIGN AND METHODOLOGY

1.9.1 RESEARCH DESIGN

To solve the main research problem and answer the research questions the student research team has used descriptive research design. The team used descriptive design to describe the real facts in which are collected about the characteristics of the company's costing staff and the company's procedures of production cost determination.

1.9.2 TYPE OF DATA COLLECTION

The student research team had collected the needed data from both primary and secondary sources. Primary data sources are: - the production staff members, the finance staff members, store personnel's, and from cost accounting division. And the secondary data collected from procedure manuals for purchasing, recording, production and reporting activities and reports.

1.9.3 POPULATION AND SAMPLING TECHNIQUE

The study target population consist members of the company's production staff, material store staff, finance staff, purchasing staff, cost accounting staff and the general manager in total 30 individuals in number among this 5 taken from management group and the rest from the staff group, who would be selected by using purposive sampling technique.

1.9.4 METHODS OF DATA COLLECTION

The research team had collected the primary data by using the questionnaire which was prepared by both open ended and close ended questions. 30 copies of the questionnaires were distributed and 28 copies returned with full responses. The team members had some primary data through observation. Secondary data are observed from the company's procedural manuals and reports.

1.9.5 METHODE OF DATA ANALYSIS

The collected data are presented, analyzed and interpreted in chapter three. The team has implemented descriptive method of analysis. The team has classified the collected data in to different categories based on the measurement scale used by each question of the questionnaire and present in table form. The frequency and percentage distributions of the respondents' responses are identified, for each question; and such tabulated data are analyzed and interpreted under each table.

1.10 ORGANIZATION OF THE STUDY

The paper was organized in to four chapters. The first chapter was covered general background of the study, statement of the problem, objectives of the study, significance of the study, delimitation, limitation, and what method applied for the development of the study. While chapter two would cover over view of related literatures. Chapter three is going to show the practical aspect of the paper which is conducted in Kaliti food Share Company so we are going to explain what the action taken by the corporation to among and safeguard its cost accounting system. Chapter four includes finding summary, conclusion, and recommendation of the study regarding to product costing system.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition of cost Accounting

Cost accounting is the process of accumulating the costs of manufacturing, and other functional processes and identifying these costs with units produced or some other object. It is a unique sub field of managerial and financial accounting. Cost accounting is applied primarily to manufacturing. Organization that combine and process raw material in to finished products (Cherrington, 1998).

Management accounting is the process of identification measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by managements of plane, evaluate, and control within an organization to assure appropriate use of and accountability for its resources (Cherrington, 1998).

Cost accounting provides information for management accounting and financial accounting management accounting measures and reports about financial and non financial information that helps managers make decisions to fulfill the goal of the organization and financial accounting focus on reporting to external parties. (Horngren, 2003)

Cost accounting provides mangers with relevant cost data to assist them in operating the business effectively. The management process includes developing an operating plan, implementing the plan, and evaluating the result of operation (Cherrington, 1998).

2.2 Classification of costs

Classification are needed for development of cost data that are useful management with regard to the following five purposes or aims these are

1. Planning profit by means of budget.
2. Controlling cost via responsibility accounting
3. Measuring annual or periodic profit including inventory costing
4. Assisting in establishing selling price and pricing policy
5. Furnishing relevant cost data for analytical processes for decision making. There for cost is classified in to broad category and some of them are listed below (Frigo, 1986).

2.2.1 Cost in their relation to the production.

The elements of manufacturing cost are direct material, direct labor and factory overhead (indirect manufacturing). Direct material and direct labor costs are combined in to another classification called primary cost, and direct labor and factory over head can be combined in to a classified called conversion cost. Representing the cost of converting direct material in to finished products (Frigo, 1986).

Direct material are all materials that forms and integral part of finished product and that can be included directly in calculating the cost of product clued all to make automobile bodies. The case and feasibility with which the material item can be traced to the final product are major consideration in their designation as direct material. Give and facts to build furniture from part of the finished product but for costing purposes such item may be classified as in direct materials for manufacturing cost (Frigo 1986).

Direct labor: is labor applied directly to the materials, comprising the finished product. The cost of wedge paid to skilled or unskilled workers and assignable to the particular unit produced is termed direct labor (Frigo, 1986).

Factory over head: - Defined as the cost of indirect material, indirect labor and all other manufacturing cost that can not conveniently by charged to specific unit, job or products (Frigo, 1986) Indirect materials

are those needed for the competition of the product but whose consumption with regard to the product is either so small or so complex that it would be futile to treat them as direct material.

Indirect labor:- may be defined in contrast to direct labor as that labor which does not directly affect the constitution or the composition of the finished product. The term include the labor cost of supervisor shop clerks, general helper cleaner and those employees engaged on maintenance work or other service work. Not directly related to production (Cherrington, 1998).

2.2.2 Cost in their relation to manufacturing department

Factory is generally organized along departmental lines for production purpose .This factory department allegation is the basis for the important classification and subsequent accumulation of cost by departments, Products and service department.

Product department: - is one in which manual and machine operation is performed directly upon any part of product manufactured, more specifically, producing department are those whose cost may be charged to the product because they have contributed directly to its production. weather two or more different type of machine perform operation on product with in the same department a break down into cost center increase the accuracy of product cost (cherrington,1998).

Service department: - one that is not directly engaged in production but tenders a particular type of service for the benefit of others department. in some instance these service benefit of others service department as well as producing department represents a part of the total factory over head and must be observed the cost of the product by means of the factory over head cost (cherrington , 1996).

2.3 Use of cost information

2.3.1 Cost for planning and control

A company of information system provides the data required for the preparation and operation of budget and for establishing standard costs.

Budget is a quantitative expression of a proposed plan of action by management for a specific period and an aid to coordinating what need to be done to implement that plan. A budget can cover both financial and non financial aspects of the plan and serve a blue print for the company to flow in an upcoming period. A budget that covers financial aspects quantities management expectation regarding income, cash flow, and financial position. Just as financial statements are prepared for past period. So can financial statements be prepared for future period for example a budgeted income statement, statement of cash flow and budgeted balance sheet (Mahar and Michal, 1997).

Standard cost: - Closely allied with the budget are standard cost which is predetermined cost for direct material, direct labor, and factory over head. They are established by using information accumulated from past experience and data secured form research studies and it helps the management to form the foundation for the budget (Frigo, 1986).

2.3.2. Cost for analytical purpose

Different type of involve varying kind of consideration in managerial analysis for decision making for example different analysis for decision making.

2.4 Costing system

The two basic types of costing systems are used to assign cost to product or service. Which of them are as follow?

2.4.1 Job order costing system

In this system the cost object is a unit or multiple unit of a distinct product or service called a job. Job order costing system is a type of cost system that provides for a separate record of the cost of each particular quantity of product that passes through the factory. Job order costing system is commonly used by companies with product that are unique and divisible. In this system costs are assigned to a distinct unit, batch or lot of product, or service. Job is task for which resources expended in bringing a distinct product or services to market (Cherington,1998).

2.4.2 Process costing system

In this costing system is used for manufacturing process which produce a single product or single mix of products continuously for an extended period of time. In this system the cost of a product or service is obtained by using broad averages to assign cost to mass of similar unites produced for general sale and not for any specific customers. Average cost over large number of nearly identical product companies that use process costing system are as follow (Mahar and Michal, 1998).

- ↗ Cement factories
- ↗ Petroleum refineries
- ↗ Flour companies
- ↗ Beer factories
- ↗ Textile factories
- ↗ Beverage companies
- ↗ Characteristics of process costing system The products manufactured are homogenous
- ↗ The cost are accumulated in departments or cost centers

- ↳ Each unit produced will receive the same amount of direct material, direct labor, and MOH cost.
- ↳ Average Unit cost is obtained by dividing total cost to unit produced in a given department (cost center)
- ↳ Costs are divided in to two based on when the costs are incurred in to the production process.

Table 2.1 the difference between job order costing and process costing

		JOB COSTING	PROCESS COSTING
1	Types of product	Diversified product line in which products are produced in batches with each batch representing a unique product	Homogenous products produced continuously
2	Cost accumulation	By job for a specified number of unit	By department or cost center for a specified period of time
3	Cost per unit	costs accumulated by job dividing when job is complete	Cost accumulated by cost center divided by equivalent units of production during a period of time
4	Reporting	By job	By cost center or department

(Cherington, 1998).

2.5. Roles, responsibility, duties and accountability of cost accountant

Roles of Cost Accountant: A cost accountant plays an important role in Kaliti food Share Company. He/she is responsible to provide the right information about cost and budget at the right time to management to help them for their decision making particularly for planning and controlling.

Responsibilities of Cost Accountant:

- The cost accountant is responsible to build cost that is the preparation of the master budget.
- He/she is required to revise the selling price.
- He is responsible to make annual inventory of finished goods and fixed assets.
- Cost accountant is responsible for cost flow process starting from procurement up to distribution.
- Cost accountant shows whether cost is properly classified or not (Interview with the cost accountant).

Duties of cost accountant

- Cost accountant has the duty to provide information whether costs is placed for the required purpose or not.
- Cost accountant has the duty to record and formalize transactions in a formal manner and also preparing yearend adjustments.
- To follow up tax for payments
- To prepare corporate budget of the company.
- To compute manufacturing costs each year.

Accountabilities of cost accountant

Cost accountant is also responsible for exclusion as incursion of costs in building up of costs at the proper amount, time and place. He is accountable to provide proper information about the flow process.

Eg. What actually occurs and exists

Procurement → production → warehouse → selling

(Company policy and procedure manual)

2.6. Purchase procedure

KFSC purchase department is usually engaged in purchasing a number of materials and services falling in different categories. The activities are performed regularly by purchase professionals with the objective of fulfilling organization's materials and services needs.

The purchasing department follows this procedure:-

- Recognition and description of need
- Transmission of need
- Selection of Source to satisfy the need
- Contracting with the accepted source
- Following up with the source
- Receiving and inspecting material
- Payment and closure of the case

(Company policy and procedure manual)

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction

This chapter consists of the findings of the study. To get firsthand information, questionnaire and observation were the data collection instruments used. To this end, a total of 30 copies of questionnaire were distributed to employees who are in charge of cost accounting. In addition out of the planned 3 manager's interviewee and presented their responses with secondary data gathered from the records and manuals of Kaliti Food Share Company.

The result of the questionnaire is presented, analyzed and interpreted with the help of table in percentage technique.

Purposive sampling technique was used to select the respondents and accordingly existing employees are drawn from different department, Finance, Central warehouse, Purchase, Production, and cost accounting division.

Therefore, the first table focuses on the introductory questions like department, gender, age, educational background and work experience. The rest tables focus on the different issues that means based on the different questionnaires.

3.1 Analysis of the characteristics of the study participants

Table 3.1.1: presentation of the characteristics of the study participants

No	Background of respondents	No. of respondents	Percentage
1	Department		
	Finance	2	7
	Central warehouse	3	10
	Purchase	3	10
	Production	4	13
	Cost accounting division	18	60
	Total	30	100
2	Gender		
	Male	21	70
	Female	9	30
	Total	30	100
3.	Age		
	Below 30	6	20
	30-50	18	60
	Above 50	6	20
	Total	30	100
4.	Education level		
	Under grade 12	-	-
	Diploma level	18	60
	Degree level	9	30
	Above degree	3	10
	Total	30	100
5	Work experience		
	1-10 years	6	20
	10-20 years	18	60
	Above 20 years	6	20
	Total	30	100

The above table illustrates number and percentage of the characteristics respondents' response on department, gender, age, education level, and work experience. Response on department shows 60% of the respondents

are in the cost accounting division the rest 40% are distributed in the other departments which is 7% finance, 10% from central warehouse, 10% from purchase department, and the rest 13% from the production department. Sex ratio prevail in the final study of 30 respondents show that 21(70%) of male respondents and 9(30%) of female respondents as indicate in the above table. Response on age show that 20% of the sample employees below 30, 60% is between 30-50 age intervals, and the rest 20% above 50 ages. From the sample employee above 60% are diploma holders, 30% are at degree level, and the rest 10% are above degree level. According to the above table employees work experience show that 20% of the sample employees are 1-10 years, from 10-20 years 60%, and the rest are above 20 years which is 20% of the sample employees.

3.2 Analysis of the study findings

To solve the main research problem and answer the research questions the student research team has used descriptive research design. The team used descriptive design to describe the real facts in which are collected about the characteristics of the company's costing staff and the company's procedures of production cost determination.

The team has classified the collected data in to different categories based on the measurement scale used by each question of the questionnaire and present in table form. The frequency and percentage distributions of the respondents' responses are identified, for each question; and such tabulated data are analyzed and interpreted under each table.

3.2.1 Organization of costing staff department

Table 3.2.1 Strength and weakness of costing staff

No	Questions	Types of response	No of respondents	Percentage
1.	Does the company have a separate cost accounting department?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
2.	If your answer is yes for question one does it has adequate staff members and are they efficient?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
3.	Are the cost accounting staff members professionally qualified in accounting?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	Do you think this staff is discharging its responsibility?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100
5.	If your answer is no for question1; is there other party who records cost data?	Yes	21	70
		No	9	30
		I don't know	-	-
		Total	30	100
6.	Do you think this responsible party can discharge its responsibility properly?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100

Based on the respondents on the above table we can understand that the companies have a separate cost accounting department with adequate staff members which are fairly efficient in their work which is confirmed by 100% of the respondents answer. We are observed that in our study KFSC have a separate cost accounting department with dependent duties which are:-

- Cost accountant has the duty to provide information whether costs is placed for the required purpose or not.
- Cost accountant has the duty to record and formalize transactions in a formal manner and also preparing yearend adjustments.
- To follow up tax for payments
- To prepare corporate budget of the company.
- To compute manufacturing costs each year.

From response we get 60% of the respondents agreed on the fact that the accounting staff members are professionally qualified in cost accounting. Costing staff members have sufficient knowledge and skill i.e he/she is responsible to provide the right information about cost and budget at the right time for management to help them for their decision making practically for planning and controlling. Cost accountant has the duty to provide information whether costs is placed for the required purpose or not; to follow up tax for payments; prepare corporate budget of the company and many other responsibilities.

60% of the respondents believe that the employees satisfy responsibilities and skills heeded for the costing department. The respondents also answered that the costing department have adequate staff members which are efficient discharging their responsibility properly. The rest 40% of the respondents answered that they have no information on the subject matter.

3.2.2 Purchase of raw material and Inventory management

Table 3.2.2: Respondents answer in connection with purchase of raw material and inventory management

No	Questions	Types of response	No of respondents	Percentage
1.	Does the firm purchase raw materials for stock?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
2.	Does the firm use just in time inventory management?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
3.	Does the company have proper purchasing procedures?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	If your answer is yes for question 3 does it follow properly?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100
5.	Do you think this staff is discharging its responsibility?	Yes	15	50
		No	15	50
		I don't know	-	-
		Total	30	100
6.	If you said yes for question 6 does it submit the receiving report to submit to the costing department for record?	Yes	15	50
		No	15	50
		I don't know	-	-
		Total	30	100

From the answers collected about the purchase of raw materials and inventory management 100% of the respondents confirm that the company purchase raw materials for stock. KFSC purchase department is usually engaged in purchasing a number of materials and services falling in different categories. The activities are performed regularly by purchase professionals with the objective of fulfilling organization's materials and service's needs.

70% of the respondents agree on the point that the company use just in time inventory management. The rest of the respondent's i.e 30% does not have information about the company's inventory management system. KFSC conducted physical inventory once a year. In addition it is clear to see from the respondents answer who participated in physical inventory has observed:

- ◆ During physical count some custodians were not willing to show all the properties under their control due to lack of knowledge or understanding the purpose of physical inventory.
- ◆ During physical count from year to year some disposed asset are counted
- ◆ Responses on missing number of assets show the existence of assets without identification number.

The company has proper purchasing procedures and 60% of the respondents confirm on this fact and it is followed by proper method. The purchasing department also provides accurate supplier costs and accurate transportation costs. None of the respondents have information if purchasing department submits the proper documents to the cost accounting department for record of the time of delivery.

According to the responses collected from the staff 50% of the respondents agree on the point that the purchasing management staff is discharging their responsibilities; like receiving report to submit to the costing department for record. In KFSC usually checked against a purchase order (PO) before payment. As we observed they also provides vital information to the product costing effort. For example: input transaction data in a timely and accurate manner and identify any discrepancies in the bills of material and routing. The rest 50% of the respondents disagree on the point that the purchasing management staff is discharging their responsibility.

Table 3.2.3: Issue related with store keeper and costing department

No	Questions	Types of response	No of response	Percentage
1.	Does the store keeper send and copy material receiving voucher to the costing department on time?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
2.	Does the costing department record the purchaser transaction immediately when it gets the proper source documents?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100

Based on respondents on the above table we can understand that 100% of the respondents agree on the fact that the storekeeper send and copy material receiving voucher to the costing department on time. In KFSC Storekeeper is responsible for safeguarding the materials and supplies in proper place until they are required for production activities. The storekeeper have responsibilities such as maintaining the proper record

of materials relating to the receipt and issue of materials; Arranging for physical verification of store items periodically; Supplying information of materials, stock position and so on whenever needed; Checking the physical quantity of materials and verify with a bin card; and Preventing unauthorized entrance into the store room.

The respondents which are 70% point that the costing department records the purchaser transaction immediately when it gets the proper source document. The rest 30% of the respondents doesn't have sufficient information on the subject matter.

3.2.3 Product costing system

Table 3.2.4: presentation of accounting system and production

No	Questions	Types of response	No of respondents	Percentage
1.	Does the firm use double entry accounting system?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
2.	Does the firm use accrual basis of accounting?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
3.	Does the company produce distinct products for a time basis?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	If you said yes for question 3 does it record their production cost separately on a cost sheet?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
5.	If your answer is no for question 3, does it produce massive similar units of products for a long period of time?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100

For the question presented on presentation of accounting system and production the company uses double entry accounting system and 70% of the respondents confirm this and the rest 30% did not have

information about the question. KFSC use double entry accounting system. Double entry accounting is based on the fact that every financial transaction has equal and opposite effects in at least two different accounts. It is used to satisfy the equation $\text{Assets} = \text{Liabilities} + \text{Equity}$, whereby each entry is recorded so as to maintain the relationship. In the double entry system, transactions are recorded in terms of debits and credits. Since a debit in one account will be offset by a credit in another account, the sum of all debits must therefore be exactly equal to the sum of all credits.

70% of the respondents approve that the firm uses accrual basis of accounting which provides a better view of the company's current result and the future earning potential of the company. KFSC produces distinct product for a time basis with recording their production cost separately on a cost sheet and 70% of the staffs agree with the point. 60% of the respondents stated that it produces massive similar units of products for a long period of time.

Table 3.2.5: presentation of product costing system

No	Questions	Types of response	No of respondent	Percentage
1.	Does it have more than one product?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
2.	If your answer is yes for question 1, are they preceded jointly to their splitting point?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
3.	Are the production costs accumulated in department basis?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	Does the production department use material requisition form to receive raw materials from the store?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
5.	Does the production department have material specification?	Yes	15	50
		No	15	50
		I don't know	-	-
		Total	30	100
6.	If you answered question 5 yes does it request material based on such specification?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100
7.	Does the production department return back to store and inform the costing department when it has excess raw materials?	Yes	15	50
		No	-	-
		I don't know	15	50
		Total	30	100

The firm produces more than one product which is following in more than one processing unit which is preceded jointly to their splitting point. 70% of the respondents have confirmed these stages of production and the rest 30% of the respondents did not have enough information about the question. KFSC attempts to achieve the primary objective of satisfying the society demand by producing a Variety of products. The main products of this company are varies grades of wheat flour, bread, sweet biscuits, high energy biscuits, varied types of spaghetti (long pasta), varied types of macaroni, and positing, on the other hand the company also supplies industrial by products derived from wheat flour in the form of animal feeds.

The respondents which are 60% stated that the production cost is accumulated in department basis. Kalti food Share Company designed its cost centers in three main departments based on the function and operation of the machineries, the type of products. The activities of the department engaged in products identified based on these cost structure and pricing derivate after accumulating the prime cost under each cost centers.

These production cost centers are wheat flour line department, spaghetti (long pasta) line department and various types of Macaroni line departments. This product costing systems of the factory employee several manufacturing accounts. As production take place, all manufacturing costs are added to the work in process inventory. As soon as products are completed their product costs are transferred from work in process inventory to finished goods inventory during the time period when products are sold.

The product cost of inventory sold is removed from finished goods and added to cost of goods sold which is an expense of the period in which

the sale occurred. Cost of goods sold is closed in to the income summary account at the end of the accounting period. In process costing, labor, material and overhead costs are incurred at different rates in production process. Direct material is usually placed in to production at one or more discrete points in the process. In contrast, direct labor and manufacturing overhead, called conversion costs, and usually are incurred continuously throughout the process when an accounting period ends, the partially completed with respect to material and conversion activity. And the rest 40% disagree.

70% of the respondents point that the production department use material requisition form to receive raw materials from the store. Half of the respondents (50%) agreed that the production department have material specification while the other half does not agree on the subject matter. The company uses process costing for products that are produced in mass production of the like units which usually pass in continuous flow through a series of uniform production stage called process or operations. The basic approach to this costing system is to accumulate costs in a particular operation or processing department for the entire and then divided the total accumulated cost by the total number of units completed during the period to determine the unit cost of the product.

Based on the answer collected from the staff 50% said that the firm requests material based specification. Half of the respondents point production department return back to store and inform the costing department when it has excess raw materials. On this subject the rest 50% does not have adequate information.

Purpose of product costing for the company

Kaliti food Share Company use product costing for three purposes. According to the respondents costing has three purposes mainly at Kaliti food Share Company. Each of them is listed below.

1. **For financial statement:** reporting papoose Kaliti food share company product costing is also used for purpose financial statements. Its importance is to prepare a schedule of cost of goods manufactured a schedule of cost of goods sold, and an income statement.
2. **For setting price purpose:** Pricing a product is one of the important ingredients in profitability decision and major determinant for the factory to share the market. The pricing approach adapted by Kalliti food Share Company is cost plus pricing approach. The reason to choose cost for product pricing are:-
 - Because of practical simplicity: there is not sufficient time to price a product through demand and marginal cost analysis and so the manger of this factory must rely on a quick and straight forward method for selling price. As a good starting point, product cost gives the factory's manger the place to start product pricing.
 - To maintain the margin in order not to price product below their cost and then by minimizing the degree of loss.
3. **For control purpose:** The cost estimate embodies the standard against which actual costs incurred during production can be measured. The data can be used to correct adverse situations.

3.2.4 Manufacturing overhead allocation

Table 3.2.6: issue related with manufacturing overhead allocation

No	Questions	Types of response	No of response	Percentage
1.	Do you think the firm use proper predetermine rate for allocating manufacturing overhead costs?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
2.	Does the firm have a proper time keeping mechanism to identify the labor hour consumption?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
3.	Does the cost allocating department use more than one pool for accumulating indirect costs?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	If yes, for question 3, does it properly allocate all of them to the cost object?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100
5.	Does the accounting department prepare interim production reports to management?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100

based on the respondents about issues related with manufacturing overhead allocation on the above table 100% of the respondents agreed that

the firm uses proper predetermined rate for allocating manufacturing costs; and also that the firm have proper time keeping mechanism to identify the labor hour consumption. KFSC have two types of overhead, which are administrative overhead and manufacturing overhead. Administrative overhead includes those costs not involved in the development or production of goods or services, such as the costs of front office administration and sales; this is essentially all overhead that is not included in manufacturing overhead. Manufacturing overhead is all of the costs that a factory incurs, other than direct costs.

60% of the respondents stated that the cost allocating department uses more than one pool for accumulating indirect costs i.e costs that are related to the cost object but that cannot be traced to it an economically feasible way incurred in the practices of manufacturing a product and are not charged as direct material or direct labor costs as particular cost centers. Such costs like indirect labor cost, indirect materials cost, depreciation, electricity and water, repair and maintenance, fuel, stationary, insurance and others.

The factory also use actual over head rate which is the rate at which overhead cost are actually incurred during an accounting period. Cost allocation base that should be used when allocating the indirect cost pools.

$$\text{APOHR} = \frac{\text{AOH Cost for the accounting period}}{\text{Actual amount of the cost driver}} \quad \text{where: Actual product APOHR= overhead}$$

The typical procedure for allocating overhead is to accumulate all manufacturing overhead costs into one or more cost pools, and to then

use an activity measure to apportion the overhead costs in the cost pools to inventory. Thus, the overhead allocation formula is:

$$\text{Cost pool} / \text{Total activity measure} = \text{Overhead allocation per unit}$$

They also allocate overhead costs by any reasonable measure, as long as it is consistently applied across reporting periods. Common bases of allocation are direct labor hours charged against a product, or the amount of machine hours used during the production of a product.

The respondents also point that the firm allocates all of the indirect costs to the cost object properly. But the rest 40% does not agree on the above fact.

3.2.5 by product costing, spoilage and process costing

Table 3.2.7: presentation of byproduct, spoilage, and process costing

No	Questions	Types of response	No of response	Percentage
1.	Does the firm have supervisors for product quality inspection?	Yes	21	70
		No	-	-
		I don't know	9	-30
		Total	30	100
2.	Does the firm production department produces spoiled outputs?	Yes	30	100
		No	-	-
		I don't know	-	-
		Total	30	100
3.	Does the firm have by products?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	If your answer is yes for question 3, do you think the value of by products are treated well through allocating?	Yes	21	70
		No	-	-
		I don't know	9	30
		Total	30	100
5.	If your answer is yes for question 2, do you think that the production cost of good products consider the cost of spoilage?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100

As seen in the above table about presentation of byproduct 70% of the respondents have stated that the company has supervisors for product quality inspection and the rest 30% does not have enough information about the production quality inspection.

All of the respondents confirm that the production department produces spoiled outputs and also on the fact that the firm have byproducts.

The respondents which is 70% point that the value of byproducts are treated well through allocating while the other 30% of the respondents does not have information about the byproducts allocation. The factory supplies industrial By Products derived from wheat flour in the form of animal feeds. The cost of By Product accounting methods is normally used. As we observed the production method recognized the By Product at the time of production. The sales method delays recognition of By Product until the time of sale.

We have observed 60% of the respondents agreed that the production cost of goods product consider the cost of spoilage. In product costing, the cost of direct materials includes cost of scrape, waste and normally anticipated spoilage that occur in ordinary course of production process. Unanticipated or abnormal amount of scrape, west and spoilage should be expressed in the period incurred or, in some situation, may be included in the factory overhead. Then the company use directly this type of costing system for the treatment of allocation of the cost. The rest 40% of the respondents challenge the above fact.

In cost accounting, process costing assumes that all units produced are identical. When spoilage creates costs in a process-costing environment, the company applies the following methods to account for them.

Cost accounting for abnormal spoilage

Accountants post the cost of abnormal spoilage to a "loss for abnormal spoilage" account. The loss isn't related to cost of goods manufactured. Instead, abnormal spoilage is a separate cost that you can't recover.

As a result, abnormal spoilage isn't included as a product cost. So they break it out first. The company accountant will put the cost in a loss account separate from costs of manufacturing.

Cost accounting for normal spoilage

Costing normal spoilage takes a little math. The company adds spoilage costs to cost of goods manufactured. Now consider how costs are assigned using process costing.

As units move from one production department to another, the costs move along with them. Process costing uses equivalent units to account for units that are partially complete. The percentage of completion for material cost might be different from conversion costs, and vice versa. Equivalent units even things out. The goal is for each equivalent unit to have the same amount of costs attached to it.

3.2.6 Costing system effectiveness and convenience

Table 3.2.8: presentation of costing system effectiveness and convenience

No	Questions	Types of response	No of response	Percentage
1.	Do you think the company's current costing system is proper according to its setting?	Yes	21	70
		No	9	40
		I don't know	-	-
		Total	30	100
2.	Do you think the costing department is properly discharging its responsibility?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
3.	Do you think the current costing system enables the department to assign fair production cost to products?	Yes	18	60
		No	12	40
		I don't know	-	-
		Total	30	100
4.	If your answer is yes for question 3 does it follow properly?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100
5.	Is the current costing system convenient for cost effective production cost assignment?	Yes	18	60
		No	-	-
		I don't know	12	40
		Total	30	100

Based on the respondents on the above table we can understand that 70% of them agreed that the company's current costing system is proper according to its setting and the rest 30% disagree that the firm does not

have proper costing system. Kaliti food Share Company prepares cost of goods manufacturing statements monthly, then the total amount for the year is added for the preparation of financial statements i.e. income statements. It is this measurement that shows profitability of the company. Therefore, the need for reduced production costs is given great attention in attaining the organizational objectives.

The respondents which is 60% stated that the costing department is properly discharging its responsibility and also the current costing system enables the department to assign fair production cost to products and convenient for cost effective production cost assignment while the rest 40% disagree on the above point. Managers expect the cost data as much useful as required so that various usable economic decisions can be drawn from it. As a result the cost accountant has the highest responsibility of presenting the cost data in a way that makes decision makers understand easily, interpret and make decision based on it.

Selling prices of manufactured goods in Kaliti food Share Company are set based on two important factors. The production cost of which is directly related to input price. As cost of production increase selling price accordingly will increase to retain the profit margin at its original amount. The other is the demand factor.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 Summary

As it is stated in the background section, product costing is the cost of direct labor, direct material, and manufacturing overhead that are used to create a product. And the purposes are for preparing financial statement, setting price, and for control purpose. Even if product costing has the above listed benefits for firms the company has a problem of price setting for its products because the production cost of products is not properly and clearly determined. The objective of this study was assessing the product costing system of the company. To solve the main research problem the student research team has used descriptive research design and primary and secondary data sources are used.

From Kality Food Share company cost accounting manual and from the respondents answer we have observed the following:-

- ◆ Kality food Share Company has no updated manual.
- ◆ The company uses cost accounting for their product pricing purpose and for preparation of their financial statements.
- ◆ It uses cost plus pricing approach to price their product by computing the material cost.
- ◆ The preparation of financial statement also used to know its net income and net loss.
- ◆ The current costing practice of product costing used for preparing financial statement, for setting price purpose and for control purpose.
- ◆ The company uses both process costing and job order costing system.
- ◆ Costing system for products that are produced in mass production which usually pass in continuous fashion is process costing system.

These costing systems accumulate costs in a particular costing center.

- ◆ The company use job order costing system for some of its products that are manufactured in identical lots of groups or that are produced according to customer order specifications. In job order, cost is accumulated in which it occurred.
- ◆ KFSC purchase raw material from different suppliers who sell their materials at different price.
- ◆ Most of the productive department employees found at lower position is not qualified as their position require, even though they acquired the position by long experience.

4.2 Conclusions

Based on the data presentation, analysis and interpretation of the previous chapter, the following conclusions are forwarded.

- ◆ Kality food Share Company is vast organization that spends huge amount of budget on cost.
- ◆ KFSC producing a variety of products to satisfying the society demand.
- ◆ KFSC have a separate cost accounting department with adequate staff members which are fairly efficient.
- ◆ KFSC use proper controlling mechanism for handling and keeping of cost related transactions.
- ◆ The current product costing system, cost center allocation, and cost allocation base are found at good level with the existence of some problem.
- ◆ At the time of production KFSC recognize byproducts which are derived from wheat floor in the form of animal feed.

- ◆ KFSC have a problem of price differentiation for the same product these is due to purchase of raw material from different supplier.
- ◆ We are positively looking KFSC have to take proper action on the point we describe in our finding the company has to plan in order to reduce poor productivity of labor.
- ◆ We have tried to reconcile the theoretical and practical accomplishment on the practice of cost accounting in the analysis part of our study and we have given our conclusion on the findings of the company cost accounting practice that have to be more of as corrected.

4.3 Recommendation

As concluding remark, we would like to forward some recommendations on the Kaliti food share company product costing practices.

- ◆ Buying raw materials from one reliable supplier to eliminate the different cost of products. Rather than buying supplies from different supplier.
- ◆ KFSC attract highly qualified professionals for its supportive departments with good pay and employee benefit in order to improve their poor labor productivity.
- ◆ KFSC purchasing department must follow the company purchasing procedure in order to make input transaction data in timely and accurate manner.
- ◆ In order to implement product costing efficiently and effectively and run KFSC business by controlling costs and increase its profit timely, modern costing method has to be implemented.
- ◆ As much as possible teach the organization employee about product costing and its purpose.

St. Mary's university

- ◆ Delegation of authorities with accountability should be directed down to each level of organization units as well as to each individual who possess KFSC property.

ST.MARY'S UNIVERSITY

Department of Accounting

Questionnaire

On cost accounting practice

Dear respondent,

The aim of this study is for the partial fulfillment of degree program in St.mary,s University.

The issue of questionnaire is to obtain your perceptions, opinion and views on cost accounting practice in your corporation. It forms major parts of the project and the information you give will enable us to establish a clear picture of cost accounting in certain organization. Your cooperation to respond is very important to this research survey because it represents hundreds of others who are not included in our sample. Please answer every question. Space is provided at some parts of the section for you to add.

Further we would like to stress that all information you provide will be treated in strictest confidence.

We thank you very much for your cooperation.

**RESEARCH QUESTION TO DEPARTMENTS OF KALITY FOOD SHARE COMPANY
ON COST ACCOUNTING.**

Guideline:- Please read each question and put (√) mark of your response on the box provided.

No need of writing your name

Department

Finance

Purchases

Production

Cost accounting divition

Other Specify _____

Gender

Male

Female

Age

Below 25

26-30

31-40

40-50

above 50

Educational Background

Work Experience

10th complete

1-8

Certificate

9-15

Diploma Holder

16-20

BA Holder

20-25

Other Specify _____

above 25

A. Question about the cost accounting department

1. Does the company have a separate cost accounting department?

yes

No

I don't know

2. If your answer is yes for question one does it has adequate staff members?

yes

No

I don't know

3. If the department has adequate staff members in number, are they efficient?

yes

No

I don't know

4. Are the cost accounting staff members professionally qualified in accounting?

yes

No

I don't know

5. Do you think such employees have sufficient knowledge and skill for their job responsibility?

b

- yes No I don't know
6. Do you think this staff is discharging its responsibility?
- yes No I don't know
7. If your answer is no for question1; is there other party who records cost data?
- yes No I don't know
8. Do you think this responsible party can discharge its responsibility properly?
- yes No I don't know

B. Question about product costing system

- 1 Does the firm purchase raw materials for stock?
- yes No I don't know
- 2 Does the firm use just in time inventory management?
- yes No I don't know
- 3 Does the company have proper purchasing procedures?
- yes No I don't know
- 4 If your answer is yes for question 3 does it follow properly?
- yes No I don't know
- 5 Does the purchasing department submit the proper documents to the cost accounting department for record at the time of delivery?
- yes No I don't know
- 6 Does the company have receiving committee?
- yes No I don't know
- 7 If you said yes for question 6 does it submit the receiving report to submit to the costing department for record?
- yes No I don't know
- 8 Does the store keeper send and copy material receiving voucher to the costing department on time?
- yes No I don't know
- 9 Does the costing department record the purchaser transaction immediately when it gets the proper source documents?
- yes No I don't know

- 10 Does the firm use double entry accounting system?
yes No I don't know
- 11 Does the firm use accrual basis of accounting?
yes No I don't know
- 12 Does the company produce distinct products for a time basis?
yes No I don't know
- 13 If you said yes for question 12 does it record their production cost separately on a cost sheet?
yes No I don't know
- 14 If your answer is no for question 12, does it produce massive similar units of products for a long period of time?
yes No I don't know
- 15 Does it have more than one product?
yes No I don't know
- 16 If your answer is yes for question 15, are they following in more than one processing unit?
yes No I don't know
- 17 If your answer is yes for question 16, are they preceded jointly to their splitting point?
yes No I don't know
- 18 If your answer is no for question 16, are they proceeded separately?
yes No I don't know
- 19 Are the production costs accumulated in department basis?
yes No I don't know
- 20 Does the production department use material requisition form to receive raw materials from the store?
yes No I don't know
- 21 Does the production department have material specification?
yes No I don't know
- 22 If you answered question 21 yes does it request material based on such specification?
yes No I don't know
- 23 Does the production department return back to store and inform the costing department when it has excess raw materials?
yes No I don't know

24 Do you think the firm use proper predetermine rate for allocating manufacturing overhead costs?

yes No I don't know

25 Does the firm have a proper time keeping mechanism to identify the labor hour consumption?

yes No I don't know

26 Does the cost allocating department use more than one pool for accumulating indirect costs?

yes No I don't know

27 If yes, for question 26, does it properly allocate all of them to the cost object?

yes No I don't know

28 Does the accounting department prepare interim production reports to management?

yes No I don't know

29 Does the firm have supervisors for product quality inspection?

yes No I don't know

30 Does the firm production department produces spoiled outputs?

yes No I don't know

31 Does the firm have by products?

yes No I don't know

32 If your answer is yes for question 31, do you think the value of by products are treated well through allocating?

yes No I don't know

33 If your answer is yes for question 32, do you think that the production cost of good products consider the cost of spoilage?

yes No I don't know

C. Question related with costing system effectiveness and convenience

1. Do you think the company's current costing system is proper according to its setting?

yes No I don't know

2. Do you thing the costing department is properly discharging its responsibility?

yes No I don't know

3. Do you think the current costing system enables the department to assign fair production cost to products?

yes No I don't know

4. If your answer is yes for question 3 does it follow properly?

yes No I don't know

5. Is the current costing system convenient for cost effective production cost assignment?

yes No I don't know

6. What is your opinion about the effectiveness of the current costing system?

.....
.....
.....

7. What is your comment for improving the current system of product cost determination?

.....
.....
.....

DECLARATION

Advisee's Declaration

We, the underlined, declare that this senior essay is our original work, prepared under the guidance of Ins. Yeserash. All resource of materials used for the manuscript have been duly acknowledged.

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Place of submission: _____

Date of submission: _____

Advisor's Declaration

The paper has been submitted for examination with my approval as the university Advisor.

Name: _____

Signature: _____

Date: _____