ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

AN ASSESSMENT OF COST MANAGEMENT PRACTICE: IN THE CASE OF OK BOTTLLING & BEVERAGE S.C.

BY

AKLILE MULUNEH

ID No - SGS/0314/2012A

JUNE 2021

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ADVISOR

ASMAMAW GETIE (ASS. PROF.)

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE DEGREE IN ACCOUNTING & FINANCE

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APPROVED BY BOARD OF EXAMINERS

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Dean, Graduate studies	**Signature**
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Advisor	**Signature**
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Internal Examiner	**Signature**
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External Examiner	**Signature**

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asmamaw Getie (Ass.Prof.). All sources of materials used for the thesis have been appropriately acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

____________________________ ______________________

Name Signature

ST. Mary's University, Addis Ababa, Ethiopia, June 2021

ENDORSEMENT

This thesis has been submitted to ST. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor Signature

ST. Mary's University, Addis Ababa, Ethiopia, June 2021

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LIST OF ACRONYMS

DMC	Direct Material Cost
DLC	Direct Labor Cost
MOHC	Manufacturing Overhead Cost
ABC	Activity-Based Costing
GAAP	Generally Accepted Accounting Principle
IFRS	International Financial Reporting Standard
CIMA	Chartered Institute of Management Accountant
SNNP	South Nation & Nationalities People
SC	Share Company

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ABSTRACT

The study was aimed to assess the cost management practice of Ok Bottling & Beverage S.C. The researchers used a descriptive research design. The sample size of the study consists of 18 employees of the company, using self- administered questionnaire & interviews with selected accountants of the finance department & other department staffs. The study relied on primary data. The data received were analyzed by using descriptive statistical method of analysis and statement type of presentation, in which table and percentage was the major tools of presentation. The major findings of the study are as follows: The most important area where the const information is used for budget determination, investment plan & performance evaluation, the company's cost department *hasn't adequate staff members. The most widely used product costing method is process costing & the technique used is Activity-Based costing method; the most widely used overhead allocation is unit produced. The finding indicates that the company use budgetary control & quality cost control as cost reduction & control tool. The study recommends that the company should understand the importance of employees' involvement & responsibility for the productivity & effectiveness of the company. It also recommends that the company should prepare & use accenting manual & policy and in time of need give cost information for external users.*

Key Words: *Cost Management, Cost Accounting Information, cost reduction & control tool & techniques, costing system.*

CHAPTER ONE

1. INTRODUCTION

1.1.BACKGROUND OF THE STUDY

The business dictionary (www.businessdictionary.com) defines accounting as practice and body of knowledge concerned primarily with (1) methods for recording transaction, (2) keeping financial records, (3) performing internal audit, (4) reporting and analyzing financial information to management, and (5) advising on taxation matters. It is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information. Several researchers and organization have done a lot of work on the accounting practice adopted by business organization in Ethiopia and abroad. For example, Gouws and Cronje (2008) state that, the accounting practices generate accounting information and corporate annual reports reflect these practices.

In accounting, the term cost refers to the monetary value of expenditures for raw materials, equipment, supplies, services, labor, products, etc. it is an amount that is recorded as an expenses in book keeping records.

Cost accounting is the process of accumulating and accounting for the flows of costs in a business. It is defined as a technique or method for determining the cost of a project, process, or thing through direct measurement, arbitrary assignment, or systematic and rational allocation. The appropriate method of determining cost often depends on the circumstances that generate the need for information (Swamidass, 2000). This can be information such as material cost, production cost, product cost, investment calculations, and budget.

Cost accounting, as a specialized field of accounting, is primarily concerned with the identification, measurement, recording, reporting and analysis of costs associated with production and marketing goods/services and other decisions areas. Cost accounting is broad and extends beyond calculating product costs for inventory valuation, which GAAP dictates. In fact, the focus of cost accounting is shifting from inventory valuation for financial reporting to supplying cost information for decision making (APO-ILO, 1997, P.828).

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.

The information supplied by cost accounting acts as a tool of management for making optimum use of scarce resources and ultimately adds to the profitability of business (ARORA, 2004).

The importance of cost accounting practices has increased more than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreasing profit margins, increasing input prices due the tightening energy sources, economic crises etc. Therefore, companies operating in developing countries have also begun to implement cost accounting practices which were first adopted by companies functioning in developed countries.

Cost accounting especially for manufacturing companies is the key factor for achieving the desired profit since cost of raw materials is the major expense. Therefore, the main objective of this study is examining and evaluating cost accounting practices of manufacturing companies in case of ok bottling & beverage S.C.

1.2.BACKGROUND OF THE ORGANIZATION

Ok bottling and beverage Share Company is a bottled water manufacturing company that is established, in 2014, in **"Guraghe"** zone, SNNP, Ethiopia. It mainly aims in targeting the Local Ethiopian market currently as well as most Eastern African region, in the long run thereby addressing the quality bottled water needs of this target segment. Quality water from the source coupled with the latest technology of production makes it unique to satisfy the real desire of its customers.

About The Product

Fiker Natural Spring Water is produced by OK Bottling & Beverage SC. This water is among one of the 57 products that are listed under those that have meet compulsory standards, with the bottlers having to pass through an inspection by ECAE. So far 32 have been certified, according to an official at the ECAE.

Fiker pure natural spring water is mined from natural spring water of Jejer, at Guraghe chained mountain, SNNP region Ethiopia, at "Exia" wereda. Although they are working to produce other product lines, Ok bottling and beverage Sc currently produces 600ml, 1000ml and 2000ml size of bottled waters. The company has invested 180 million birr.

Vision

By 2024 to become a leading and favored bottled water producer ranking amongst the best in Ethiopia, as well as the exporter, flavored drinks producer, and a major real estate venture.

Mission

To become a leading brand in the country, and to avail quality from the source for the common benefit of our society, community and country, and increase the profitability of the company for shareholders.

Social Responsibility

Ok bottling and beverage S.C. assigns 2 cents for the environment and needy children. We also support different historic artistic works. The historic **"Fiker eskemekabir"** can be a witness.

1.3.STATEMENT OF THE PROBLEM

Cost accounting is an accounting system that provides financial and non financial cost related information. Managers require information which is relevant, accurate and readily available to formulate and operationalize functional strategies and to make decisions on product costing and preparation of financial reports. 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.

Without applying cost accounting tools, managers of organizations may find it difficult to improve the day to day operations and take decisions that will enhance the financial performance of the business. Despite the increasing amount of research in cost accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery, 2004).

Uncertainty may cause costs to increase beyond acceptable levels. In profit maximization, cost control and reduction play significant role. Any type organization that is successful in cost control and reduction, without reducing its quality can sell its products at lower amount than its competitors. Having price competitive advantage, the company can enhance its market share and become a market leader (Akeem, 2017). Cost reduction and cost control scheme become inevitable. Hence, in order not to exceed their budget and not run at loss, as well as not to reduce the quality of their products, organization needs to use effective cost reduction and control tools and techniques to reduce their cost to the lowest minimum. This study examined and evaluated cost management practices that help the manufacturing firm to control and reduce manufacturing costs.

The drive for this study is, even if cost management has manifold advantages, such as the above listed benefits for organizations, based on the researcher observation the company under this study has a problem to entertain such benefits from its costing system.

As per the knowledge of the researcher & reviewed literature, there have been a number of studies relating to cost accounting in the developed countries and very few in the developing countries.

But most of the existing research literature; Cost accounting practice in India corporations to verify any significance difference between using ABC and traditional cost system (Anand, 2004), The effect of cost control and cost reduction techniques in organizational performance (Akeem, 2017), Cost management practice in manufacturing co. (Asefash,2018), Effectiveness of traditional cost monitoring and controlling system (Dagnachew,2017), Assessment of product costing and pricing system in plastic share company (Samrawit,2010), Assessment of job order costing and application (Mengistu,2010) and Cost estimation practice methods and processes in road construction (Samuel,2017) mainly focused on reduction and control of manufacturing costs, financial accounting, information technology adoption and credit accessibility for manufacturing companies in contrary limited emphasis given to cost accounting and its practice. However, in Ethiopia cost management practice in manufacturing companies was not yet widely examined.

Even though most of the above studies conducted are mainly discussing studies that are related to the different elements and aspects of cost accounting systems. Some studies also covered cost systems and techniques and others are also related to cost management practices, but there are no in-depth specific study has been conducted covering substantial aspects on the cost management practices related to Ethiopian manufacturing companies on the best knowledge of the researcher; specially in Ok bottling & beverage s.c. previously.

Therefore given the significant economic importance of ok bottling & beverage S.C. and the gap in the literature, the researcher believed that studying cost management practice studies similar to the developed countries will be useful to encourage the development of improved cost management practices. Based on this information the researcher had been initiated to asses & examine the company's cost management system for the purpose of identifying the causes of the company's managerial problem & proposing the possible solution of overcoming such causes

1.4.RESEARCH QUESTION

The researcher will raise & answer the following specific research question:

1. What is the current cost accounting practice adopted in the company?
2. For what purpose does the company use cost information?
3. Does the company's cost accounting information help manager to be effective in their decision making?
4. How is company's product costing method & technique effective & convenient?

1.5.OBJECTIVE OF THE STUDY

1.5.1. GENERAL OBJECTIVES

The general objective of the study is to assess cost management practice of Ok bottling & beverage S.C

1.5.2. SPECIFIC OBJECTIVES

The specific objectives of the study are:

1. To assess the current status of the current cost accounting practice of the company.
2. To evaluate the purpose of cost information in the company.
3. To identify the extent to which the company involve cost accounting information in decision making.
4. To assess the effectiveness & convenient of product costing method & technique adopted in the company.

1.6. SIGNIFICANCE OF THE STUDY

The primary significance of this study is for the management of the company to understand the cost behavior and will able to make the right decision in the sphere of planning and managing the costs at different levels of activity for alternative courses of action. Furthermore; 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 to manage its resources properly and correct its problems using the outputs of this paper.

The finding of the study will try to provide an insight about the overall image of the costing system; it suggests some possible recommendations for further betterment of the system which may help the organization in enhancing its costing practice. Subsequently the attainment of organizational goals will be greatly improved.

In addition, the benefit of sharing information among researchers is another reason for the study. Thus, the information provided in the study will be useful to researchers who might want to undertake further research into the area of cost accounting practice.

1.7. SCOPE OF THE STUDY

The study mainly focuses on assessing cost management practice of ok bottling & beverage S.C. The study was delimited in the head office of the company. The analysis was made by using primary source of data obtained from employees by using questioner & interview.

1.8.LIMITATION OF THE STUDY

The study limited to OK bottling & beverage S.C. & the findings are only from the bottled water manufacturing company's perspective. The nature of the data type forces the researcher to use primary data necessary to attain the objective of the research. The other limitation as in all case studies, the generalizability of the conclusion is limited to this manufacturing company.

1.9.ORGANIZATION OF THE PAPER

The study is being organized in five chapters. The first chapter deals with the introductory part which covers the background of the study, background of the organization, statement the problem, research question, objective of the study, significance, scope, limitation & organization of the paper. The second chapter presents a review of the related literatures. The third chapter deals with the research design and methodology. The forth chapter discuss about finding and analysis of the data. The last chapter five presents summary, conclusion and discuses the recommendations draw from findings of the data and literature review.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. INTRODUCTION

In this section, related literatures on the subject matter are briefly reviewed with a view to showing vividly the gap in knowledge and for easy interpretation of the research result. It reviews definition cost by many authors in their book, the element of cost and also define cost accounting in brief.

This section presents the review of related literatures in order to establish a basis for the application of cost accounting practice.

2.2. DEFINITION OF COST

Cost is the measurement of the sacrifice of economic resources that has already been made or is to be made in the future, in order to achieve a specific objective (Shim & Siegel, 2000, p. 2). Cost can be defined as the value of inputs that have been used to produce something, or the value measured by what must be given, done, or undergone to obtain something. Measuring costs is the second most important thing accountants do, right after measuring profit (Trcy & Laurin, 2007, p. 221).

Usually the term "***Cost***" is used as an alternative with the term "***Expense***". Expense can be defined as a measured outflow of goods or services: The costs of the materials or services used to produce the revenue (Syme, Ireland & Dodds, 2013, p. 140). Actually, the terms cost and expense have been used by accountants, economists, and engineers according to their needs. Accountants have defined cost as an exchange price, a forgoing, a sacrifice made to secure benefit.

Cost is defined as an economic resource related to manpower, equipment, real facilities, supplies and all other resources that required to accomplish work activities or to produce output (Stewart, 1 995a). Usually costs are stated in terms of monetary value. Therefore, costs are the value of money which represents the resources paid for the production of the output.

2.3. ELEMENTS OF COST

Lall Nigam, BM. & Jain, IC. (2001) puts together a framework for classifying total costs by five bases, which are behavioral, functional, responsibility, traceability and relevance to decision-making.

The **“Behavioral”** classification measures the changes in costs in relation to the changes in level of activity. Three categories are **Fixed, Variable, and Semi-Variable.**

- **Fixed Costs:** are those that remain constant regardless of the volume of output within a certain level. They are also called capacity costs as they denote the productive capacity. Thus when the range of activity expands beyond the peak capacity, the current fixed costs rise to another level, which is termed step costs. A sub-division of fixed costs is committed fixed costs and discretionary fixed costs (also known as programmed/managed fixed costs). The former involve the acquisition and maintenance of the organization and its long-term assets, e.g. depreciation of equipment, rental of buildings, and key personnel salaries. Whilst the latter can be manipulated by management and adjust to situations, e.g. research and development (R&D), public relations, training initiatives.
- **Variable Cost:** Variable cost is the cost of elements which tends to directly vary with the volume of activity. Variable cost has two parts (i) Variable direct cost (ii) Variable indirect costs. Variable indirect costs are termed as variable overheads. Example: Direct labor, Outward Freight...etc.
- **Semi-Variable Costs:** Semi variable costs contain both fixed and variable elements. They are partly affected by fluctuation in the level of activity. These are partly fixed and partly variable costs and vice versa. Example: Factory supervision, Maintenance...etc.

The **“Functional”** classification is based on the purpose of activities undertaken. It is divided into **Manufacturing and Non-Manufacturing** categories. Direct material cost, direct labor cost and manufacturing overhead costs are classified under manufacturing costs whereas selling & distribution costs and administrative & office costs classified as non-manufacturing costs.

A. **Manufacturing Costs:** comprise of every cost in the plant up to the point when goods are finished, i.e. direct material, direct labor, and factory overheads.

✓ **DMC**

Direct manufacturing material costs include the acquisition of materials with their related costs that can be directly traced. Some examples of direct materials are cloth is row material for making garments, timber for making furniture, etc

✓ **DLC**

Direct manufacturing labor costs include the compensation of all manufacturing labor that can be traced to the cost object that is work in process and then finished goods in an economically feasible way. For conversion of raw material into finished goods, human resource is needed, and such human resource is termed as labor. Labor cost is the main element of cost in a product or service. Direct labor cost is easily traceable to specific products. Direct labor costs are specially and conveniently traceable to specific products. Direct labor varies directly with the volume of output.

✓ **MOHC**

Costs other than direct material and direct labor cost which are not clearly associated with specific product are manufacturing overhead costs. Overheads include the cost of indirect material, indirect labor and indirect expenses. The major category of overhead costs is operation overhead and general and administrative overhead. Manufacturing overhead costs are costs incurred in the factory for production of goods and services. These include all indirect material like grease, oil, cost of tread etc., indirect labor like salary for factory managers, salary of warehouse man and indirect expenses incurred in the factory such as rent for factory building, power and fuel used in the factory, insurance of factory building etc.

B. Non-Manufacturing Costs

There are three types of Non-Manufacturing Costs. Administrative costs relate to organizing and controlling the operations, hence are largely fixed in nature, e.g. key personal and clerical staff salaries, electricity bill and equipment of general office. Marketing costs include selling and distribution. The former are costs spent on creating demand and securing orders, e.g. sales staff's salaries, advertising, market research. Whilst the latter are the costs to move the goods from the plant to customers, e.g. warehouse, vehicles, wages of packers and drivers. Lastly financing costs are paid for raising and using capitals, e.g. loan interest, fees for issuing shares, bonds coupons.

Thirdly, costs are classified in terms of **"Managers' Responsibility"** into controllable and non-controllable categories.

- **Controllable Costs:** are those that mangers are capable to exert influence on as well as responsible for. Cost which is subject to direct control at some level of managerial supervision.
- **Non-Controllable Costs:** are those that are under the managers' supervision, however, cannot be influenced by their actions. One important notion for this notion of control is the point of reference, and mangers should only be held liable for costs that are under his/her control. Cost is the cost which is not subject to control at any level of managerial supervision.

The fourth classification is based on the **"Costs' Traceability"** to a specific product, job, or process. Firstly, those that can be conveniently assigned are called Direct Costs, e.g. material and labor engaged in manufacturing a product. There are also costs that cannot find a single cause which are called Indirect Costs, e.g. plant manager salary, depreciation of machines and plant. According to this criterion for classification, material cost is divided into direct material cost and indirect material cost, Labor cost is divided into direct labor and indirect labor cost and expenses into direct expenses and indirect expenses. Indirect cost is also known as overhead.

Direct Material Cost: Cost of material which can be directly allocated to a cost centre or a cost object in an economically feasible way.

Direct labor Cost: Cost of wages of those workers who are readily identified or linked with a cost centre or cost object.

Direct Expenses: Expenses other than direct material and direct labour which can be identified or linked with cost centre or cost object.

Direct Material + Direct labor + Direct Expenses = Prime Cost

Indirect Material: Cost of material which cannot be directly allocable to a particular cost centre or cost object.

Indirect Labor: Cost of wages of employees which are not directly allocable to a particular cost centre.

Indirect expenses: Expenses other than of the nature of material or labor and cannot be directly allocable to a particular cost centre.

Indirect Material + Indirect Labor + Indirect Expenses = Overheads

Lastly, in order to facilitate with management's decision-making, two classifications are made. One is classifying the costs against revenue and used to determine income and prepare financial statements, which include **Product Cost and Period Cost**. All the costs incurred to manufacture the finished product belong to product cost, i.e. direct material and labor, variable factory overheads. Products costs are initially recorded under 'asset', then are transferred to 'cost of goods sold' once the finished products are sold to customers. On the other hand, period costs are immediately expensed as they occur, typically those costs that are fixed in nature, hence show its effect on the income statement of the corresponding accounting period.

Another way is to classify costs into **Relevant and Irrelevant Costs**.

A. **Relevant Costs:** are defined as "future incremental costs to be affected by current decisions". Three elements include differential costs, opportunity costs, and out-of-pocket costs.

- ***Differential Cost*:** Differential cost is the change in the cost due to change in activity from one level to another.
- ***Opportunity Cost:*** Opportunity cost is the value of alternatives foregone by adopting a particular strategy or employing resources in specific manner. It is the return expected from

an investment other than the present one. These refer to costs which result from the use or application of material, labor or other facilities in a particular manner which has been foregone due to not using the facilities in the manner originally planned. Resources (or input) like men, materials, plant and machinery, finance etc., when utilized in one particulars way, yield a particular return (or output). If the same input is utilized in another way, yielding the same or a different return, the original return on the forsaken alternative that is no longer obtainable is the opportunity cost. For example, if fixed deposits in the bank are proposed to be withdrawn for financing project, the opportunity cost would be the loss of interest on the deposits. Similarly when a building leased out on rent to a party is got vacated for own purpose or a vacant space is not leased out but used internally, say, for expansion of the production programmed, the rent so forgone is the opportunity cost.

- ***Out-of-Pocket Cost*:** This is the portion of the cost associated with an activity that involve cash payment to other parties, as opposed to costs which do not require any cash outlay, such as depreciation and certain allocated costs. Out-of-Pocket Costs are very much relevant in the consideration of price fixation during trade recession or when a make-or-buy decision is to be made.

B. Irrelevant Costs: are those costs that will not change regardless of the decision made, e.g. sunk costs.

- ✓ ***Sunk Costs:*** Sunk costs are historical costs which are incurred i.e. sunk in the past and are not relevant to the particular decision making problem being considered. Sunk costs are those that have been incurred for a project and which will not be recovered if the project is terminated. While considering the replacement of a plant, the depreciated book value of the old asset is irrelevant as the amount is sunk cost which is to be written-off at the time of replacement.

2.4. MEANING OF COST ACCOUNTING

Cost accounting is a formal system of accounting for costs in the books account by means of which costs of products and services are ascertained and controlled. Cost accounting is the mathematical approximation or economic calculation of resources (including the durables, working time, space, knowledge and ideas) consumed by accost object during the course manufacturing products or providing services (Kohler, 2007).

Cost accounting as an information processing system includes a series of ordered and logically connected activities. The key purpose of these activities consists in translating data on the use of resources involved in the company's operations into information which reflects the costs of specified reference objects (Nowak and Wierzbiński, 2010).

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 filed of managerial and financial accounting. Cost accounting is applied primarily to manufacturing. Organization that combine and process raw material in to finished products.

Cost accounting is the process of measuring, analyzing, and reporting financial and non-financial information related to the costs of acquiring or using resources in an organization. For example, calculating the cost of a product is a cost accounting function that meets both the financial accountant's inventory-valuation needs and the management accountant's decision making needs (such as deciding how to price products and choosing which products to promote). However, today most accounting professionals take the perspective that cost information is part of the management accounting information collected to make management decisions. Thus, the distinction between management accounting and cost accounting is not so clear-cut. (Horngren et al, 2018).

Cost accounting can help management by analyzing statistical data, establishing costing methods and procedures that control cost, ascertaining company costs and profit, and selecting from two or more alternatives that might increase or decrease revenue or cost respectively." The objective of any organization is represented by the increase of revenue & the decrease of costs". (Jinga, Dumitru, Dumitrana & Vulpoi, 2010, P, 243).

The main objective of cost accounting, therefore, is to minimize expenditure and maximize profit. An effective cost management system is essential in pursuing future growth and maintaining an optimal level of costs (Kwan, 2011, p. 23). Cost accounting, in fact, helps management in making strategic decisions by identifying an organization comparative strength & weakness & better ways to use them." Cost accounting supplies cost data & information to management to make more informed decision". (Rani & Kidance, 2012, p. 202).

2.5. PURPOSE OF COST ACCOUNTING

The cost accounting in its developed form helps the management of manufacturing concerns in improving the efficiency, in making the business decisions and in evaluating the performance of entities in the same industrial sector through standardizing the systems and procedures. (Hussain, 2009, p. 43)

The main objectives of cost accounting are as follows (Samaha and Abdallah , 2011):

- **Ascertainment of Cost:** This is the primary objective of cost accounting. For cost ascertainment, different techniques and systems of cost accounting are used under different circumstance.
- **Control of Cost:** Cost control aims at improving efficiency by controlling and reducing cost. It is becoming increasingly important because of growing completion. Guide to business policy-cost data provides guidelines for various managerial decisions like make or buy, selling below cost, utilization of idle plant capacity, and introduction of a new product.
- **Determination of Selling Price:** cost accounting provides cost information on the basis of which selling prices of products or services may be fixed. In periods of depression, cost accounting guides in deciding the extent to which the selling prices may be reduced to meet the situation.
- **Determine and Control Efficiency:** Measuring and improving the performance of cost accounting measures efficiency by classifying and analyzing cost data and then suggest various steeps improving performance so that profitability is increased.
- Determine the value of closing inventory for preparing financial statements of the concern.
- Provide a basis for operating policies which may be determination of Cost Volume relationship, whether to close or operate at a loss, whether to manufacture or buy from market, whether to continue the existing method of production or to replace it by a more improved method of production....etc

2.6. COST ACCOUNTING PRACTICES

According to, historians have long endorsed the view that cost accounting is a product of the industrial revolution (Jonson, 2001). For example (Wilson and Chua, 2003) claimed that cost accounting was practiced by the mechanized multi process, cotton textile factories that appeared in England and United States around 1800. This point of view was consistent with Garner (2004) who pointed out that cost accounting had emerged only after eighteenth century as a result of the rise of the factory system in the industrial revolution The traditional view contained that cost accounting arose due to the increase use of fixed capital prompted accountants during the industrial revolution to graft cost accounting on the double entry system (Johnson, 2001).

The evolution of cost accounting is a single in to three eras-the first era from the first appearance until before the industrialization; the second from the industrialization to the twentieth century and there after the third (Antonelli and Vetal, 2009). During the first era, the nomenclature cost accounting might not exist as a clear and well recognized concept like it is today, the activity could be called by other names. The first point appearance of cost accounting can be traced back to the fourteenth century (Thukaram, 2012). With the expansion of the scale of business, mainly in manufacturing activities that small enterprises started to produce trade items such as books, woolens, coins and wine, an expansion in cost accounting was required (Cunagin and Stancil , 2002).

Modern business firms utilize a variety of cost accounting practices in an effort to manage expenditures and maximize profits (King, Premo, & Cas , 2009, p. 21)All business enterprises try to maximize profit margin by controlling expenditures. A cost accounting department can minimize the costs by providing all necessary information to management.

A manufacturing company's income statement is more complex than a retailer or a merchandiser as it transforms raw materials into finished goods through the use of labor. As a result of manufacturing goods, manufacturers must understand the various costs associated with this production process. It is simply not sufficient to know the price paid for raw materials when manufacturing a finished product. The cost accounting system used by a manufacturing company should be able to provide information relevant for the external reporting system.

For a manufacturing firm, financial reporting separates costs based on when those costs becomes recognized as expenses. All costs manufacturers can be classified as product or period costs. Product costs are frequently referred to as manufacturing costs. These costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system. Period costs include all other manufacturing costs. These costs are expensed as they are incurred (Lanen, Andorsen and Maher, 2008).

2.7. TECHNIQUES OF COSTING

It is important for businesses to adopt and utilize cost accounting methods that fully recognize cost and allow for innovation within the company (Kawan, 2011). In developing an effective cost accounting system; executives can apply several techniques that will undoubtedly assists in the operations of the organization. Executives should understand the importance of these methods in producing one efficient cost accounting system that will help cut costs and produce quality out puts. Techniques that management can utilize to develop a better cost accounting system to compete in the global market include standard costing, target costing, ABC and the just in time approach (Hansen, 2009).

2.7.1. Traditional Costing

2.7.1.1. Standard Costing

It refers to the preparation of standard costs and applying them to measure the variations from standard costs and analyzing the variations with a view to maintain maximum efficiency in production. What is done in this case is that costs of each article are determined before-hand under current and anticipated conditions, but sometimes they are determined before-hand under normal or ideal conditions. Then actual costs are compared with the predetermined costs and deviations known as variances are noted down.

Thereafter, the reasons for the variances are ascertained and necessary steps are taken to prevent their recurrence. **Standard costing is one of the most known and widely used product costing systems.**

Standard costing is a widely used accounting system because it can create information for a lot of purposes: decision-making purposes, providing challenging targets to achieve, assists on setting budgets, acts as a control device by highlighting unwanted activities and simplifies the task of tracing costs to products for profit measurement and inventory valuation purposes (Drury 2004).

In manufacturing companies, the procedures often are of a repetitive nature and therefore standard costing is pertinent in these kinds of companies. Control activate by the use of different budgets. The methods of standard costing are used in order to make a solution for different limitation of historical costing. Historical costing which refers to ascertainment of costs after they have been incurred provides the management with an account of what has been happened. "Standard costing methods involves the preparation and use of standard costs, their comparison with actual costs and analysis of the deviations to their causes so as to provide corrective actions (Sikka, 2003)."

Standard costing is financial control system that enables the deviations from the budget to be analyzed more effectively (Drury, 2012). He further stated that standard costs are preset costs; they are target costs that should be incurred under efficient operating circumstances. Mainly, standard costing is a method of cost control in which cost data for activity are presented based on the formal level of operation (Larry and Crosphopher, 2009).

A standard cost is a carefully determined cost of a unit of output (Horgren, 2012). According to Drury (2012), in the application of standard costing system, the standard costs for the actual output for a specific period are traced out by the managers of responsibility centers who are accountable for the operations. When it comes to the actual cost for the same period the costs are charged to the responsibility center. Therefore, the actual and the standard costs are compared and the deviation between them reported.

For simple controlling costs, the usage of a standard costing system is beneficial for companies. The main reasons to develop standard costing system are that helps executive manage costs, improve planning and control, facilitate decision making, and facilitate product costing (Hansen, 2009).

In this system, products costs are determined by using quantitative and price standards for materials, labor and overhead. For many tons, the use standard costing variance analysis has been viewed as the most effective tool for cost control (Kinney, 2006).

2.7.1.2. Target Costing

The term target cost is the difference between the sales price needed to capture a predetermined market share and the desired per unit profit (Hansen, 2009). This difference is the allowable cost that managers permit for the cost of the product. In this process, management must find cost reductions if current costs are higher than the target cost. This ensures that management changes the operations of the entire business in order to achieve such results.

Target costing is a management tool for reducing the overall cost of an output through its product life cycle (Jalaee, 2012). Target costing creates the relationship between cost, price and profit. (Helms, Ettkin, Baxter and Gordon, 2005) stated that target costing is not like cost reduction techniques or control outline, but it is a part of total strategic profit management system including value analysis and value engineering. It begins with a targeted sales price of a product.

It is different from traditional pricing approach which centered on developing a product, then determining the expected cost based on the expected volume and the setting a selling price. However, in target costing approach the company determines a selling price that the customer willing to pay and the desired profit margin deducted from selling price and the maximum target cost known. Jalaee (2012) stated that target costing is a mechanism that exploiting cost information and it aims at on the better price leader and it prevents time wastage on the discussion regarding design and re-engineering of the product. It is based on examining all elements of costs related to possessing the product through all stages of its life cycle. These elements include the purchase price, operating costs, operating supplies and repair and maintenance costs. The objective of target costing system is to reduce the cost of the life cycle of the product.

2.7.2. Activity-Based Costing (ABC)

It is a cost accounting system that focuses on an organization's activities and collects costs on the basis of the underlying nature and extent of those activities. Multiple predetermined overhead rates are then calculated using the various cost drivers of organizational activities.

ABC focuses on attaching costs to products and services based on the activities conducted to produce, perform, distribute, and support those products and services. The three fundamental components of activity-based costing are:

- Recognizing that costs are incurred at different organizational levels,
- Accumulating costs into related cost pools, and
- Using multiple cost drivers to assign costs to products and services.(Michael & Cecily, 2011)

An ABC system is a cost accounting system that uses both unit and non-unit based cost drivers to assign costs to cost objects by first tracing costs to activities and then tracing costs from activities to products (Hasenn, 2009).

In ABC accounting, the system attempts to reveal costs through direct tracing instead of allocation. This creates a more accurate pictures of the total costs associated with a product. Besides reducing costs, this management tool also improves the final price that customers pay for the product by focusing on the activity involved. The philosophy behind using ABC is the value that it provides to customers at a cost less than the price customers pay for that value.

2.8. METHOD OF COST SYSTEM

The two basic types of costing systems are used to assign cost to product or service. Some of them are as follows:

2.8.1. 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, 2008, P, 277).

Job order costing is method of ascertaining cost in those industries in which goods are manufactured or services rendered against specific order from customers. A job order cost system manufacturing accumulates costs of material, labor and manufacturing overhead expense by specific orders, jobs, batches or lots. Job costing system is a method in which cost object is a unit or multiple units of a district product or service called a job. Job order costing system are widely used in construction, furniture, printing and similar industries where the costs of a specific job depend on the particular order specification (Willamsan, 2009).

Examples of business that use job order costing includes Construction system, Furniture manufactures Printing firms, Repair shops, Service giving organization, Garages, etc

2.8.2. Process Costing System

This costing system is used for manufacturing process which produces 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 Cherrinqton, 2008, P 278).

- ✓ Cement factories
- ✓ Petroleum refineries
- ✓ Flour companies
- ✓ Beer factories
- ✓ Textile factories
- ✓ Beverage companies.

In this system, the cost object is masses of identical or similar units of a product or service. The focus of a process cost system is the cost center to which costs are assigned. It is usually a department, but it could be a process or an operation. Costs accumulated by a cost center are divided by the number of units produced in that cost center to compute the cost per unit. The primary objectives, like that of the job order cost system, are to compute the unit cost of the products completed and the cost to be assigned to the ending work in process inventory (Vanderbeck,20 10).

In manufacturing process costing setting, each unit receives the same or similar amounts of direct material costs, direct labor costs and indirect manufacture costs (Horngren, 2003).

According to Arora (2003), processes costing system follow the following procedures: First, the factory is divided in to a number of processes and an account is maintained for each process. Second, each process account is debited with material cost, labor cost, and direct expenses and overhead allocated or apportioned to the process. Third, the output of a process is transferred to the next process in the sequence. Finally, the finished output of the last process is transferred to the finished goods account

2.9. COST CONTROL

Cost Control is defined as the regulation by executive action of the costs of operating an undertaking, particularly where such action is guided by Cost Accounting.

Agara (2005) opines that cost control is a process whereby targets are set against which the daily incidence of cost is compared to ensure that cost targets are not unduly exceeded. Adeniyi (2007) specified that cost control the standard of cost of operating an organization and it is concerned with holding costs within tolerable limit. He said this limits will regularly in a form operational plan or budget. Cost control action will be important, if actual cost vary from planed cost by too much amount. He further explained that is a process of setting targets and receiving feedback information in order to ensure that actual performance is in line with set target and if not, take corrective action.

They further explained that cost control is used to define the activities of manager in short-run and long-run planning and management of costs. They further proceed that planning and cost control is often inseparably related with revenue and profit planning. Cost control involves the following steps and covers the various facets of the management:

- **Planning:** First step in cost control is establishing plans / targets. The plan/target may be in the form of budgets, standards, estimates and even past actual may be expressed in physical as well as monetary terms. These serves as yardsticks by which the planned objective can be assessed.

- **Communication:** The plan and the policy laid down by the management are made known to all those responsible for carrying them out. Communication is established in two directions; directives are issued by higher level of management to the lower level for compliance and the lower level executives report performances to the higher level.
- **Motivation:** The plan is given effect to and performances starts. The performance is evaluated, costs are ascertained and information about results achieved are collected and reported. The fact that costs are being complied for measuring performances acts as a motivating force and makes individuals endeavor to better their performances.
- **Appraisal and Reporting:** The actual performance is compared with the predetermined plan and variances, i.e. deviations from the plan are analyzed as to their causes. The variances are reported to the proper level of management.
- **Decision Making:** The variances are reviewed and decisions taken. Corrective actions and remedial measures or revision of the target, as required, are taken.

In the process of manufacturing companies, the concern of cost control management is essential in order to effectively utilize the material resources. In addition to this, cost control includes the management measures implemented to ensure that cost continues in accordance with the management plan. The significance of cost control cannot be over emphasized as an existence technique for manufacturing companies because they ensure appropriate monitoring of cost against budget and correct any financially impropriety of the company. The term cost control is used widely and no uniform definition exists (Horngren et. al, 2012).

2.10. COST REDUCTION

Cost reduction may be defined as the real and permanent reduction in the unit costs of goods manufactured or services rendered without impairing their suitability for the use intended. As will be seen from the definition, the reduction in costs should be real and permanent. Reductions due to windfalls, fortuities receipts, changes in government policy like reduction in taxes or duties, or due to temporary measures taken for tiding over the financial difficulties do not strictly come under the purview of cost reduction. At the same time a program of cost reduction should in no way affect the quality of the products nor should it lower the standards of performance of the business.

A systematic process used by companies to reduce their cost without having negative impact on quality product or service. CIMA(2005) indicated that cost reduction is the achievement of real and permanent reduction in the unit of cost of goods manufactured or service rendered without impairing their suitability from the use of intended for or diminution in the quality of products. Real and permanent cost reduction can be achieved through mass production, lower price input, simplifying the manufacturing process without scarifying the quality products, implementing best practice, elimination of wastage and duplication of work the production process. Cost reduction is a continues process of critically examining various elements of cost in each aspects of business operation and improving policy and procedure manuals, work instructions, work flow diagrams operation management and improving efficiency or optimal utilization resources.

Profit is the resultant of two varying factors, viz., sales and cost. The wider the gap between these two factors, the larger is the profit. Thus, profit can be maximized either by increasing sales or by reducing costs. In a competition less market or in case of monopoly products, it may perhaps be possible to increase price to earn more profits and the need for reducing costs may not be felt. Such conditions cannot, however, exist paramount and when competition comes into play, it may not be possible to increase the sale price without having its adverse effect on the sale volume, which, in turn, reduces profit. Besides, increase in price of products has the ultimate effect of pushing up the raw material prices, wages of employees and other expenses all of which tend to increase costs.

In the long run, substitute products may come up in the market, resulting in loss of business. Avenues have, therefore, to be explored and method devised to cut down expenditure and thereby reduce the cost of products. In short, cost reduction would mean maximization of profits by reducing cost through economics and savings in costs of manufacture, administration, selling and distribution.

2.11. USE OF COST INFORMATION

Manufacturing organizations assign costs to products for two purposes: First, for internal profit measurement and external financial accounting requirements in order to allocate the manufacturing costs incurred during a period between cost of goods sold and inventories.

Second, it uses to provide useful information for managerial decision making requirements. In order to meet financial accounting requirements, it may not be necessary to accurately trace costs to individual products (Drury and Tayles, 2005). With knowledge of the fixed costs and variable costs, the manager should use this information, along with the financial statements, to aid in the decision making process. The traditional income statement is primarily used for external reporting. The value approach or the contribution margin income statement is more useful for internal decision making (Lanen, Anderson, and Maher, 2010). Companies can use cost information for two purposes; **A. Cost for planning & control:** A company of information system provides the data required for the preparation and operation of budget and for establishing standard costs. **B. 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.

2.12. ACCOUNTING SPOILAGE, REWORK & SCRAP

AS (Horngren et al 2016) explained; the terms ***Spoilage, Rework,* and *Scrap*** are not interchangeable. For a financial accountant, the costs must be classified differently because under ASPE/IFRS different transactions give rise to each type of cost. Some amount of spoilage, rework, or scrap is an inherent part of many production processes.

Rework is the conversion of production rejects into reusable products of the same or lower quality.

Scrap is a residual material that results from manufacturing a product. Scrap has minimal total sales value compared with the total sales value of the product. In some situations the firm may have to pay to have the scrap removed. In this case, it is usually referred to as waste or refuse.

Spoilage refers to output that fails to attain either a specified performance level or standard of composition. To minimize cost, managers want to determine the costs of spoilage and distinguish between the costs of normal and abnormal spoilage.

- **Normal Spoilage** arises under efficient operating conditions as a result of predictable rates of failure in a production process. Normal spoilage may be a locked-in cost, which managers accept when they invest in equipment with a specific failure rate. These costs are not considered controllable or avoidable. IFRS permits the costs of normal spoilage to be included in the costs of goods manufactured (COGM). The cost is transferred to cost of goods sold when the good units are sold. The normal spoilage rate should be computed using the total good units completed as the base, not the total actual units started (into production/process), because total units started also includes any abnormal spoilage in addition to normal spoilage.
- **Abnormal Spoilage** is spoilage that is unexpected under efficient operating conditions but is regarded as controllable and avoidable. The cost of abnormal spoilage can extend well beyond the immediate cost of the offending product. Abnormal spoilage costs are written off as losses of the accounting period in which detection of the spoiled units occurs. For the most informative internal feedback, the Loss from Abnormal Spoilage account should appear in a detailed statement of comprehensive income as a separate line item and not be buried as an indistinguishable part of the COGM.

2.13. EMPIRICAL LITERATURE REVIEW

Previously different researchers were worked on the title of “Assessment of Cost Management Practice”; most of these papers were focused on manufacturing industry. The researchers assessed different organizations cost accounting practice and made conclusion according to their observation

Some of them are; Girum ketema and his teammate were worked on the title of the “assessment of cost accounting practice in kality food Share Company” in 2014; the objective of the paper was to assess and examine the product costing system of the company under study to identify the real causes of why the main research problem is occurring. Based on the objectives of researchers to conclude The current product costing system, cost center allocation, and cost allocation base are found at good level with the existence of some problem, also kality food s.c. use proper controlling mechanism for handling and keeping of cost related transactions.

Alemu Feleke were worked on same title in national alcohol & liquor factory in 2019, the objective of the study is to asses cost accounting practices in control and reducing in manufacturing cost. The researcher was gathered the data through a combination of both unstructured interviews with the department head and questionnaire addressed to the employees of the organization. The data received were analyzed by using narration and descriptive statistics. Finally he concludes that the company does not give chance for employees to participate in budget preparation and standard setting, it does not use target costing as cost control and reduction tools and techniques and reporting without relating of actual and planned information. Lack of assign costs to particular cost objects and each cost object has not separate measurement of cost, use only traditional costing method and giving cost information for external users.

An analysis conducted by (Samaha K. and Abdallah S., 2011), entitled A comparative analysis of ABC and traditional costing system: The case of Egyptian metal industries company compares ABC results with traditional accounting (volume based) ones in an Egyptian metal industry company; In fact traditional accounting can lead to price distortion. In particular, the study highlights that volume based methods underestimate low volume products and overestimate high volume products while ABC, tracing overhead consumption, lead to more precise results.

Meskud Arebo also worked on the same title in Kality food share co. in 2011 at Jimma University; the objective was to assess the product costing system of the factory. To achieve this objective, the researcher were used both primary, and secondary data sources. Primary data were obtained using in-depth interview where as secondary data were obtained from annuals, records and financial statements of the factory. The researcher concludes that. The company uses both process costing and job order costing system. The basic Problem of the company is price differentiation that used to produce the same product.

Kubrom Negash also worked on the same title in des general trading plc in 2019, the objective of the study is to assess and examine the cost accounting practices utilized by Des General Trading PLC in Ethiopia. This study adopted a descriptive survey design. The researcher were used both self-administered questionnaire and structured interviews with selected accountants of the finance departments and other department staffs. The major findings of the study are; the most widely used product costing method is process costing and the technique used is absorption costing; the most widely used overhead allocation is units produced; the most important area where the cost information is used for financial accounting, inventory valuation and to some extent for price decisions which is low on other decision making and cost control.

Kariyawasam(2018) studied the cost management and account management practices of public quoted manufacturing companies in Sri Lanka. Research method used in this study was an applied research method, whilst the research strategy employed was a survey research strategy. Sample for the study consisted of 70 public quoted manufacturing companies in Sri Lanka. Findings from the study revealed that the main costing method used by public quoted manufacturing companies in Sri Lanka is activity based costing, followed by process costing and job costing. Findings from the study also revealed that cost information is mainly used by public quoted manufacturing companies for pricing related decisions, followed by customer profitability related decisions, and performance measurement; that the increasing interest and use of cost accounting in these companies is on account of the decline in firm profitability, increasing cost, intense competition, and high customer and supplier bargaining power; and that these manufacturing companies give high importance to traditional management accounting practices such as planning and control, budgeting, target costing, and cost volume-profit analysis.

Akeem (2017) the study aimed to examine the effect of cost control and cost reduction techniques in organizational performance. To examine the issue data were collected from primary source, questionnaires. The data were analyzed by regression analysis to test the hypothesis with the use of SPSS. The researcher was found that cost control has a positive impact on organizational performance. The researcher recommends that cost control and cost reduction scheme must be properly administered in an organization by setting realistic standard.

Anand et al (2004) in their study of cost management practices in India studied the responses furnished by 53 CFOs in Indian corporations. The objective of their study was to capture the development in cost management practices such as accounting for overheads, applications of budgetary control and standard costing in corporate India.

The survey questionnaire also aimed to verify any significant difference in management motivation for the implementation and use of standard costing as a control tool between activities based cost management (ABCM) user firms and firms using traditional costing systems.

The study established that the firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for benchmarking and budgeting with ABC cost system yet the consistency in their priority of budget goals is lacking unlike the firms who are using traditional costing systems.

Adebayo et al. (2014) examined the impact of budgetary control on cost control, profitability of manufacturing companies, the causes for deviations and how these variances are reported as a means of control in budgeting and also examined whether the manufacturing companies can reduce cost as well as maintain the quality of their products and services. They used survey method based on 190 staff members Cadbury Nigeria PLC, Friesland Foods Wamco Nigeria PLC and Nestle. To collect the data primary and secondary source questionnaire was used. The collected data were tested with chi-square statistics through a Statistical Package for Social Sciences (SPSS). The study discovered that manufacturing companies can reduce cost and maintain high quality products. The study recommended that realistic forecasts should be made and that there should be sound planning with effective and efficient formulation of policies and strategies.

Caroline (2014) examined the effects of cost management on the financial performance of manufacturing companies. The study tried to found the effects of supply chain management, labor management and stock management on the financial performance of manufacturing companies. To conduct the study six manufacturing companies listed on Nairobi Security exchange were selected. The study used quantitative approach as well as casual research design multi variance linear regression model. Data was sourced from both primary and secondary sources namely questionnaire and audited financial statements. The study found that cost management is positively related to financial performance of manufacturing companies. This research recommended that the management should focus on managing cost of distribution, cost of labor and cost of stock.

Even though most of the above studies conducted are mainly discussing studies that are related to the different elements and aspects of cost accounting systems. Some studies also covered cost systems and techniques and others are also related to cost management practices, but there are no in-depth specific study has been conducted covering substantial aspects on the cost management practices related to Ethiopian manufacturing companies on the best knowledge of the researcher; specially in Ok bottling & beverage s.c. previously. The scanning of literatures give an indication that there exists a gap in the existing study and a study is needed that include cost accounting system of Ethiopian manufacturing companies.

Thus the main objectives of this paper is examining and evaluating cost management practice of ok bottling & beverage S.C. The paper also tries to reconcile the different opinions of these studies, contribute some points to the existing knowledge and also will contributes its own share to fill this gap.

CHAPTER THREE

3. RESEARCH DESIGHN & METHDOLOGY

Research in common refers to a search for knowledge. Research methodology is a way to systematically solve the research problem. It may be understood as science of studying how research is done scientifically. A good research methodology has Characteristics like problem identification, problem definition, research objectives, developing the research plan, sourcing data, collection of data, analyzing data and information, presenting the findings.

This section has provided details of the methodology that was adopted for this study. It discusses the research design and research approach, source of data, the population & sample of the study, data collection & data analysis methods

3.1. RESEARCH DESIGN

Fraenkel, Wallen and Hyun (1993) define research design as the plan by which the researcher answers the research problem. It includes the data collection tools and the data analysis techniques the researcher intends to use. The researcher aimed to resolve the research question by using a descriptive research design which attempts to show the status quo of study items (cooper and schidler, 2006). It is primarily concerned with finding out "what is," in research. It is appropriate when studying relationships and effect of variables on other variables. It studies existing relationships as compared to exploratory research which looks at entirely new relationships.

The objective of this study is to assess cost management practices of ok bottling & beverage S.C. Thus, descriptive case study was chosen for this study because it allows the conduct of detailed analysis using multiple sources of data. Case study investigation becomes successful if data is collected from multiple sources (Gerring, 2007).

3.2. RESEARCH APPROACH

Descriptive research design involves both quantitative and qualitative data. Quantitative approach involves numerical data subjected quantitative analysis whereas qualitative approach involves data in textual form that concerned with subjective valuation of attitude, thoughts and behavior (Kothari, 2004).

According to Schweitzer (2009) quantitative approach was used for its appropriateness to the determination of developing research questions and it is suitable for the type of numerical data required in the study. In this study both qualitative and quantitative data were used. In analyzing case study descriptive research, both qualitative and quantitative research approach is needed (Yin, 2003). That is to get the benefits of a mixed methods approach, and to mitigate the bias in adopting only either quantitative or qualitative approach, the current research combines both quantitative & qualitative research approaches.

3.3. POPULATION & SAMPLING TECHNIQUES

The study target population focused on employees of the organization who are working in cost accounting department & other financial departments. Therefore the total employees of the organization working in department of cost accounting, finance & management are 18and the population for this study that helped to get accurate data was the whole employees. To accomplish the study, the researcher has used a census data collection. This was preferred because it provided the possibility of examining the entire population and acquiring accurate data.

3.3. DATA TYPE & SOURCE

Source of data selection to conduct the study is important because the more valid the information source, the reliable would be the information receive, which leads to accounts and good communication to the organization. For this study, the researcher has used only primary source of data. The primary data has collected from those employees of the organization. The researcher also uses both qualitative and quantitative data.

3.4. METHOD OF DATA COLLECTION

In this study, data were gathered using questionnaires and unstructured interview. Primary data were collected with semi-structured questionnaires distributed to cost accounting department and other financial departments. Structured questionnaires employed to gather straightforward and simple information. Unstructured questionnaire employed to gather information that needs in-depth understanding of the topic being studied. However, it may be difficult to classify and measure. Hence, it should be carefully interpreted.

Both questionnaires have their own limitations. Dawson (2002) stated that to overcome the limitation of both types, semi-structured questionnaire is preferable and researchers better use the combination of both. In this study, the researcher was used both structured (closed ended) and unstructured (open end) questionnaire.

The interview was used to substantiate the data collected using questionnaire, so that the validity of the findings could be improved. The interviews were conducted with respective manager. It is used to cross check the reliability of the response to the questionnaire. Sreejesh, Mohaoatra and Anusree (2014) indicated that depending up on the amount of guidance extended by the interviewer, individual in-depth interviews can be divided in to unstructured interview, structured interview and semi-structured interview. This study employed unstructured interview.

3.5. DATA ANALYSIS & PRESENTATION

Data analysis is the application of reasoning to understand the data that have been gathered. In its simplest form, analysis may involve determining consistent patterns and summarizing the relevant details revealed in the investigation. The appropriate analytical technique for data analysis is determined by management's information requirements, the characteristics of the research design and the nature of the data gathered (Zikmund et. al, 2009).

The data collected were analyzed by qualitative and quantitative data analysis methods. The qualitative data analysis was done using content analysis. During this research, qualitative data were collected in the form of description text. According to Bernard (1995, as cited in Armfield S. 2007) "content analysis is a catch-all term covering a variety of techniques for making inference from texts." Quantitative data analysis was done using descriptive statistical method specifically percentage, frequency distribution and present it with tables in order to avail the finding of the study. Percentages are suitable for comparative analysis of figures. The use of frequency distribution tables by the researcher in analysis of data is to give faster and more understandable presentation of the data collected by the researcher.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. INTRODUCTION

The focus of this chapter is on the presentation, analysis and interpretation of the data collected from primary and secondary data sources. The topic of this study is an assessment of cost management practice in the case of ok bottling & beverage s.c. Thus, following the student researchers raised four research questions. In order to successfully look answer for these research questions the student researchers have designed both open-ended & close-ended questioner and interview question as tools for data collection. The data collected from questioner was presented by using tables and percentage followed by its analysis and the data collected from interview were presented by statement type presentation. The 18 copies of questioner were distributed to 18 respondents. Out of the total 18 questionnaires 18 were fully responded and returned, thus achieving 100 percent response rate.

On the first part of this chapter the respondent's general characteristics such as sex, education level, work experience and position in the organization were viewed in detail and on the second part of this chapter the research problem was analyzed based on the questioners presented and interpretation is given for each and every respondents. Moreover, the result of the data collected from secondary sources was analyzed to support and elaborate the facts.

4.2. GENERAL CHARACHTERSTICS OF THE RESPONDANTS

4.2.1. AGE

Table 1 Respondents Age

Age	Number of respondents	Respondents in %
Below 25 years	_	_
26-35 Years	10	56%
36-45 Years	6	33%
Above 45 years	2	11%
Total	18	100%

Source: own survey

From the above table we can see that 10(56%) of the respondents are within the age of 26-35 years, 6(33%) is within the age 36-45 and the remaining 2(11%) of respondents are above 45 years. In this regard no respondent were the age categories below 25 years. Thus, based on this one can infer that most of the respondents are middle aged. This enhances the reliability of the data collected and the productivity of the organization.

4.2.2. GENDER

Table 2 Respondents Sex Distribution

Gender	Number of respondents	Respondents in %
Male	12	67%
Female	6	33%
Total	18	100%

Source: own survey

From the above table we can see that 12(67%) of the population is male and 6(33%) of the respondents are female. This shows that the majority of the respondents are male. This does not mean that the research is targeted at only men, but rather it reveals the proportion of male and female respondents in the study.

4.2.3. POSITION IN THE ORGANIZATION

Response on department shows 50% of the respondents are in the cost accounting division, the rest 50% are distributed in the other departments; which is 35% Finance, 10% from Top management & the rest 5% from other department. This implies that the respondents working position is not concentrated to a specific post this will positively assist the quality of data collected.

4.2.4. EDUCATIONAL STATUS

Table 3 Respondents Educational statuses

Educational status	Number of respondents	Respondent in %
Certificate	–	–
Diploma	–	–
1st degree	11	61%
2nd degree & above	7	39%
Total	18	100%

Source: own survey

From the above table we can see that 11(25%) of the populations are 1st degree holder and 7(39%) of the populations are 2nd degree and above holder. This implies that almost all of employees are in a very good academic status which contributes a lot to the cost accounting system of the company. In addition the educational level we considered was diversified which will help us collect reliable data. Thus, this will enhance our data validity.

4.2.5. WORK EXPERIENCE

Table 4 Respondents Work Experience

Work experience	Number of respondents	Respondents in %
Below 5 year	6	33%
5-10 years	8	45%
10-15 years	4	22%
Above 15 years	-	-
Total	18	100%

Source: own survey

From the above table we can see that 12(67%) of the populations are well experienced and this shows that they can understand the subject matter and are capable to contribute important information for the case under study. In addition to this, respondents respond effectively to the questionnaire provided.

4.3. STUDY RELATED DATA

4.3.1. Cost Accounting Practice

Cost Accounting may be defined as “Accounting for costs classification and analysis of expenditure as will enable the total cost of any particular unit of production to be ascertained with reasonable degree of accuracy and at the same time to disclose exactly how such total cost is constituted”. Thus Cost Accounting is classifying, recording an appropriate allocation of expenditure for the determination of the costs of products or services, and for the presentation of suitably arranged data for the purpose of control and guidance of management.

Also, Cost Accounting is the process of accounting for cost which begins with recording of income and expenditure and ends with the preparation of statistical data. It establishes budgets and standard costs and actual cost of operations, processes, departments or products and the analysis of variances, profitability and social use of funds. Thus Cost Accounting is a quantitative method that collects, classifies, summarizes and interprets information for product costing, operation planning and control and decision making.

Like any other system of accounting, Cost Accountancy is not an exact science but an art which has developed through theories and accounting practices based on reasoning and commonsense. Many of the theories cannot be proved nor can they be disproved. They grownup in course of time to become conventions and accepted principles of Cost Accounting. These principles are by no means static, they are changing from day to day and what is correct today may not hold true in the circumstances tomorrow.

Table 5 Cost Accounting Department

N^O	Items	Alternatives	N^o of Response	Percentage
1	Does the company have a separate cost accounting department?	Yes	18	100%
		No	-	-
2	If yes, what purpose do you want the department to serve?	Determining profit	-	-
		Providing MIS	-	-
		For operational decision making	6	33%
		Preparation of budget	-	-
		Product/service costing	-	-
		Controlling cost	15	83%
3	If your answer is yes for question "1" does it has adequate staff members?	Yes	7	39%
		No	11	61%
4	If the department has adequate staff members in number, are they efficient?	Yes	7	39%
		No	11	61%
5	Are the cost accounting staff members professionally qualified in accounting?	Yes	14	78%
		No	4	22%
6	Do you think the organization is benefiting from the cost accounting function?	Yes	4	22%
		No	14	78%
7	How frequently cost accounting reports are written?	Daily	-	-
		Semi-annually	-	-
		Monthly	18	100%
		Annually	-	-
8	Do you think the costing department is properly discharging its responsibility?	Yes	13	72%
		No	5	28%
9	Do you think that cost accounting can make significant contributions to the survival & growth of an organization?	Yes	18	100%
		No	-	-

Source: own survey

From the above table we can see that 18(100%) of the respondents agree that the company has a separate cost accounting department & believes that this department can make significant contribution to their company. The data collected also states that 15(83%) of the respondents agreed that the company use this department to control cost & 6(33%) agreed that the department help the company during operational decision making. Even though the company has separate cost accounting section 11(61%) of the respondents said that the department hasn't adequate staff members but most of the respondents believes that the current members are professionally qualified in accounting & they are fairly efficient in their work & 13(72%) of the respondents also believe the employees satisfy responsibilities and skills heeded for the costing department & they properly discharge their responsibility. According to the study all of the respondent states that the department provides cost accounting report every month to general manager.

14(78%) which is the majority of the respondents agreed the organization is not benefiting from the cost accounting function. As it was mentioned above the department isn't well organized in human resource & most of the works are covered by all employees of the finance department; for this reason the company isn't benefiting.

As per our literature review, cost accounting can help management by analyzing statistical data, establishing costing methods and procedures that control cost, ascertaining company costs and profit, and selecting from two or more alternatives that might increase or decrease revenue or cost respectively." The objective of any organization is represented by the increase of revenue & the decrease of costs". (jinga, dumitru, dumitrana & vulpoi, 2010, p, 243). Also costing staff members must 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.

According to the interview made whether the company has separate cost accounting department or not, the interviewee said that "the company has separate cost accounting department & we use the department to control our cost & for product/service costing". I also asked in what frequency do you prepare cost accounting report & for whom, the interview replied that we prepare on monthly bases & provide this report to general manager. The other question raised was in what ways the co. classifies cost then, the interviewee replied that like other manufacturing companies we classify cost generally as direct & indirect cost.

Section II

Table 6 Cost Accounting Practice

N^{O}	Alternatives	Strongly Agree		Agree		Strongly Disagree		Disagree		Neutral	
		Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
1	The company assign costs to particular cost object & each cost object has separate measurement of cost.	6	33	9	50					3	17
2	Employees are participate in budget preparation and standard costing			2	11			12	67	4	22
3	The accounting system of the company clearly defines the responsibility & obligation of each department in order to measure their performance	10	55	5	28			3	17		
4	The accounting system is helpful to regularly report variances of budget & actual cost to measure management performance as a control device	12	67	4	22			2	11		
5	The accounting system is used as a control device	16	89	2	11						

Source: own survey

As can be seen in item 1 of table 6, the respondents were asked express their level of agreement regarding the question that asked whether the company assign cost to particular cost object & each cost object has separate measurement of cost or not, 6(33%) of the respondents have strongly agreed, 9(50%) have agreed & 3(17%) have neutral to the statement. Thus the company does assign costs to particular cost objects & each cost object has separate measurement cost. . This is supported by Lanen, Andorsen and Maher (2010) who stated that the production costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system.

As can be observed in item 2 of table 6, the respondents were asked express their level of agreement regarding the question that asked whether employees are participate in budget preparation & standard costing, 2(11%) of the respondents have agreed, 12(67%) of the respondents have strongly disagreed & 4(22%) were not sure to the statement. From this one can deduce that employees didn’t participate in the company’s budget preparation & standard costing. As per my literature review the situation is in contrary with the study done by Brownell & Huang & Zhang (2013) stated that budgetary participation affects performance directly & negatively.

As it is indicated in item 3 of table 6, the respondents were asked express their level of agreement regarding the question that asked does the accounting system of the company clearly defines the responsibilities and obligation of each department in order to measure their performance, 10(55%) of the respondents have strongly agreed, 5(28%) of the respondents have agreed & 3(17%) of the respondents have disagreed to the statement. Consequently, one can deduce that the accounting system of the company is significantly defines the responsibilities and obligations of each department in order to measure their performance.

This is in line with the study conducted by Hanini (2013) who showed the importance and significance of the relationship between implementing responsibility accounting, the company’s profitability and operational efficiency.

As it is indicated in item 4 of table 6, the respondents were asked to express their level of agreement regarding the question that asked whether the accounting system is helpful to regularly report variances of budget & actual cost to measure management performance as control device, 16(89%) of the respondents have agreed to the statement. From this one can deduce that the company's accounting system is helpful to regularly report variances of budget & actual cost to measure management performance as control device.

As one can see in item 5 of table 6, the respondents were asked express their level of agreement regarding the question that asked whether the accounting system is used as a control device, 16(89%) of the respondents have strongly agreed & 2(11%) of the respondents have agreed to the statement. This implies that the company use accounting system as a control device.

4.3.2. Use of Cost Information

Manufacturing organizations assign costs to products for two purposes: First, for internal profit measurement and external financial accounting requirements in order to allocate the manufacturing costs incurred during a period between cost of goods sold and inventories. Second, it uses to provide useful information for managerial decision making requirements. In order to meet financial accounting requirements, it may not be necessary to accurately trace costs to individual products (Drury and Tayles, 2005). With knowledge of the fixed costs and variable costs, the manager should use this information, along with the financial statements, to aid in the decision making process. The traditional income statement is primarily used for external reporting. The value approach or the contribution margin income statement is more useful for internal decision making (Lanen, Anderson, and Maher, 2010).

Table 7 Use of Cost Information

N^{O}	Purpose of cost information	Strongly Agree		Agree		Strongly Disagree		Disagree		Neutral	
		Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
1	Budget implementation & allocation	18	100								
2	Fixing the price of their product							18	100		
3	Accepting or rejecting any project										
4	Future product & investment plan by providing necessary information by cost control & maximize	13	72	5	28						
5	Performance evaluation of each activity in particular & the organization as a whole	18	100								
6	Supply cost information for external users such as government, investors, creditors, etc.			4	22			11	61	3	17
	Item	Alternatives				No of response			Percentage		
7	Do you think that the cost accounting records maintained by your organization adequate for your purpose	Yes				13			72%		
		No				5			28%		

Source: Own survey

As can be seen in item 1 & 5 of table 7, the respondents were asked express their level of agreement regarding the question that asked whether company use cost information for budget determination and allocation & performance evaluation of each activity in particulars and the organization as a whole, 18(100%) of the respondents have strongly agreed to the statement.

As it is indicated in item 2 & 6 of table 7, the respondents were asked to express their level of agreement regarding the question that asked whether the company use cost information for fixing the price of their product & supply cost information for external users, most of the respondents have disagreed to the statement.

As it is indicated in item 3 of table 7, the respondents were asked express their level of agreement regarding the question that asked whether the company use cost information for accepting or rejecting any project, 18(100%) of the respondents have strongly agreed to the statement. This implies the company uses cost information for accepting or rejecting any project.

As it is indicated in item 4 of table 7, the respondents were asked express their level of agreement regarding the question that asked whether the company use cost information for future product & investment plan by providing necessary information by cost control and maximize profit, 13(72%) of the respondents have strongly agreed & 5(28%) of the respondents have agreed to the statement.

In general, based on the above evidences the company uses cost information for budget determination & allocation, accepting or rejecting projects, future product and investment plan and performance evaluation. However, the company doesn't supply cost information for external users also doesn't use cost information for fixing the price of their product.

As can be seen in item 7 of table 7, the respondents were asked express their level of agreement regarding the question that asked whether company's cost accounting records are adequate for their purpose, 13(72%) of the respondents have agreed that company's cost accounting records are adequate for their purpose.

According to the interview made, the interviewee replied that the company use cost information for budget determination & allocation, accepting or rejecting projects, future product and investment plan and performance evaluation. Generally the use of cost information is only for internal purpose not for external.

4.3.3. Cost Control & Reduction

Both Cost Reduction and Cost Control are efficient tools of management but their concepts and procedure are widely different.

Agara (2005) opines that cost control is a process whereby targets are set against which the daily incidence of cost is compared to ensure that cost targets are not unduly exceeded. In the process of manufacturing companies, the concern of cost control management is essential in order to effectively utilize the material resources. In addition to this, cost control includes the management measures implemented to ensure that cost continues in accordance with the management plan. The significance of cost control cannot be over emphasized as an existence technique for manufacturing companies because they ensure appropriate monitoring of cost against budget and correct any financially impropriety of the company. The term cost control is used widely and no uniform definition exists (Horngren et, al2012). They further explained that cost control is used to define the activities of manager in short-run and long-run planning and management of costs. They further proceed that planning and cost control is often inseparably related with revenue and profit planning.

Cost reduction is a continuous process of critically examining various elements of cost in each aspects of business operation and improving policy and procedure manuals, work instructions, workflow diagrams operation management, and improving efficiency or optimal utilization resources. Also, Cost reduction may be defined as the real and permanent reduction in the unit costs of goods manufactured or services rendered without impairing their suitability for the use intended. As will be seen from the definition, the reduction in costs should be real and permanent. Reductions due to windfalls, fortuities receipts, changes in government policy like reduction in taxes or duties, or due to temporary measures taken for tiding over the financial difficulties do not strictly come under the purview of cost reduction.

Table 8 Cost control & Reduction

N^{O}	Items	Alternatives	N^{o} of response	Percentage
1	Which cost reduction & cost control tools & techniques your company uses in its cost management practice?	Standard cost control	-	-
		Budgetary control	7	39%
		Quality cost control	11	61%
		Target costing	-	-
3	Does the company efficiently use cost reduction & control techniques to measure performance?	Yes	14	78%
		No	4	22%
4	The cost accounting practice of cost reduction & control tools & techniques applied in this organization reduces the cost of products without affecting the quality of the products?	Yes	10	56%
		No	8	44%
5	Does the company utilized cost reduction & control tools & techniques policy to attain its maximal target?	Yes	14	78%
		No	4	22%

Source: Own Survey

From the above table we can see that 11(61%) of the respondents agree that the company use quality cost control as its cost reduction & cost control tools, also 7(39%) the respondents agree that budgetary control is the other company's cost reduction & control tool. This implies that budgetary control and quality cost control are cost reduction and cost control tools and techniques which are applied in the company whereas standard cost control & target costing are not applicable.

As per my literature review quality cost control reduces the cost of inspection, decreases defects, increase productivity & enhance market share (Stan and Klein, 2012). Budgetary control contributes to the profitability of a firm and can reduce costs. They also discovered that budgetary control help manufacturing companies can reduce costs and maintain high quality products (Adebayo et.al. 2014).

As can be seen in the above table, the respondents were asked express their level of agreement regarding the question that does the company efficiently use cost reduction & control techniques to measure performance, 14(78%) of the respondents have agreed to the statement. Thus the company efficiently used cost reduction & control techniques to measure performance.

When the respondents asked whether company's cost reduction & cost control tools & techniques reduces the cost of products without affecting the quality of the products, 10(56%) of the respondents have agreed & 8(44%) of the respondents haven't agreed to the statement. This implies that company's cost reduction & control tools & techniques reduces its products cost without affecting the quality of the products.

The respondents were also asked whether the company has utilized cost reduction & control tools & techniques policy to attain its maximal target, 14(78%) of the respondents haven agreed & 4(22%) of the respondents haven't agreed to the statement. Thus the company has utilized cost reduction & control tools & techniques policy to attain its maximal target.

According to the interview response for the question which type of cost reduction & cost control techniques the company uses? The company use budgetary control and quality cost control as cost reduction and cost control tools and techniques. Whereas standard cost control & target costing are not applicable.

4.3.4. Costing System

There are two basic type of costing system: Job order costing system & process costing system. **Job-order costing** is method of ascertaining cost in those industries in which goods are manufactured or services rendered against specific order from customers. A job order cost system manufacturing accumulates costs of material, labour and manufacturing overhead expense by specific orders, jobs, batches or lots. 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 are widely used in construction, furniture, printing and similar industries where the costs of a specific job depend on the particular order specification (Willamsan, 2009).

Process costing: This costing system is used for manufacturing process which produces a single product or single mix of products continuously for an extended period of time. In this system the cost of product or service is obtained by using broad averages to assign cost to mass of similar units produced for general sale and not any specific customers. Average cost over large number of nearly identical produce companies that use process costing system are cement factory, petroleum refineries, flour companies, beer factories, textile factories and beverage companies.

Techniques that management can utilize to develop a better cost accounting system to compete in the global market include standard costing, target costing, ABC and the just in time approach (Hansen, 2009).

An ABC system is a cost accounting system that uses both unit and non-unit based cost drivers to assign costs to cost objects by first tracing costs to activities and then tracing costs from activities to products (Hasenn, 2009). In ABC accounting, the system attempts to reveal costs through direct tracing instead of allocation. This creates a more accurate pictures of the total costs associated with a product.

But, traditional cost systems do not reliably calculate total product costs. The system utilizes only a few drivers to allocate overhead costs, and most of the costs are placed in the same generic cost pool.

Table 9 Costing System

N^{O}	Items	Alternatives	N^{o} of response	Percentage
1	What type of costing method used in your company?	Traditional costing	-	-
		ABC COSTING	18	100%
2	What kind of costing system do you have in your organization?	Job-order costing	-	-
		Process costing	18	100%
		Batch costing	-	-
		Marginal costing	-	-
3	Do you think the company's current costing system is proper according to its setting?	Yes	18	100%
		No		
4	Do you think the current costing system enables the department to assign fair production cost to product?	Yes	18	100%
		No	-	-
5	Do you think the firm use proper predetermine rate for allocating MOHC?	Yes	18	100%
		No	-	-
6	Which base do you use for the allocation of manufacturing overhead costs?	DL hour	-	-
		DLC	-	-
		DMC	-	-
		DM amount	-	-
		Machine hour	-	-
		Production	18	100%

Source: Own Survey

As can be seen in the above table, 18(100%) of the respondents states that company use Activity-Based Costing (ABC) as their costing method. Also 18(100%) the respondents indicates that the costing system used by a company is process costing system. As per my literature review, ABC provides more accurate service or product costs. Also important is that ABC encourages in evaluating the efficiency and cost effectiveness of activities. ABC, on the other hand, aims at allocating all the costs required to produce and market a product in the long run.

It focuses on long term decisions such as product design and production and involves allocation of fixed costs that use assumptions about the proportion of costs but ABC less suited for short-term decision making.

When the respondents asked whether the company's current costing system is proper according to its setting, 18(100%) of the respondents have agreed that the company's current costing system is proper according to its setting & enables the department to assign fair production cost to products.

When the respondents asked whether the company use proper predetermine rate for allocating manufacturing overhead costs, 18(100%) of the respondents agreed to the statement. The respondents were also asked which base you use for the allocation of manufacturing overhead, 18 (100%) of the respondents states that production is company's base for allocation of manufacturing overhead cost.

According to the interview made, the interviewee replied that the company use Activity-Based costing rather than traditional costing. The respondent also answered the company does not use job-order costing system rather it uses process costing system for the question, what type of costing system does the company use?

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMENDATION

The topic of this study is an assessment of cost management practice in the case of Ok Bottling & Beverage S.C. The objective of this study is to assess cost management practice of ok bottling & beverage s.c. Thus, following the student researcher raised four research questions. It has primarily asked that what is the current cost accounting practice adopted in the company, secondly it has asked for what purpose does the company use cost information, thirdly it has asked Is the company's cost accounting information prepared help manager to be effective in their decision making, Moreover it was also asked how is company's product costing method effective & convenient. In order to successfully look answer for these research questions the student researcher has designed both open-ended & close-ended questioner & interview question as tools for data collection. The data collected from employee of the company was collected using questioner and the data collected from top management was collected using interview The 18 copies of questioner were distributed to 18 respondents and all of them have filled out the questionnaire. The findings are analyzed, interpreted and summarized in chapter four. Based on the presentation, analysis and interpretation made the major findings of the study are summarized as follows:

5.1. SUMMARY OF FINDINGS

According to the research result, most of the respondents are male & middle aged. Also most of the respondents have first degree & above and they are well experienced.

Regarding to cost accounting department, most of respondents agreed that the company have separate cost accounting department. On the other hand, even if the company has separate cost accounting department majority of the respondents agree that the company hasn't adequate staff members. But, they agree that these staff members are professionally qualified in accounting & they are fairly efficient in their work. Majority of the respondent agree that cost department write report monthly to the general manager.

Regarding to cost management practice, most of the respondents agree that the company assign cost to particular cost object & each cost object has separate measurement cost, the accounting system of the company clearly defines the responsibility & obligation of each department in order to measure their performance, the accounting system is helpful to regularly report variances of budget & actual cost to measure management performance as a control device, the accounting system is used as a control device. Besides most of the respondents aren't agree that employees are participate in budget preparation & standard costing.

From the use of cost information, majority of the respondents agree that the company use cost information for budget determination & allocation, accepting or rejecting projects, future product & investment plan & performance evolution. But the company doesn't supply cost information for external users.

About cost reduction & control, majority of the respondents agree that the company use cost reduction & control tools & techniques efficiently, to attain its maximal target the company utilized cost reduction & control tools & techniques. The company use quality cost control & budgeting control as cost reduction & control tools & techniques rather than target costing & standard cost control.

Regarding to costing system, most respondents agree that the company apply Activity-Based costing method & use process costing system. Majority of the respondents agree that the current costing system is proper according to its setting & enables the department to assign fair production cost. On the other hand the company use production as base for the allocation of MOHC, also use proper predetermine rate for allocating MOHC.

5.2. CONCLUSIONS

Having seen the major finding of this study the following conclusions have been made in line with the research items.

- ✓ The company has separate cost accounting department & professionally qualified & efficient employees. However the department hasn't adequate staff members. On the other hand the department provides accounting report monthly to the general manager.
- ✓ The company assign cost to particular cost object & each cost object has separate measurement cost. But, employees aren't participating in budget preparation & standard costing.
- ✓ Based on the study of the cost accounting practice of the company element of product costs are classified as direct material, direct labor & manufacturing over head. Manufacturing overhead costs are allocated to products on production bases.
- ✓ The company use cost information for budget determination & allocation, accepting or rejecting projects, future product & investment plan and performance evaluation. But the company doesn't supply cost information for external users.
- ✓ The company uses budgetary control & quality cost control as cost reduction & control tools and techniques rather than target costing. It effectively use & utilized these tools & techniques to reduce the cost of products without affecting the quality of the products.
- ✓ The company use modern techniques of costing system like ABC costing method & give priority to process costing techniques as a costing techniques.

5.3. RECOMENDATION

Having identified the summary of findings and conclusions made earlier, the following recommendation were suggested.

- Employees are the most important asset in any organization, thus the cost department should have adequate staff members in order to produce the necessary accounting information for user. Additionally the company should train its employees to efficiently utilize & increase their knowledge & performance.
- Budget preparation & standard setting in the company is limited to top management & department managers. However all employees should participate & be aware of how much and why standard cost, cost budget & its objectives for the productivity & effectiveness of the company.
- The company is using budgetary control & quality cost control as cost reduction & control toll, in addition to these it will be helpful for the company to use target costing as a means to reduce its product cost to get accurate & recent market information in order to manage cost relative to the prices the market allows & to achieve sufficient margin over its costs.
- The company is using cost information for budget determination & allocation, accepting or rejecting projects, investment plan & performance evaluation, it should also supply cost information for external user.
- The company should prepare & use accounting manual and policy which is intentionally designed for cost accounting.

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APPENDEX

St. Mary's University

School of Graduate Study

Faculty of Business

Department of Accounting

Questionnaire

Dear respondent

This questionnaire is designed and prepared by MSc degree students of St. Mary's University in order to collect data for the research entitled "**ASSESSMENT OF COST ACCOUNTING PRACTICE IN THE CASE OF OK BOTTELING & BEVERAGE S.C."** to be prepared in partial fulfillment of MSc degree in Accounting & Finance. Your genuine response for the following question is extremely important for the successful completion of this paper. I assure you that the information obtained from this questioner will keep confidential and will not transfer to other parties for any other purpose. Therefore, you kindly requested genuinely to fill these questionnaires.

'I would like to thank you in advance for your cooperation and scarification of your time.'

The Objective of the Study

The general objective of this study is to examine the cost accounting practice of Ok bottling & beverage S.C.

Basic rules

- Writing your name is not needed
- Making (√) mark in your appropriate response
- If you have additional idea to add, kindly comment on the space provided

A. Personal information

1. AGE

Below 25 years	☐	36-45 years	☐
26-35 years	☐	above 45 years	☐

2. SEX

Male	☐	Female	☐

3. In what position are you working in your company?

____

4. Educational status

Certificate ☐ 1stdegree ☐

Diploma ☐ 2nd degree & above ☐

5. Work experience

Below 5years ☐ 10-15 years ☐

5-10 years ☐ above 15years ☐

B. SPECIFIC INFORMATION

I. Questions related to cost accounting practice.

SECTION I

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

   Yes ☐ No ☐

2. If yes, what purposes do you want the department to serve?

   A. Determining Profit ☐ B. Providing Management Information System ☐

   C. For operational decision making ☐ D. Preparation of Budget ☐

   E. Product / Service costing ☐ F. Controlling cost ☐

3. If your answer is yes for question "1" does it has adequate staff members?

   Yes ☐ No ☐

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

   Yes ☐ No ☐

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

   Yes ☐ No ☐

6. Do you think the organization is benefiting from the Cost Accounting function?

   Yes ☐ No ☐

7. How frequently cost accounting reports are written?

   Daily ☐ Semi annually ☐

   Monthly ☐ Annually ☐ other (specify)

8. To whom does this report provide?

   ____

9. Do you think the costing department is properly discharging its responsibility?

   Yes ☐ No ☐

10. Are you satisfied with the service that your cost accounting department is providing? Can you explain please?

____

____

11. Do you think that cost accounting can make significant contributions to the survival and growth of an organization?

    Yes ☐ No ☐

12. If you do not have a cost accounting department, do you feel the need for having it to your organization?

    Yes ☐ No ☐

13. Why do you not have the department yet?

    A. Non-availability of qualified accountant ☐ D. Limited resources ☐

    B. No appreciation of its importance by top management ☐

    C. lack of organizational set-up(manpower, system, etc) ☐ E. other(specify)

Do you have any suggestion for improvement of cost accounting practices in the organization?

____

____

SECTION II

Please indicate the level of your agreement to which you find the following statements are followed by the organization.

1. Strongly agree 3. Strongly disagree 5. Neutral
2. Agree 4. Disagree

No	Statements	1	2	3	4	5
1	The company assign costs to particular cost object & each cost object has separate measurement of cost.					
2	Employees are participate in budget preparation and standard costing					
3	The accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure their performance.					
4	The accounting system is helpful to regularly report variances of budget & actual cost to measure management performance as a control device.					
5	The accounting system is used as a control device.					

II. Question related to use of cost information

Please indicate the level of your agreement to which you find the following statements are followed by the organization.

1. Strongly agree 3. Strongly disagree 5. Neutral
2. Agree 4. Disagree

No	Statements					
	The company uses cost information for:	1	2	3	4	5
1	Budget determination and allocation					
2	Fixing the price of their product					
3	Accepting or rejecting any project					
4	Future product and investment plan by providing necessary information by cost control and maximize					
5	Performance evaluation of each activity in particular and the organization as a whole.					
6	Supply cost information for external users such as government, investors, creditors, etc.					

14. Do you think that the cost accounting records maintained by your organization are adequate for your purpose?

    Yes ☐ No ☐

15. If no, what additional records do you feel are required?

    ____

III. Question related to Cost control and reduction

1. Which cost reduction and cost control tools and techniques your company uses in its cost management practice?

   A. Standard cost control ☐ C. Quality cost control ☐

   B. Budgetary control ☐ D. Target costing ☐

2. If your company uses other cost reduction and control tools and techniques, specify it:

3. Does the company efficiently use cost reduction and control techniques to measure performance?

Yes ☐ No ☐

4. The cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products.

Yes ☐ No ☐

5. Does the company utilized cost reduction and control tools and techniques policy to attain its maximal target?

Yes ☐ No ☐

IV. Question related to costing system

1. What type of costing method used in your company

Traditional costing ☐ Activity-Based costing (ABC) ☐

2. What kind of costing system/ method, do you have in your organization

A. Job-order costing ☐ C. Batch costing ☐

B. Process costing ☐ D. marginal costing ☐ E. other(specify)

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

Yes ☐ No ☐

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

Yes ☐ No ☐

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

Yes ☐ No ☐

6. Which base or basis do you use for the allocation of manufacturing overhead costs?

Direct labor hours ☐ Machine hours ☐

Direct labor costs ☐ Direct material cost ☐

Direct material amount ☐ Production ☐

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

INTERVIEW QUESTIONS

1. Does the company have separate cost accounting department?
2. In what frequency do you prepare cost accounting reports & for whom?
3. What type of cost reduction & cost control tools & techniques applied in the company?
4. In what ways the company classifies cost & what are these cost?
5. What type of costing method used in the company?
6. For what purpose do you use cost information?
7. What type of costing system do you used in your company?
8. Which bases do you use for the allocation of MOHC?