ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF COST MANAGEMENT PRACTICE IN MANUFACTURING COMPANIES (THE CASE OF AWASH WINE SHARE COMPANY)

By

EMAWAYISH TEFERA

ID NO.SGS/0063/2011B

ADVISOR

SIMON TAREKE (ASST. PROFESSOR.)

MAY 31, 2022

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Simon Tareke (Asst. Professor.). 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.

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Saint Mary University, Addis Ababa, Ethiopia, June 2022

ENDORSEMENT

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

Simon Tareke (Asst. Professor.)

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List of Abbreviation

CIMA: Chartered Institute of Management Accountants

S.C: Share Company

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ABSTRACT

In modern business conditions, the costs are crucial factor for business activity, survival and profitability. As a result most of companies focus on cost management for their success in business. This study examines cost management practices in reducing and controlling of manufacturing costs of Awash wine share company. In doing this descriptive case study research design, mixed research approaches were used. Data were collected from 40 Awash Wine share company employees. The study relied on primary data collected using interview and questionnaires and secondary data collected from documents and reports of the company. The collected data analyzed with descriptive statistics such as frequencies, percentages, mean and standard deviation through statistical tool SPSS. The data presented in tables, charts, and figure. The study found Awash wine do not widely use cost management tools and technic like Budgetary control, Standard cost control and setting standards in the organization to control and reducing manufacturing cost, Awash wine S.C uses Traditional costing method. It also revealed that middle level employees didn't participate in budget preparation of the organization. It also discovered that Awash Winer can reduce costs and maintain quality products by the use of effective cost control and reduction tools and techniques such as budgetary control, standard costing, quality control and target costing. The study recommends that Awash Winner cost management system need to be designed to help the company's operation and strategy and should provide reliable targets for managerial attention, the importance of cost management tools and technic to control and reducing manufacturing cost and to measure the performance of the organization need to considered, Awash wine SC should use target costing techniques as a means to reduce its product cost and become competitive in the industry. Should make a major shift from traditional costing method which may provide information that is distorted, too exaggerated, and too late to be used in reducing cost or providing productivity and market projection, The participation of middle level employee in budget preparation of the organization needs to be encouraged this can be through skilling the employees on cost and cost management issues. Furthermore, Awash wine S. C's top management need to watch regularly cost management system to control and reduce manufacturing cost elements to become profitable

Keywords: Cost management; Cost control and reduction; Manufacturing cost, Setting standards.

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

The sole aim of any business organization is to make profit. Management as a primary concern usually worries about profitability, the need for higher sales, the need to increase production volume, which in turn brings about increase in cost. For any firm to earn acceptable profit, cost management should be needed because a business with sound and acceptable cost structure has a positive chance of attaining its profit target (Oyerogba, Olaleye and Solomon, 2014). Indicating the criticality of cost management (Tanaka et al. 1993:4) stated "Cost management is like wringing out a wet towel. The biggest reaction is obtained first, but we must keep wringing. Even when the towel appears dry to the touch, we must wring it to extract more".

Despite the potential demand for wine market in Ethiopia and globally it is getting highly competitive. Currently experienced and well-known quality-oriented producers for example, Castle the 3rd largest wine producer in the world has joined the Ethiopian market. In such circumstances, it will be critical to ensure that Awash wines are competitive in terms of price, quality and identity.

These competitive pressures have made Awash wine focus increasingly on the cost management that has always been a basic component of any successful business strategy. Cost should be controlled rather than reduced through unscientific method, because it may result to lowering the quality of the product (Cooper and Slagmuder, 1998). Today, any company should manage three related basic operational issues such as product cost, quality, and performance for survival (Innes, Mitchell and Sinclair, 2000). The desire of customers is getting superior quality and better performance products and at the same time, they need the price to be reasonably low.

Thus, managing costs has an effect on the performance of Awash wine. However, there have been common discussions about lack of adequate cost management practices in the company. Studies were done on Awash wine in different topics. Birhanemeskel A.(2018) the effect of supply chain management practices on organizational performance; Desale d. (2018) the effect of marketing mix on consumer buying decision. But there is no specific research that was done related to cost management practices in reducing and controlling awash wine S.C. These initiate the researcher to study in this area.

1.2. Background of the company

Awash Wine is tradition of wine making that stretches unbroken to the reign of Queen of Sheba and beyond. Two Greek and Italian families initiated in 1943 GC (1936 Ethiopian Calendar). The two ventures were nationalized in 1973 and regrouped in one entity that was named Awash Wine. Established in 1956, Awash Wine is Ethiopia's longest established wine maker. Since that time the company has grown to be one of the countries" most loved brands- a market leader that is interwoven with the cultural fabric of the country.

In July 2013 Awash Wine was privatized, when London-based investor 8 Miles and local entrepreneur Mulugeta Tesfakiros teamed up to buy the winemaker. Since then, the company has made significant investments in equipment and marketing, as well as implementing a program aimed at reducing costs by eliminating waste. Typical inefficiencies that one would expect from government-run companies," recalls Doug Agble, Partner at the company. "Putting capital, effort and human talent to work to resolve those inefficiencies has to date allowed the company to deliver impressive top-line growth and, at the same time, significantly improve its profitability. The priority has been to inject the team with fresh talent and motivation at every level of the organization to drive the cultural change that was required." Today, Awash Wine S.C leads the Ethiopian wine market. Eight bottles out of ten consumed is from Awash.

The Upper Awash Valley is situated 180km South East of Addis Ababa with 517 hectares of prime land and 100 hectares of vines growing a variety of grapes that includes Petit Syrah, Barbera, Nebiollo, Chenin Blanc and native, Dodoma. A fertile plain blessed with ideal soil and weather for growing grapes. The perfect terroir, means that the company harvest twice a year, a unique aspect of Awash Wine SC. In an idyllic location, Awash have Merti Jeju its vineyard, which harvests its grapes and is then brought to the companies two wineries, Lideta and Mekanisa, where it make its current range of six exceptional wines. Awash, Gouder, Kamila, Axumit, Gebeta and Dankra.

1.3. Statement of the problem

Cost management is defined as the process of planning and controlling the budget of the business. It helps in predicting the expenses of the business so that one can avoid going over budget, there by being an integral part of business management (EduPristine ,2015). Cost management involves different cost accounting methods that have the goal of improving business cost efficiency by reducing costs or at least having measures in place to restrict the growth of costs(EduPristine ,2015).Cost management is a method used to realize decisions made for planning, controlling and developing competitive strategies, and it is remarkable to say that creating a balance between this factor and other magnitudes of competition like quality and time required (Reiss, 1992). Any type of 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 (Locky, 2002, as cited in Akeem, 2017). He further stated that in a good or bad periods, cost control and cost reduction scheme remain constant. Currently the increase in the cost of operation becomes difficult for organizations. So, cost reduction and cost control scheme become inevitable. Hence, in order not to exceed their budget and not to 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.

In many countries' studies were made on cost management practices to reduce and control of manufacturing costs; Caroline (2014), the effects of cost management on the financial performance of manufacturing companies; Olalekani & Tajudeen (2015), cost control and its impact on the survival of Nigeria firms as a case study on Nigeria bottling company plc; Akeem (2017), the effect of cost control and cost reduction techniques in organizational performance; Adeleke, (2014) the relationship between cost management techniques

and performance of Nigerian banks. Nebiyu (n.d) technical efficiency analysis of the Ethiopian brewery industries; Robel (2013) an assessment of factors affecting market share of Dashen Brewery; Daniel (2016) the critical factors affecting supply chain management in brewery industry; Endale (2015) the impact of working capital management on firm's performance: a study on Breweries in Ethiopia.
However, cost management practice in winery was not yet widely examined. Hence, this study examined and evaluated cost management practices that help the manufacturing firm mangers to reduce and control manufacturing costs.

Awash wine in Ethiopia is facing a strong competition from international brands and successful international companies like Castle the 3rd global wine producer. Therefore, cost management practices become a major issue for Awash Win S.C. Thus, the main objective of this paper is to assess cost management practice Awash wine S.C. to control and reduce costs so as to be profitable and stay in local and global market share of the wine industry.

1.4. Research questions

In order to achieve the intended objectives this study tried to answer the following research questions.

- To what extent cost management is practiced in Awash Wine S.C. to improve the performance of the company?
- Which type of cost reduction and control tools and techniques Awash Wine S.C. uses in its cost saving and profit maximization?
- How frequently management review standard cost and cost budget to communicate it measure in decision making?
- What are the usefulness of employees' involvement in order to control and reduce manufacturing costs?
- How responsibility accounting system Awash Wine S.C.'s mangers in cost budgeting, cost reduction and cost controlling?

1.5. Objectives of the study

General objectives

The general objective of this study is to assess the cost management practices in reducing and controlling manufacturing costs.

Specific objectives

The specific objectives of this study are: -

- To examine the extent of application of cost management practices to improve the performance of awash wine S.C.
- To identify different cost management tools and techniques that help to control and reduce cost to the lowest minimum.
- To examine how frequently management reviews standard cost and budget to communicate control measures in decision making.
- To evaluate the importance of employees' involvement in the process of cost control and cost reduction; and
- To assesses the benefit of responsibility accounting in cost budgeting, cost reduction and cost controlling.

1.6. Significance of the study

This study will examine and evaluate the application of cost management practices in reducing and controlling manufacturing costs. This research enables to establish a framework for subsequent studies that can work with more comprehensive data sets. Furthermore, it can encourage further research, on keeping continued interest in the area cost management practices of manufacturing companies in Ethiopia. The findings of the research have great importance for shareholders of manufacturing companies in order to have higher return from their investment; governments to collect reasonable tax; and other stakeholders like banks and other creditors in order to know the profitability of the company. Specifically, the study supports manufacturing company managers to identify best cost reduction and control techniques, to know the benefit of responsibility accounting system on cost controlling, to identify the place where in the organization that needs attention for better performance; and for accounting students in their study.

1.7. Scope and Delimitation of the Study

The delimitation of the study confine to Awash wine S.C. The study focuses on the usefulness of cost management practice sin reducing and controlling manufacturing costs of wine Companies. The scope of this study covered the collection of data from executives and staff of Finance, Production and Quality control departments. This research tried to explore the logics behind cost reduction and control practices and its effects on company's profitability.

1.8. Limitations of the Study

The study limited to Awash wine S.C and the findings are only from the winery manufacturing company's perspective. In case, similar research in the future may extend to cover other industries. The other limitation that researcher confronted was the Awash wine S.C confidentiality policy obliged only to observe original documents. Hence, the researcher could not obtain the copy of the documents. The other limitation as in all case studies, the generalizability of the conclusions is limited to this winery company.

1.9. Organization of the Paper

This paper has five chapters. The first chapter deals with the introductory part which contains background of the study, background of the organization, statement of the problem, research questions, research objectives, significance of the study, scope and delimitation of the study, limitation of the study and organization of the paper. The second chapter contains the literature review. The third chapter deals with the research design and methodology, the fourth chapter reveals data analysis and interpretation. Finally, the fifth chapter deals with summary, conclusions, and recommendations.

CHAPTER TWO

LITRATURE REVIEW

2.1. Introduction

Under this part of the research the researcher will tries to assess the related literatures and specifically the theoretical, empirical and conceptual reviews of the research topic.

2.2.Theoretical Literature Review

Cost management is defined as the process of planning and controlling the budget of the business. It helps in predicting the expenses of the business so that one can avoid going over budget, there by being an integral part of business management(EduPristine ,2015).Cost management practices are apprehensive with the examination and the data used in order to support managers in making decisions and help for managerial cost control. Shank and Govindarajan (1989, as cited in Ghanshyam & Radhe, 2016) specified that it is a means to help a firm in achieving its objectives, but not an end in itself. Companies commonly strive to improve their performance in this globalized competitive economy (Ghanshyam and Radhe, 2016). On cost management and control strategies, research theories have been formulated. These are traditional cost theory, contextual theory of cost and value- engineering program theory. Traditional theory of cost differentiates the short-run costs from long-run costs. Short run is a period in which some factors are fixed. Capital equipment's are considered as fixed in the short-run. All factors are become variable in the period of long-run. In traditional theory of the firm the total cost of the company split as total fixed costs and total variable costs. Traditional theory of cost enables a firm to conclude the output level that gives the optimum profit with the lowest cost (Koutsoyiannis, 1988). Contextual theory of cost mostly states that costs are accepted as expenses in the income statement in the period that benefits from the cost (Garrison, Noreen and Seal, 2003). Value-engineering programmer theory states that an organized examination and evaluation methods of improving performance through decreasing of product cost.

2.2.1 Costs Definition

Cost is defined as the monetary valuation of effort, material, resources, time consumed, risk and opportunity forgone in production / delivery of a good or service. It is simply put as the amount that has to be paid or given up for something to be acquired (EduPristine ,2015). 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, 1995a). Usually, costs are stated in terms of monetary value. Therefore, costs are the value of money which represent the resources paid for the production of the output. Cost is defined as the expensed amount, or attribute to a particular thing or activity cost of no matter what ordinarily is currency spent to obtain that thing (ACCA, n.d.).

2.2.2. Cost Elements

In manufacturing companies' costs can be classified as manufacturing and non-manufacturing costs. 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.

2.2.2.1 Direct Material Cost

Direct manufacturing material costs include the acquisition of materials with their related costs that can be directly traced (Horngren, Datar and Rajan, 2012). Some examples of direct materials are cloth is row material for making garments, timber for making furniture, red grape for making Gebeta red wine etc.

2.2.2.2 Direct Labor Cost

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 (Horngren et al., 2012). 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.

2.2.2.3 Manufacturing Overhead Costs

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.

2.2.3 The Behavior of Cost, Revenue and Profitability

Cost behavior is associated with knowing that how costs change with the changes of organization level of activities. Cost behavior is the study of the ways in which costs fluctuate or do not fluctuate with the level of activity in the organization (Asaolu and Nassar, 2007). The level of activity was defined as the amount of work done or the number of events that have occurred.

In accounting costs are a monetary value that a company has spent in order to produce, acquire and accomplish anything. Costs are also defined as the amount spending in order to generate revenue. The difference between revenue and costs is profit or loss. Therefore, revenue and costs have linear relationship. Costs change to changes in activity level and the term fixed and variable have been used in management accounting. Regardless of changes in production, fixed costs remain the same within a given period of time and range of activity. Per unit fixed cost varies with the change in the volume of production. If the production increases, fixed cost per unit decreases and as there is decrease in production, the fixed cost per unit increases.

Short term variable costs vary in a direct proportion to the volume of activity that means increasing the level of activity is increasing the same proportion to the total variable costs.

According to Fischer and Schmitz (1998, as cited in Oyerogba et al., 2014) increasing the variable cost lead to increase in profit.

Adeniji (2011) conclude that total variable costs are linear, and the unit variable cost is fixed. Hornren et al. (2012), explained that fixed costs remain constant and unchanged in total for a given time period in inspite of wide changes in related level of total activity or volume. Moreover, they further explained that costs as variable or fixed with respect to a specific cost object and for a given time period. This argument continuing, Adeniji (2011) described that in the long run, all costs are variable. Through such a long period of time, reduction in demand will be accompanied by reductions in almost all categories of costs. For example, some manufacturing machineries may not be replaced and buildings may be sold. Likewise, enlargement in the activity will finally cause all categories of costs being incurred by the organization. Step fixed costs are fixed with in a specific level of an activity for a given time period (Olabisi et al.,2012, as cited in Oyerogba et al., 2014). Asaolu and Nassar (2007) in their studies describe that within a certain level of activity many cost items are fixed in nature and actually increased or decreased by a constant amount. The other cost group is semi-variable costs which consist both fixed and variable costs. Semi-variable costs are not varying with the level of output so it is difficult to evaluate (Larry and Cristopher, 2009).

2.2.4 Controllable and Non-Controllable Costs

Costs can be categorized as controllable and uncontrollable costs. Controllability is the extent of power that a specific manager has over costs, revenues or other related things for which he is accountable (Horngren, et.al, 2012). Controllable costs are any costs that are subjected to influenced by the responsible Centre manager in a given time period. They further stated that the manager of the responsibility Centre should categorize costs and revenue assigned to responsibility centers according to whether or not they are controllable or non-controllable. Drury (2012) stated that a responsibility center defined as a division of an organization where a specific manager is held accountable for the division’s performance.

The establishment of responsibility center is an essential part of management accounting control system. It is significant that to differentiate among the various forms of responsibility center. Responsibility centers can be cost or expense centers, revenue centers, profit center and investment centers. A cost or expense center is where the manager is accountable for all costs under his control. Revenue center is a responsibility center where the manager is mainly responsible for financial outputs in the form of creating sales revenues.

Profit center is a responsibility center where a manager is accountable for both production and sales whereas investment center is a place where a manager is accountable for cost, revenue, and capital investment decision. The management accounting control systems have two main components (Drury, 2012). The first one is the formal planning process, and the other is responsibility accounting which involves the establishment of responsibility centers. Responsibility centers enable accountability for financial outcomes to be allocated to individuals throughout the organization. All costs are controllable at some management level. For instance, top management has authority to dispose of facilities and increase or decrease the amount of managers employed. But not all costs can be controlled at lower-level managers. Therefore, it is necessary for costs to be classified into controllable and non-controllable classifications in the performance reports that the accountant prepares for each responsibility center.

2.2.5 Cost Management Practice

Management practices have an effect on the performance of a business. As numerous production activities are added upon cost can be increases and there is a need to keep cost in check arises because standards for production will be set and actual production will be made thus getting about differences which can be minimized or eradicated through effective cost control. Therefore, there will be the need to incur reasonable costs and control it to ensure efficient use of resources in order to achieve the objective. Many researchers are not comprehending about the significance of management practice for explaining variations in firms' performance (Ghanshyam and Radhe, 2016). Syverson (2011) debated that cost can be reduced by profit maximization.

Management is usually required to adopt various methodologies and techniques in order to control rather than reduce cost. The revenue of the firm influenced by its costs and expenses. The cost information that is accumulated and presented is therefore important for pricing decisions. Whether the price of the product set by overall market supply and demand forces they have little influence over the selling price of the products.

Organization is usually required to assume several approaches and practices in order to control than decrease cost. Cost control is a technique of determining the usefulness or the activities taken by the administration of the business. Several production activities increase cost and the need to have cost in check arises because at the time of comparing production standards with actual, variances may be happened.

These variances can only be reduced or eradicated through effective cost control. Since profitability is the main concern of any business, there will be the need to incur reasonable costs and the administration is ensuring careful and efficient use of resources in order to attain the set standard or target.

2.2.6 Cost Control

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.

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 is the standard of cost of operating an organization and it's concerned with holding costs within tolerable limit. He said this limit will regularly in a formal operational plan or budget. Cost control action will be important, if actual cost vary from planned 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''. Cost control and costing systems are identical with common attributes (Lockyer, 2000). Costing system includes an organization's control, plans and structures which has three levels. Which is the setting, the operation and the feedback phases. In setting a control system, establishment of standards is the criteria for performance, and it can be specified in quantitative terms, in units of products or services, labor hour, speed, volume or stated in value such as volume of sales, cost of capital expenditure or profits etc.

The operational phase is the part of the association in which the technology is applied row materials inputs transformed to finished goods. The achievements and failure in this regard depends on the set standards. If the set standard unclearly defined, the result will be failure, and if it correctly defined, the operation will bring out best outcome. The feedback phase is a phase that provides information for decision that adjusts the system. Whether or not performance is on the correct target and whether objective is being achieved, the system is monitored as plans are implemented or not. To be efficient, actual performance is measured against standard and deviations investigated.

An organization wants regular information about operations to plan for the future, to control current activities and to evaluate the past performance of managers, workers, and linked business units (Cooper et.al,2009). In order to become fruitful, administration guides the activities of its employees in the operation of the business according to the pre-determined goals and objectives. There are two forms of controls that management's leadership takes, the management and supervision of behavior and the evaluation of performance. Behavioral management involves the approach and activities of employees (Ibid). While employees' behavior finally effects on achievement, behavioral management involves certain issues and rules not applicable to accounting control function. On the other hand, performance evaluation measures result of workers' actions by comparing the actual results of management, identified the strengths it needs to maximize and the weaknesses it seeks to correct. The process of evaluation and remedy is known as cost control.

2.2.7 Cost Reduction

A systematic process used by companies to reduce their cost without having negative impact on quality product or service. CIMA (n.d) 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 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 continuous process of critically examining various elements of cost in each aspect of business operation and improving policy and procedure manuals, work instructions, workflow diagrams operation management, and improving efficiency or optimal utilization resources.

2.2.8 The Relationship Between Cost Control and Cost Reduction

Most people misapprehend cost control and cost reduction. There is difference between cost reduction and cost control in relation to the method. Cost control is functioned by founding standards and maintaining the performance with regard to standard. Sikka (2003) stated that cost control system involves methods and procedures that assist to manage the cost of functioning a business and make sure that cost do not go more than a certain level. Cost reduction is an intended method to reduce costs. Therefore, cost control and cost reduction are important cost management applications in manufacturing firms for the purpose control and reduce undesirable expenses. These cost management tools also help to bring about rise in market demand in terms of competitive market. The issue of cost control and reduction management is essential in the operation of manufacturing companies in order to utilize the material resources. He further points out that cost reduction are activities such as value analysis and value engineering; components and material standardization; improvement in buying practices; production engineering and method and layout improvement; scrap reduction; manpower planning and system analysis and simplification.

For each cost center cost is considered separately for which the budget is arranged earlier in order to avoid the certainty of rewarding effects of favorable differences against unfavorable ones. These limits will usually be specified as standard cost or target cost limit in a formal operational plan or budget. It is mostly practical in application where actual cost differs from planned by too much amount. It inspires efficiency and cost consciousness in business. This makes cost control to be effective.

In other way, as Asaolo and Nassar (2007) specified that cost reduction is a planned positive approach to reducing expenses. It is energetic and purposeful activity which tries to minimize cost regardless of the level they belong. It can be explained in many ways like increasing productivity and elimination of waste. In order to show the manners and means of minimizing costs, on each element of cost, each process is accurately checked, and each method is evaluated. Furthermore, cost reduction does not involve a one-time practice. It involves the way of mind, pattern, and philosophy. Therefore, the principle of establishing cost awareness is to minimize cost at all levels and emphasizing the role and responsibility of every part of the organization. ACCA (n.d.) defines cost reduction as the reduction in unit cost of goods and services without harming comfortability for the purpose intended. Therefore, cost control and cost reduction are important in an organization in order to manage and reduce unnecessary expenses and they also help to bring about increase market demand in terms of competitive market.

2.2.9 Management Support

Cost management practice cannot be set up without any active support of top management of a company. If management has a positive attitude towards setting standards, budgeting and provides direction for implementation and control, a company will be able to implement its plans efficiently. Management involves directing the activities of others, making sure that other people do what should be done. The basic managerial control process involves three steps. They are establishing standards, measuring performance against these standards and correcting deviations from standards and plans. First managers plan the way they want people to perform, then they implement procedures to determine whether actual performance complies with these plans. Cost control is a continuous process that begins with the budget. Management compares actual results to those projected in the budget and incorporates into the new plan the lessons learned from its evaluation of current operations. Through the budget process and accounting controls, management establishes overall company objectives, defines the centers of responsibility, determines specific objectives for each responsibility center, and designs procedures and standards for reporting and evaluation.

2.2.10 Employees Involvement

Worker involvement states to using maximum efforts of all employees of a company to resolve problems. Having active worker involvement is important in cost reduction scheme. Labor cost consists the major part of product cost in manufacturing companies. Thus, managing the productivity of workers means reducing labor costs and this results to maximize the returns of the company. There are several methods that could be used to increase worker motivation that concerns all employees at all stages of the company (Huang and Zhang, 2013). The empowerment of a workers and groups is essential to create incentive for work. Many companies found that itis helpful for companies to set up worker teams. Empowerment of employees is essential to generate motivation for work. Employees should be empowered by top management.

One of the techniques to improve worker's productivity is giving training to employees on the area where cost can be controlled. The other method to increase productivity is giving incentives for employees. The employee needs to be encouraged so as to accomplish with interest in order for the desired result to be achieved. Organization should ensure that staff morale is always high. Affording better payment and being aware of the workers' welfare are methods of incentives. The incentive system has to be linked with performance evaluations of employees. Nowadays competition is a common worldwide trend, and it cannot be avoided.

It may be come to the solution by offering quality products with reasonable price as well as by having capable and knowledgeable man power. Myronenko (2012) stated that focusing on lean production and quality programs, firms should have to be improve productivity by upgrading the skill of their employees. This can be created by more extensive training, job rotation, multitasking and empowerment of employees. This enhances employees' morale and can yield substantive benefits in terms of highest quality and workers suggestions for improvements in the process. If employees understand as they are a large portion of the production process, they able to contribute more efforts.

2.2.11 Responsibility Accounting and Cost Control

The power assigned on responsibility center and accounting for the responsibility center. Responsibility accounting is a system in which authority and responsibility for managers delegated to give decisions on the activities occurred in that specific unit. The aim of responsibility accounting is to establish and report the causes and effect relationship among the activities of managers and the financial result of those activities. Responsibility accounting is a system developed to collect and report costs by each level of responsibility, each supervisory area is accountable only for the costs which incurred in its responsible and over which it has control (Cashin, 1998). For establishing polices and for daily decision-making purpose costs are obtained from responsibility accounting system. A good responsibility accounting will involve a good cost information system that will collect well ascertained cost and reflect how the costs are incurred and by whom incurred.

The objective of responsibility accounting is to help management in attaining organizational goal. Responsibility accounting is significant in modern management. Robert (as cited in Fowzia, 2011) states responsibility accounting as "the type of management accounting that collects and reports both planned and actual accounting information in terms of responsibility centers".

2.2.12 Cost Control and Reduction Tools

Managerial controls are cost control methods which different organizations applied as a tool in controlling and reducing costs. The techniques are evolved by the finance department and management section at the core of implementation. Cost control and cost reduction methods are a tool for management. The primary task of the management after setting the plan is to ensure that the set plans are carried out or not. Management involves directing the activities of others, making sure that what other people do what should be done.

There are different types of management cost control tools. Management control systems have its own significant role in increasing profitability and going concern (Ayichewu, 2011). Some of the tools that management used for controlling and reducing cost are budgetary control, quality control, material cost control, labor cost control, production control, standard costing, target costing, etc. Adebayo, Lawrence and Taofeel (2014) identified that the merits of cost control are:

a) It has a benefit for utilizing the resources full.

b) It helps to reduce the price of products which are benefited by customers.

c) It makes competitive in the market.

d) It enhances the profit earning potential of the business; and

e) It enhances the goodwill of the business.

2.2.12.1 Budgetary Control

A budget is defined as the monetary expression of income and expenditure for future a definite time. It is a detailed plan that shows how financial and other resources obtained and used at a given period of time. In all types of businesses, budgets play identical role. Budget is a device used by an organization in the accomplishment of its duty of corresponding plan with the available resource (Adebayo et al., 2014). It is an instrument for controlling purpose.

Siyanbolaand Raji (2013) indicated that budget as a device, can help to ensure effective cost control, when actual costs incurred are compared with planned costs and the deviations examined to see their reason and management take corrective action. Horngren et al. (2012) stated that without budget it is difficult for managers and their employees to understand whether they are on target for their development and expenditure goals. The act of doing budget is budgeting. Adebayo et al. (2014) defined budgeting is one of the mechanisms for controlling costs in manufacturing organization. Budgeting is a plan and a control tool and has a significant impact on firm’s performance (Bedilu, 2015). Furthermore, other main benefit of budgeting process is sharing information among the organization members. The members of the organization should participate in the budget preparation as well as involved in budget revision (Chalos and Poon, 2000, as cited in Bedilu, 2015). It is the simplest way of comparing budgeted expenses with actual expense and budgeted income with actual income. Budget in itself will not provide any purpose in cost control unless it embarks on budgetary control. Budgetary control is the monitoring phases of a budget. Budgeting deals with setting what is achieved and how it to be achieved on the other hand control is deals with that the objectives are realized, and actual results do not vary from the planned more than needed. He further stated that budgetary control is a cost control tool and it has an impact on profitability of manufacturing companies.

Advantages of budgeting

Budgeting has the following benefits:

- ✓ **Planning orientation**. The process of creating a budget takes management away from its short-term, day-to-day management of the business and forces it to think longer-term. This is the chief goal of budgeting, even if management does not succeed in meeting its goals as outlined in the budget - at least it is thinking about the company's competitive and financial position and how to improve it.
- ✓ **Profitability review**. It is easy to lose sight of where a company is making most of its money, during the scramble of day-to-day management. A properly structured budget points out what aspects of the business produce money and which ones use it, which forces management to consider whether it should drop some parts of the business or expand in others.

- ✓ **Assumptions review**. The budgeting process forces management to think about why the company is in business, as well as its key assumptions about its business environment. A periodic re-evaluation of these issues may result in altered assumptions, which may in turn alter the way in which management decides to operate the business.
- ✓ **Performance evaluations**. You can work with employees to set up their goals for a budgeting period, and possibly also tie bonuses or other incentives to how they perform. You can then create budget versus actual reports to give employees feedback regarding how they are progressing toward their goals. This approach is most common with financial goals, though operational goals (such as reducing the product rework rate) can also be added to the budget for performance appraisal purposes. This system of evaluation is called responsibility accounting.
- ✓ **Funding planning**. A properly structured budget should derive the amount of cash that will be spun off or which will be needed to support operations. This information is used by the treasurer to plan for the company's funding needs.
- ✓ **Cash allocation.** There is only a limited amount of cash available to invest in fixed assets and working capital, and the budgeting process forces management to decide which assets are most worth investing in.
- ✓ **Bottleneck analysis**. Nearly every company has a bottleneck somewhere, and the budgeting process can be used to concentrate on what can be done to either expand the capacity of that bottleneck or to shift work around it (Michael J Onyschuk, CPA MBA).

Disadvantages of budgeting

- **Time required**. It can be very time-consuming to create a budget, especially in a poorly organized environment where many iterations of the budget may be required. The time involved is lower if there is a well-designed budgeting procedure in place, employees are accustomed to the process, and the company uses budgeting software. The time requirement can be unusually large if there is a participative budgeting process in place, since such a system involves an unusually large number of employees.

- **Gaming the system.** An experienced manager may attempt to introduce budgetary slack, which involves deliberately reducing revenue estimates and increasing expense estimates, so that he can easily achieve favorable variances against the budget. This can be a serious problem and requires considerable oversight to spot and eliminate.
- **Blame for outcomes**. If a department does not achieve its budgeted results, the department manager may blame any other departments that provide services to it for not having adequately supported his department.
- **Expense allocations**. The budget may prescribe that certain amount of overhead costs be allocated to various departments, and the managers of those departments may take issue with the allocation methods used.
- **Spend it or lose it**. If a department is allowed a certain amount of expenditures and it does not appear that the department will spend all of the funds during the budget period, the department manager may authorize excessive expenditures at the last minute, on the grounds that his budget will be reduced in the next period unless he spends all of the amounts authorized in the current budget.
- **Only considers financial outcomes**. Budgets are primarily concerned with the allocation of cash to specific activities, and the expected outcome of business transactions - they do not deal with more subjective issues, such as the quality of products or services provided to customers. These other issues can be stated as part of the budget, but this is not typically done.
- **Strategic rigidity**. When a company creates an annual budget, the senior management team may decide that the focus of the organization for the next year will be entirely on meeting the targets outlined in the budget. This can be a problem if the market shifts in a different direction sometime during the budget year. In this case, the company should shift along with the market, rather than adhering to the budget. (Michael J Onyschuk, CPA MBA)

2.2.12.2 Standard Costing

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 the 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 a 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. However, it is not the same as budget costs because budget relates to the whole activity or operation whereas standard presents the same information on per unit basis. A standard therefore offers cost expectations per unit of activity and a budget provides the cost expectation for the total activity. 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). The pre-determined standards compared with the efficiency and actual cost incurred and if deviation or variance happen is ascertained, an analysis of deviation is made with reference to their cause with a view to fix the responsibility of the specific executives. A report on such investigation is submitted to the management to assist to take corrective measures in order to ensure that actual costs are consistence with standard costs in future. 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.

Advantages of Standard

Standard costing has the following benefits:

- ✓ Standard costing provides a formal platform by which performance may be measured based on the what cost an item or how much should have been produced, on the basis of anticipated levels of activity.
- ✓ It provides an identifiable basis for budgeting, forecasting, and planning.
- ✓ It provides a method in which labor and overheads can be consistently recovered and charged into inventory.
- ✓ It provides basis of control for purchasing usage and efficient work levels.
- ✓ In setting up standards, management can reconsider activities to determine if they are being done in the most cost-efficient way.
- ✓ It helps management in establishing a yardstick(benchmark) with which the performance is measured that helps to exercise control.
- ✓ It helps in decision making by providing forecast of future cost.
- ✓ It supports in determining targets and in the evaluation of managerial performance.

Limitations of Standard Costing

- Standard costing is quite difficult to apply in practice.
- Regularly, standards became static over the period of time and do not keep pace with changes in conditions.
- If the predetermined standards are higher than reasonable, they act as discouraging issue.
- Adverse attitude of the operating manager against the standards set.
- Difficulty of detecting specific needs of consumers.

The difference between standard costing and budgetary costing

- Budget is for budgeted level of activity and standard is for revision in budget in according with actual level of activity.
- Budget is prepared at the starting of period whereas standard is calculated at the end of period.

2.2.12.3 Target Costing

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. This price is set on the consideration of what customer willing to pay for that 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 determine a selling price that the customer willing to pay and the desired profit margin deducted from selling price and the maximum target cost known. The company therefore ensure that the product can produced with this targeted amount. 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.

2.2.12.4 Quality Control

Quality Control refers to all those functions or activities that must be performed to fill the company's quality objectives. Quality control deals with the operational techniques for detecting, recording, and taking measures to eradicate quality problems (Alem, 2009). Quality control aims at investigating the root cause for defects identified by inspection and take corrective action to overcome the defects for future production. It helps to minimize the cost of inspection and rejection. Quality Control is an approach to prevent the defects rather than detecting the defects.

Quality control activities are inspection-based than preventive-based. Inspection is not a value-adding process, but a waste of human resources and a reason of spending extra costs. If quality ensured, no need to implement inspections. Although, improving inspection can eliminate defects in delivered products, defect products cannot reduce only by making such improvements. In the production process, if defects shown regularly, the information should have sent back to the production stage for correcting the process. Therefore, defect occurring prevented in early stage. This reduces inspection costs and wastage. Reducing inspection cost means reducing labor costs and preventing wastage means reducing material cost. Stan and klein (2012) specified that industrial companies must be responsible to correct, mitigate or eliminate the losses caused by in the product life cycle from design to implementation, use, recycling, and this reduced quality related costs.

2.2.13. Cost Management and Target costing

Target costing is a general approach or guideline in which different methods used for the managing costs that required in achieving the target costs. There different target costing techniques. Some of them are value analysis, value engineering, just in time, total quality management, material requirement planning, kaizen, lean manufacturing, and activity based costing. The selection of method or combination of techniques are differing from company-to-company CIMA (2005). Once the target costs have been determined, actual costs monitored and Administered against the targets using the usual budgeting and costing methods such as standard costing.

Value analysis and value engineering in target costing

Value analysis is a systematic tool of management which deals with saving costs by analyzing the value. Value analysis is used to describe the existing product. Value analysis or value engineering is a systematic examination and evaluation of the methods and functions of an entity with a view to examine channel of performance improvement in order to value the particular product (Horgreen et.al., 2012). It is a systematic examination of all value chain components with the aim of reducing cost and achieving a quality level that fulfill the needs of customers (Akeem, 2017). Value Analysis is an action that typically occurs between purchasing and engineering method jointly. This activity is aimed at modifying the specifications of materials, parts, and products to reduce their costs while reducing their original function. Focus is placed on the value of the product. Value Analysis is also called as value engineering. To apply this method manager should differentiate value added activity from non-value-added activities. Value added cost is a cost that incurred for value added actives and non-value-added costs are costs that incurred for non-value-added activities. Therefore, reducing nonvalue added cost is not reducing the perceived value.

2.3 Review of Empirical Literature

Cost management practice as well as the optimum cost reduction strategy employed have been considerable investigation by different researchers.

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 recommend that cost control and cost reduction scheme must be properly administered in an organization by setting realistic standard.

Siyanbola and Raji (2013) studied the impact of cost control on manufacturing industries' profitability on West African Portland Cement PLC (WAPCO). The study was conducted based on primary data direct interviews, observations and use of questionnaire from 74 randomly selected respondents. The respondents taken across all the units of the company's employees in production, sales, purchasing, accounts, warehouse divisions and from the customers. In this study budget was considered as the main instrument for achieving effective cost control and it was viewed as from strategic standpoint. They point out that cost control is the major significant concern in business and disregard of which will affect the profit at any time. They also stated that a good cost control system starts with the behavior of employees in the organization as employees are instrumental for the achievement of organizational goals. In analyzing the data and to test the hypotheses, Pearson correlation model was employed. The study found that cost control has a positive effect on business profitability. The study recommended that component of cost such as material, labor and overhead cost and workers' behavior could be tactically controlled with measures like responsibility accounting, data collection and data reporting.

Olalekan and Tajudeen (2015) studied cost control and its impact on the survival of Nigeria firms as a case study on Nigeria bottling company PLC. Descriptive research design method was used. The researchers used primary and secondary data source in order to examine the case. The primary data were gathered by using structure questionnaire from randomly selected staff and other targeted staff of Nigeria Bottling Company Plc. The secondary data source included journal articles, books, newspaper articles, company financial reports and internet. To test the 22-hypothesis t-test statistic and comparative percentage were employed. The study found that major cost incurred in the company like direct materials, direct labor costs and manufacturing overhead and other costs of high level have positive significance impact on profitability like transportation and administrative costs. In addition to this the study discovered that the problem of manufacturing company is the high cost of overhead incurred in the company. The paper recommended that a good budgeting procedure should be in place to control costs; techniques and tools for conducting value analysis in corporate with value engineering should be used permanently; Just in time techniques should be employed to meet production and on sales requisites in the company.

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.

According to a research conducted in Nigeria by Azeez and Adelabu (2015), to examine the nature of relationship between cost management and profitability. Descriptive research design adopted. In this study primary data questionnaire were employed and data were collected from 230 randomly selected staff of five companies. Data regarding to cost management were collected from the employees in production, procuring, warehouse and administrative departments, whereas management and account staff supplied information on issues relating to profit management. The collected data were analyzed using descriptive and non-parametric statistics such as Chi-Square Test, Kendall’s tau rank correlation and Spearman’s rank correlation coefficient. They found out that there is a positive relationship between cost management and profitability. Hence, their study determined that the relationship between cost management and profitability is statistically significant. The study recommended that every business and institution must frequently lookout its cost in order to continue buoyant in business.

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, 23 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 focused on managing cost of distribution, cost of labor and cost of stock.

Oyadonghan and Ramond, (2014) also examined the effect of quality cost management on firm's profitability in hospitality industry in Balyesa State in Nigeria. The researchers were used a survey design. The collected data were analyzed by correlation analyses method. The result revealed that there is a significant relationship between quality cost management systems and profitability.

Adeleke, (2014) shared the same opinion when he studied the relationship between cost management techniques and performance of Nigerian banks for the period 2002 to 2012. To conduct the research data were collected from 21 deposit money banks. The collected data were analyzed by the use of ANOVA and descriptive statistics. He found that the relationship between cost control techniques and performance of Nigerian banks was not statistically significant.

Asefash worku, (2018) studied cost management practices in manufacturing companies in case of BGI Ethiopia private limited company. Descriptive case study research design, mixed research approach were used. Data were collected from 32 BGI Ethiopia PLC employees. The study relied on primary and secondary data. The primary data collected using interview and questionnaires. The secondary data collected from documents and reports of the company. Data analyzed with descriptive statistics such as frequencies, percentages, mean and standard deviation through statistical tool SPSS version 21. The researcher was found that the importance of top management support, employee involvement and responsibility accounting in reducing and controlling manufacturing costs. It also discovered that manufacturing companies can reduce costs and maintain quality products by the use of effective cost control and reduction tools and techniques such as budgetary control, standard costing, quality control and target costing. The researcher recommends that manufacturing companies should understand the importance of top management support, employees' involvement, and responsibility accounting in controlling and reducing manufacturing costs. It also recommends that manufacturing companies should implement cost control and reduction tools and techniques in their cost control schemes.

2.4 Literature Summary and Research Gap

There have been considerable research efforts by different reserchers in the area of determining the relationship between cost management practice and firms profitability as well as the optimal cost reduction strategy for the manufacturing companies and its effect on profitablility were employed; Caroline,W.(2014), the effects of cost management on the financial performance of manufacturing companies ;Olalekani and Tajudeen (2015), cost control and its impact on the survival of Nigeria firms as a case study on Nigeria bottling company plc; Oyerogba, Olaleye and Solomon (2014), the relationship that exists between cost management practices and firm's performance in the manufacturing companies; Adeleke, (2014) the relationship between cost management techniques and performance of Nigerian banks. Asefash Worku, (20118) cost management practices in manufacturing companies (in case of BGI Ethiopia private limited company). cost management practice and its effect on firm's profitability is still a debatable issue and there is no consensus among researchers. However, cost management practice and its effect on firms' profitability is still a debatable issue and there is no consensus among researchers. However, cost management practice in winery was not yet widely examined. Hence, this study examined and evaluated cost management practices that help the manufacturing firm mangers to reduce and control manufacturing costs. Awash wine in Ethiopia is facing a strong competition from international brands and successful international companies like Castle the 3rd global wine producer. Therefore, cost management practices become a major issue for Awash Win S.C. Thus, the main objective of this paper is to assess cost management practice Awash wine S.C. to control and reduce costs so as to be profitable and stay in local and global market share of the wine industry.

2.5 Conceptual framework of the study

During the last years, we have seen a significant shift in the cost management Maher and Deakin, 1994). This shift is the result of an increasing competitive environment due to the introduction of new manufacturing and information technologies, the focus on the customer, the growth of worldwide markets, and the introduction of new forms of management organization (Blocher et al. 1999).

Cost management systems are important, but equally important is knowing how and when to apply them to achieve long-term success. Cost management systems help managers understand cost structure and behavior. Therefore, they can make decisions that will enable the organization to achieve or exploit a strategic competitive advantage (Buckingham and Loomba 2001). In taking a strategic emphasis, cost management looks to the long-term competitive success of the firm. Strategic cost management plays an important role in management functions especially strategic management; it can facilitate the developing and implementing of business strategy where the accountant is viewed as a business partner rather than a mere bookkeeper (Shank 1989).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This section has provided details of the methodology that was adopted for this study. It describes the research design and research approach, source of data, data collection methods, data analysis methods, ethics, validity test and reliability test.

3.2.Research design

According to Cooper and Schindler (2014) descriptive study is used to describe phenomena related with a subject. The major purpose of descriptive research is describing, recording, analyzing and reporting condition that exists (Kothari, 2004). According to Yin (2003) there are three types of case studies, depending up on the purpose. They are explanatory case studies, exploratory case studies and descriptive case studies. Exploratory case studies are often used to define the framework of a future study. Explanatory case studies, on the other hand, seek to define how and or why an experience took place. Descriptive case study used to present answers to a series of questions based on theoretical constructs (Ibid). The aim of all types case study research is to develop an understanding of the system. The objective of this study is to examine and evaluate the application of cost management practices in reducing and controlling manufacturing costs of winery companies. Thus, descriptive case study was chosen for this study because it answers the questions based on theory. In addition to this, the case study method is chosen because it allows the conduct of a detailed analysis using multiple sources of data (Yin, 2003). Awash wine S.C company was chosen for the study. Case study investigation becomes successful if data is collected from multiple sources (Gerring,2007).

3.3.Research Approaches

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 attitudes, 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). Therefore, in this study the researcher employed both research approaches.

3.4.Population, Sample and Sampling Technique

The study population included 40 awash wine S.C employees, they are management, finance head, production manager, experienced and supervisory level technical experts and supervisors of account and production staffs who are responsible to regulate cost reduction and control tools and techniques in order to minimize manufacturing costs. All the population included in the study (Table 3-1). The researcher used purposive sampling technique for interview questions. Eight management members interviewed for the study. The researcher assumed that senior, experienced and supervisory level in each of the selected departments would be knowledgeable enough to provide more accurate responses.

Table 3.1 Population size

Organizational Hierarchy	Population	Participants in the study
Management team	8	8
Finance Department	17	17
Production Department	15	15
Total	40	40

Source Awash Wine S.C

3.5.Source of Data

In this study, in order to enhance the quality of data through triangulation multiple data sources were used. The required data for the analysis collected from primary and secondary sources. The selection of data is based on good understanding of the operation. Primary data were collected using the application of semi-structured questioner and oral interviews. The secondary data collected from written documents and reports.

3.6.Data Collection Procedures

In this study, data collected by the use of questionnaires, interviews and review of documents and reports. Primary data were collected with semi-structured questionnaires distributed to management, department heads and supervisors of finance and production staff. 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 questionnaires contain structured five-point Likert scale questions with some open-ended (unstructured) questions that helps the respondents to supply all they know about the company's cost reduction and control practices. The interview and document examination were used to substantiate the data collected using questionnaire, so that the validity of the findings could be improved. The interviews were conducted with six management members of the company. It is used to cross check the reliability of the response to the questionnaire. It is also used to gather additional information about cost reduction and control practices of the company. 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 into unstructured interview, structured interview and semi-structured interview. This study employed semi-structured interview.

Secondary data were collected from observation of documents, records, and reports. Walliman (2011) stated that secondary data can used associating with primary data that may have collected. Because secondary data are useful in order to triangulate the findings and put the data into a larger context.

3.7. Data Analysis Methods

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. This text was analyzed for its content in order to clarify and describe the application of cost control and reduction practices. According to Bernard (1995, as cited in Arm field 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 statistics to compute mean and standard deviation using a statistical tool known as SPSS version. The researcher also employed descriptive statistical method specifically mean, standard deviation, percentage, frequency distribution and present it with tables and histograms 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. Histogram is the fastest method of pictorial presentation of statistical data. It gives a concise general impression of the characteristics of mass of statistical data.

Table 3 2: Research Design Plan

Research Questions	Source(s)	Method(s)	Analysis
1) Which type of cost reduction and cost control tools and techniques your company uses in its cost management practice?	• Finance director • Finance manager and • Production manager.	• Interviews • Document observation (Finance manual, Budget preparation document, financial report • Questionnaires	• Content analysis • Percentage and frequency distribution
2) How frequently your company review standard costs and budgeted cost in its cost reduction and cost control practice?	• Finance director • Finance manager and • Production manager.	• Interviews • Document observation (Finance manual, Budget preparation document, financial report) • Questionnaires	• Content analysis • Percentage and frequency distribution
3) Who is responsible for setting Standards cost in this company?	• Finance director • Finance manager and • Production manager.	• Interviews • Questionnaires	• Content analysis • Percentage and frequency distribution
4) Cost management practices for reducing and controlling manufacturing costs and improving performance	• Finance director • Finance manager • Production manager • Finance officers • technical experts • Supervisors	• Questionnaires	• Means and Standard deviations • Percentage; and frequency distribution
5) What are the associated with the application of cost reduction and cost control tools and techniques in your company? - Budgetary control - Quality control - Standard costing	• Finance director • Finance manager • Production manager • Finance officers • technical experts • Supervisors	• Questionnaires	• Means and Standard deviations • Percentage; and frequency distribution
6) What are employees' involvement in cost reduction 7) and cost control practice in your company?	• Finance director • Finance manager • Production manager • Finance officers • technical experts • Supervisors	• Questionnaires	• Means and Standard deviations • Percentage; and frequency distribution
8) How responsibility accounting system help manufacturing company's managers in cost budgeting and cost controlling?	• Finance director • Finance manager • Production manager • Finance officers • technical experts • Supervisors	• Document observation (Finance manual, Budget preparation document, financial report • Questionnaires	• Content analysis • Means and Standard deviations • Percentage; and frequency distribution

Source: Developed by researcher

CHAPTER FOUR

ANALYSIS AND INTERPRETATION

4.1 Introduction

In chapter three, methodology of the research adopted to attain the objectives of the case study. The data were collected by interviews, questionnaires and document observations. These data were analyzed in order to answer the research questions. Statistical Package for Social Science (SPSS) was used to analyze the data collected. This chapter presents results and discusses the collected data using descriptive statistical methods such as percentages, frequency, mean and standard deviations. In this case study 40 respondents who are member of the management and senior finance and production department experts are included. 40 questionnaires distributed for all respondents. All respondents answer the questionnaires and return the quaternary paper.

4.2. Validity and Reliability Test

Validity refers to the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2004). Validity is the most critical criterion and shows the degree to which an instrument measures what it is supposed to measure. For this study to validate the instruments the researcher has ruled out whether there were ambiguous, confusing and poorly organized questions along with the instruments were used to ascertain their validity and suitability, by amending as per respondents understanding in collecting the required data. The advisor has exhaustively examined all item one by one and providing feedback and guidance on the questionnaire particulars that may be amended.

Reliability refers to the degree to which the data collection tools, or analysis procedures were yield consistent findings (Saunders, Lewis and Thornhill, 2009). Reliability analysis measures the internal consistency of a group of items which is used in questionnaire construction. Reliability analysis examines the homogeneity or cohesion of the items that comprise each scale. Cronbach’s alpha coefficient is the most frequently used index of reliability and the most common way to assess reliability. An alpha score of higher than 0.70 is generally considered to be acceptable, while an alpha score of higher than 0.80 is considered a good measure of reliability (Nunnally, 1978 as cited in Abiy, 2014). As we can see in the table 4-1 the Cronbach's alpha shows that 0.859. So, we can be confident that all the variables have internal consistency.

Table 4.1 Reliability Statistics

Questionnaires Scale	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
	0.859	0.860	49

Source: case study result

4.3. Descriptive Analysis

To interpret questioners, mean responses were determined on a five-point Likert scale representing 1 strongly disagree and 5 representing strongly agree. The mean value of the respondents shows the extent of their agreement on the issues. MARSI survey method indicated that a calculated composite mean value up to 1.4 strongly disagree, whereas the remaining ranges of 1.5 to 2.4, 2.5 to 3.4, 3.4 to 4.4 and 4.5 to 5.00 representing respondents' perceptions of disagreement, neutrality, agreement, and strong agreement respectively (Khan, 2013). The standard deviation result shows that the variability of responses on the issue under study. The larger amount of standard deviation shows the existence of the variability of responses. On the contrary, if standard deviation was close to zero, there was less variability of responses. The percentage result shows the proportion of respondent's response. The high percentage shows high agreement and the low percentage shows disagreement. Based on the rule the finding of the study analyzed in the following section.

4.3.1 Background Information of the Respondents

Under this section had five questions touching on Gender, Age, Education level, Organizational hierarchy, and year of service. The data is as presented in the Table 4.2.

Table 4 .2 Background Information of the Respondents

		Frequency	Percent
Gender	Female	10	25%
	Male	30	75%
	Total	40	100%
Age	< 25	1	3%
	25-35	20	50%
	35-45	17	42%
	> 45	2	5%
	Total	40	100%
Educational Level	Masters	14	35%
	Degree	26	65%
	Total	40	100%
Organizational Hierarchy	Production	15	37.50%
	Finance	17	42.50%
	Management	8	20%
	Total	40	100%
Year of Service	< 5 year	3	8%
	5-10 years	2	5%
	10-15 years	17	43%
	15-20 years	16	40%
	> 20 years	2	5%
	Total	40	100%

Source: case study outcomes and own computations

The findings showed that 10 of the respondents were female and 30 were male. This shows a 25% and 75% representation of female and male, respectively. This implies that the population of male is higher than female.

From the findings, 3% of the respondents were aged less than 25 years old. 50% of the respondents were aged between 25-35 years old. 42% of the respondents were aged between 35-45 years old. Lastly 5% of the respondents greater than 45 years old. This implies that the company has 50% of its population at a youthful age of 25-35 years old.

Regarding education level, the respondents who had masters were 35%. The respondents who had degree were 65%. This shows that the respondents in that area are educated and have the capacity to answer the researcher equation in the case study.

Regarding Organizational Hierarchy of respondents indicates that 37.50% production department ,42.50% finance department and 38% management team. It shows that the study focused on respondents, which are responsible to regulate cost reduction and control tools and techniques.

Regarding year of service the findings showed that 8% of the respondents had been in employment for less than five years. 5% had worked for between 5-10 years, 42.50% between 10-15 years, 39% were between 15-20 years. Another 5% of the respondents had over 20 years working in the company. This implies experienced respondents in the research case study.

4.3.2 Cost Management Practices of Cost Control & Cost Reduction

Under this section to evaluate which type of cost control and reduction tools and techniques cost management practice in the Awash wine S.C? the researcher used interview, document observation and questioners. The data is as presented in the Table 4.3.

Table4.3 Cost control and cost reduction tools and techniques(N=40)

		Frequency	Percent
Cost control and cost reduction tools and techniques in the company.	Standard cost, Budgetary control & Quality cost control	33	82.50%
	Target costing	1	2.50%
	Quality cost control	2	5%
	Budgetary control	2	5%
	Standard cost control	2	5%
	Total	40	100%

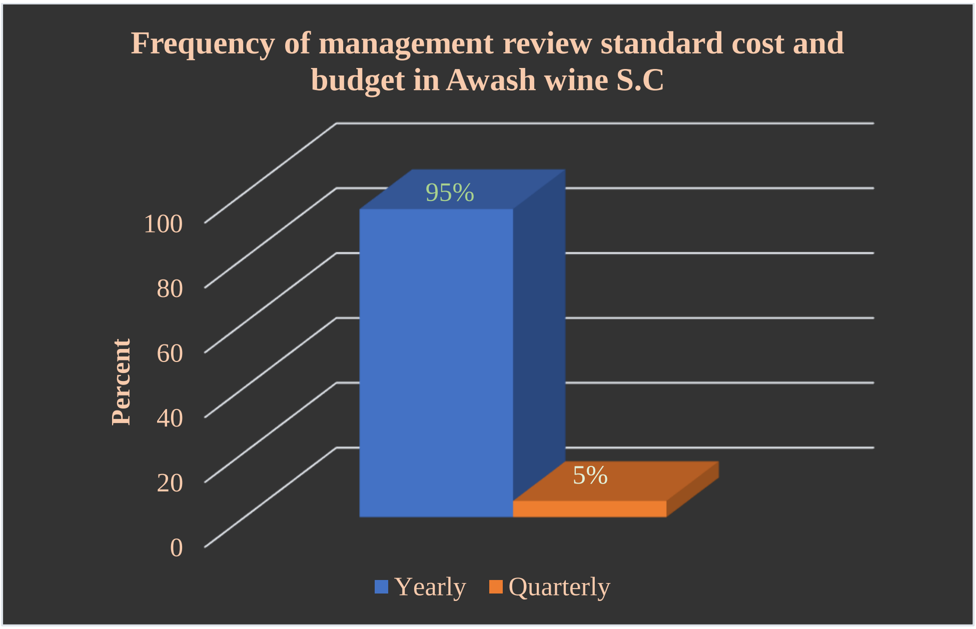
Source: case study outcomes

From findings of questioners 82.50% respondent's responses said that standard costing, budgetary control, and quality cost control used as a cost control tool. 2.50% respondent's said target costing used as a cost control tool. 5% of respondent's responses budgetary control used as a cost control tool. 5% of respondent's responses said that standard cost control used as cost control tool. As a result of questioner, document observation and interviewing top management the company used standard costing, budgetary control and quality cost control as a cost control tool and not used target costing as cost control tool.

4.3.3 Management Review Standard Cost and Budget

Under this section to evaluate how frequently management review standard cost and budgeted cost for cost reduction and control practice in the awash wine S.C? the researcher used both interview, questioners, and document observation. The data is as presented in the Figure 4.1.

Figure 4-1: Standard Cost and Budget Management Review Frequency(N=40)



Source: case study outcomes

From findings of questioners 95% respondent's responses said that yearly standard cost and budgeted costs review in the company and 5% respondent's responses said that quarterly standard cost and budgeted costs review in the company. As a result of questioner and interviewing top management and observing report of the company standard cost and budgeted cost review yearly. This implies the standard cost and budgetary cost reviewed yearly uses for setting standard cost and budget and to evaluate management performance.

The main objective of using standard cost and budgetary cost is control and minimized cost of production but the absence of periodic review of standard cost and budgetary cost hinder to meet the company's main objective.

The absence of periodic review budgetary cost (actual cost) and standard cost result in a huge difference or variance between budgeted cost (standard cost) and actual costs. If there were periodic review of these cost control and cost reduction techniques and tools, it's possible to take remedial action timely.

Although the company uses cost reduction and control techniques and tools such as standard cost and budgetary cost. It is not achieving its main objective that cost reduction and cost control tools and techniques. of production cost.

4.3.4 Responsible for setting standards cost in the company.

Under this section to evaluate who is responsible for setting standards cost in this organization? the researcher used both interview and questioners. The data is as presented in the Table 4.4.

Table 4.4 Responsible for setting standards cost in this company

		Frequency	Percent
Responsible for setting standards cost in the company.	Finance & Production department	32	80%
	All	1	3%
	Personnel and department heads	2	5%
	Production department	3	8%
	Finance department	2	5%
	Total	40	100.0

Source: case study outcomes

From findings of questioners 80% respondent's responses said that finance and production setting standards cost in the company. 3% respondent's responses said that finance, production, personnel, and department heads setting standards cost in the company. 5% respondent's responses said that personnel and department heads setting standards cost in the company.8% respondents responded said that production department setting standards cost in the company and 2% respondents said that finance department setting standards cost in the company as a result of questioner and interviewing all department head (top management) setting standards cost in the company (by production and finance department.)

4.3.5 Cost management practices for reducing and controlling manufacturing cost and improving performance.

Under this section to assess cost management practices for reducing and controlling manufacturing cost and improving performance in Awash wine S.C, different questions were given for 40 respondents and the data is as presented in the Table 4.5.

Table 4.5 Cost management practices for reducing and controlling manufacturing costs and improving performance. (N=40)

Cost Management Practices:	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
Cost management practices applied in this company are effective to enhance the profitability of the organization.	2.5	77.5	5	15		2.33	0.764
Management exercises cost reduction and control tools and techniques in managerial decision making	-	7.5	-	90	2.5	3.88	0.563
The company efficiently uses cost reduction and control techniques to measure performance	-	75	-	12.5	12.5	2.13	0.791
Cost management practices have a significant on the profit margin of the organization	-	5	2.5	60	32.5	4.2	0.723
The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.	-	5	-	42.5	52.5	4.43	0.747
The cost management 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.	2.5	5	15	75	2.5	3.7	0.723
Average Mean and Std. Devation						3.445	0.7185

Source: Researcher computation-based case study questionnaire result

Cost management practices are concerned with the analysis and the information used in order to assist managers in decision making and managerial control. As indicated in table 4-5 the mean value 3.445 of the response computed based on Likert scale indicated the agreement of respondents on benefit of cost management practices.

When respondents asked whether Cost management practices applied in this company are effective to enhance the profit of the organization or not, they replied 2.5% strongly disagree, 77.5% disagree, 5% neutral and 15% agreed. Producing a mean of 2.33 and standard deviation of 0.764. The standard deviation of the respondents revealed that there is less variability on the responses. The respondents' responses indicated that 80% (2.5% strongly disagree and 77.5% disagree) this implied 80% of respondents disagreed with cost management practices effective to enhances the profit of organization this reelects in the awash wine SC cost management practice not effective to enhance the profit of the company. The mean results also indicated that the not existence of relationship between cost management practice and profitability. This situation supports the studies conducted by Oyadonghan and Ramond (2014) who stated that there is a positive relationship between cost management and profitability. Siyanbola and Raji (2013) founds that cost control has a positive effect on business profitability. However, this is contrary with the views provided Adelek (2014) who discovered that there is no relation between cost management and companies' profitability. Therefore, the relationship between cost management practice and firms' profitability is still a debatable issue and there is no consensus among researchers.

When respondents asked whether management exercises cost reduction and control tools and techniques in managerial decision making or not. they replied 7.5% disagree, all most 92 % (90% agree and 2.5 % strongly agree) and producing mean value 3.8800 with a standard deviation of 0.5630. This implied that majority of respondents agreed cost management practices can help managers for decision making process.

When respondents asked whether the company efficiently uses cost reduction and control techniques to measure performance or not, they replied 75% disagree, 25% (12.50% agree and 12.50% strongly agree) of respondents and producing the lowest mean value 2.1300 with a standard deviation 0.790. This implied that majority of the respondents disagreed on the company efficiently uses cost reduction and control techniques to measure performance.

When respondents asked whether Cost management practices have a significant on the profit margin of the organization or not, they replied 5% disagree, 2.5% neutral and 92.5% (60% agree and 32.50% strongly agree) of respondents and producing mean value 4.2 with a standard deviation of 0.723. This implied that majority of respondents agreed cost management practices have a significant on the profit margin of the organization.

When respondents asked whether the company has utilized cost reduction and control tools and techniques policy to attain its maximal target or not, they replied 5% disagree and 95% (42.5% agree and 52.50% strongly agree) of respondents and producing mean value 4.43 with a standard deviation of 0. 747.This implied that majority of respondents agreed the company has utilized cost reduction and control tools and techniques policy to attain its maximal target of the organization.

When respondents asked whether the cost management 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 or not, they replied 2.5% strongly disagree, 5% disagree, 15% neutral and 77.50% (75% agree and 2.50% strongly agree) of respondents and producing mean value 3.7 with a standard deviation of 0.723. This implied that majority of respondents agreed the cost management 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 of the organization.

To sum up, as the study result reveals even though the relationship between cost management practice and firms' profitability is still a debatable issue as different researchers' arguments stated above under this section, applying cost management practices in manufacturing companies have benefits for managerial decision-making process, to achieve managerial intended performance target and measure performances, to reduce product cost without affecting the quality. The study also indicated that cost management practice influence on the profit margin of the company.

4.3.6 The benefits associated with the application of cost reduction and control tools and techniques.

Under this section to assess the benefits associated with the application of cost reduction and control tools and techniques in Awash wine S.C, different questions were given for 40 respondents and the data is as presented in the Table 4.6 ,4.7 and 4.8 Budgetary cost control, standard costing, and product quality control, respectively.

4.3.6.1 Budgetary cost

The purpose of budgetary control is to help managers plan and control the use of resources in systematic and reasonable manner to ensure that they achieve their financial objectives, that is profit maximization. Budgetary control is a system whereby the budgets are used as a tool for planning and controlling. The efficient use of resource to accomplish formerly set objectives contained with plan is called budgetary control (Lucy,1996 as cited in Akeem, 2014). As indicated in table 4-6 the mean value of the response computed based on Likert scale indicated the strong agreement of respondents on existence and practice of each element of benefit of budgetary control. The overall mean of benefit of budgetary control indicated at high mean value of 3.8775 implied overall respondents' agreement on the benefit of budgetary control on cost control and reduction of manufacturing costs.

Table 4.6 Budgetary Cost Control. (N=40)

Budgetary Cost control:	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
The company has a good budgeting process that can effectively control costs.	2.50	62.50	-	30.00	5.00	2.7300	1.0860
The company budgeting process helped enhance profitability.	-	2.50	-	95.00	2.50	3.9800	0.3570
In this company budgetary control system serves as a tool to estimate costs.	-	-	-	45.00	55.00	4.5500	0.5040
In the organization budgetary control used as effective cost control tool and it served to measure performance.	-	7.50	-	92.50	-	3.8500	0.5330
Budgetary control helps to motivate employees and to enhance productivity.	2.50	2.50	-	92.50	2.50	3.9000	0.5910
Budgetary cost control serves to establish manufacturing cost budget in each operation function or departments related to manufacturing operation	-	-	-	90.00	10.00	4.1000	0.3040
The Management of the company communicates budget in decision – Making	2.50	2.50	-	85.00	10.00	3.9800	0.6600
Helpful to creates cost control awareness among department representatives.	2.50	5.00	0.00	82.50	10.00	3.9300	0.7300
Average Mean and Std. Devation						3.8775	0.5956

Source: Researcher computation-based case study questionnaire result

When respondents asked whether the company has a good budgeting process that can effectively control costs or not. they replied 65 % (2.50% disagree and 65.50 % strongly disagree), 35% (30% agree and 5% strongly agree) and producing mean value 2.73 with a standard deviation of 1. 0860.This implied that majority of respondents strongly disagree the good budgeting process that can effectively control costs.

When respondents asked whether the company budgeting process helped enhance profitability or not. They replied 2.50% disagree, 97.50 % (95% agree and 2.50% strongly agree), and producing mean value 3.98 with a standard deviation of 0. 35705.This implied that majority of respondents strongly agree the company budgeting process helped enhance profitability.

When respondents asked whether in this company budgetary control system serves as a tool to estimate costs or not. They replied 100 % (45% agree and 55% strongly agree) and producing mean value 4.55 with a standard deviation of 0. 5040.This implied that majority of respondents strongly agree the company budgetary control system serves as a tool to estimate costs.

When respondents asked whether in the organization budgetary control used as effective cost control tool and it served to measure performance or not. They replied 7.50% disagree, 92.50% agree, and producing mean value 3.8500 with a standard deviation of 0. 5330.This implied that majority of respondents agree in the organization budgetary control used as effective cost control tool and it served to measure performance

When respondents asked whether in the budgetary control helps to motivate employees and to enhance productivity or not. They replied 5% (2.50% strongly disagree and 2.50 disagree) 95% (92.50 agree and 2.50 strongly agree and producing mean value 3.9000with a standard deviation of 0. 5910.This implied that majority of respondents agree in the organization budgetary control helps to motivate employees and to enhance productivity.

When respondents asked whether in the budgetary cost control serves to establish manufacturing cost budget in each operation function or departments related to manufacturing operation or not. They replied 100% (90% agree and 10% strongly agree) and producing mean value 4.1000 with a standard deviation of 0. 3040.This implied that majority of respondents agree in the organization budgetary cost control serves to establish manufacturing cost budget in each operation function or departments related to manufacturing operation.

When respondents asked whether the management of the company communicates budget in decision – Making or not. They replied 5% (2.50% strongly disagree and 2.50 disagree), 95% (85 % agree and 10% strongly agree) and producing mean value 3.9800 with a standard deviation of 0. 6600.This implied that majority of respondents agree the management of the company communicates budget in decision – Making.

When respondents asked whether in the organization helpful to creates cost control awareness among department representatives or not. They replied 7.50% (2.50% strongly disagree and 5% disagree), 92.50% (82.50 % agree and 10% strongly agree) and producing mean value 3.93 with a standard deviation of .73. This implied that majority of respondents agree in the organization helpful to creates cost control awareness among department representatives. The sum up result, overall respondents agree on the benefit of budgetary control on cost control and reduction of manufacturing costs.

Table 4.7 Standard Costing. (N=40)

Standard Costing:	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
All organization department representative participates in setting standard costs of goods.	-	92.50	2.50	5.00	-	2.1300	0.4630
The company uses standard costing for establishing yardstick in exercising control.	-	5	-	87.50	7.50	3.9800	0.5300
Standard costing facilitates in setting budgets		2.50	-	95.00	2.50	3.9800	0.3570
Standard costing useful in evaluating managerial performance.	-	2.50	7.50	80.00	10.00	3.9800	0.5300
Standard cost of the company is helpful in decision making by providing forecast of future cost.	2.50	-	5.00	60.00	32.50	4.2000	0.7580
Standard costing facilitates delegation of authority and fixation of responsibility.	-	-	-	62.50	37.50	4.3800	0.4900
Average Mean and Std.Devation						3.7750	0.5213

Source: Researcher computation-based case study questionnaire result

When respondents asked whether in the organization all organization department representative participates in setting standard costs of goods or not. They replied 92.50% disagree, 2.5% neutral and 5% agree and producing mean value 2.13 with a standard deviation of 0.04. This implied that majority of respondents disagree in the organization all organization department representative participates in setting standard costs of goods.

When respondents asked whether in the company uses standard costing for establishing yardstick in exercising control or not. They replied 5% disagree, 95% (87.50% agree and 7.5% strongly agree) and producing mean value 3.9800with a standard deviation of 0.53. This implied that majority of respondents agree in the company uses standard costing for establishing yardstick in exercising control.

When respondents asked whether in the company standard costing facilitates in setting budgets or not. They replied 2.5% disagree, 97.5% (95% agree and 2.5% strongly agree) and producing mean value 3.9800 with a standard deviation of 0.3570. This implied that majority of respondents agree in the company standard costing facilitates in setting budgets.

When respondents asked whether in the company standard costing useful in evaluating managerial performance or not. They replied 2.5% disagree, 7.5% neutral, 90% (80% agree and 10% strongly agree) and producing mean value 3.98 with a standard deviation of 0.53. This implied that majority of respondents agree standard costing useful in evaluating managerial performance

When respondents asked whether in the company standard cost of the company is helpful in decision making by providing forecast of future cost or not. They replied 2.5% strongly disagree, 5% neutral, 92.50% (60% agree and 32.50% strongly agree) and producing mean value 4.200 with a standard deviation of 0.7580. This implied that majority of respondents agree company standard cost of the company is helpful in decision making by providing forecast of future cost.

When respondents asked whether in the company standard costing facilitates delegation of authority and fixation of responsibility or not. They replied 100% (62.50% agree and 37.50% strongly agree) and producing mean value 4.3800 with a standard deviation of 04900. This implied that majority of respondents agree standard costing facilitates delegation of authority and fixation of responsibility. The sum up result, overall respondents agree on the benefit of standard cost control on cost control and reduction of manufacturing costs.

Table 4.8 Product Quality Control. (N=40)

Product Quality Control:	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
The company quality control method is effective because it enables to decrease defect products and increase productivity.	35.00	2.50	-	55.00	7.50	2.9800	1.5270
The quality control method of the company enables to reduce the cost of inspection.	-	-	2.50	97.50	0.00	3.9800	0.1580
The Quality control method of the company enables to reduce rejection cost	-	2.50	-	82.50	15.00	4.1000	0.4960
Material quality control system of the company used as a cost control tool for decreasing material cost by avoiding wastages.	-	-		60.00	40.00	4.4000	0.4960
Material quality control techniques of the company used as a cost control tool by avoiding scrapes and therefore manufacturing cost decreased	-	-	-	62.50	37.50	4.3800	0.4900
The company's quality control enables to produce quality products, and this enhance the market share of the company	-	-	2.50	52.50	45.00	4.4300	0.5490
Average Mean and Std.Devation						4.0450	0.6193

Source: Researcher computation-based case study questionnaire result

When respondents asked whether in the company quality control method is effective because it enables to decrease defect products and increase productivity or not. They replied 37.50% (35% strongly disagree and 2.50 disagree), 65.50% (55% agree and 7.50% strongly agree) and producing mean value 2.9800 with a standard deviation of 1.5270. This implied that majority of respondents agree quality control method is effective because it enables to decrease defect products and increase productivity.

When respondents asked whether the quality control method of the company enables to reduce the cost of inspection or not. They replied 2.50% neutral, 97.50 % agree and producing mean value 3.98 with a standard deviation of 0.16580. This implied that majority of respondents agree the quality control method of the company enables to reduce the cost of inspection.

When respondents asked whether the quality control method of the company enables to reduce rejection cost or not. They replied 2.50% disagree, 97.50% (82.80% agree and 15% strongly agree) and producing mean value 4.1000 with a standard deviation of 0.4960. This implied that majority of respondents agree the quality control method of the company enables to reduce rejection cost.

When respondents asked whether the material quality control system of the company used as a cost control tool for decreasing material cost by avoiding wastages or not. They replied 100% (60% agree and 40% strongly agree) and producing mean value 4.4000 with a standard deviation of 0.4960. This implied that majority of respondents agree the material quality control system of the company used as a cost control tool for decreasing material cost by avoiding wastages.

When respondents asked whether the Material quality control techniques of the company used as a cost control tool by avoiding scrapes and therefore manufacturing cost decreased or not. They replied 100% (65.50% agree and 37.50% strongly agree) and producing mean value 4.3800 with a standard deviation of 0.4900. This implied that majority of respondents agree the material quality control techniques of the company used as a cost control tool by avoiding scrapes and therefore manufacturing cost decreased.

When respondents asked whether the company's quality control enables to produce quality products, and this enhance the market share of the company or not. They replied 2.50 % neutral, 97.50% (52.50% agree and 45% strongly agree) and producing mean value 4.43 with a standard deviation of 0.5490. This implied that majority of respondents agree the company's quality control enables to produce quality products and this enhance the market share of the company. The sum up result, overall respondents agree on the benefit of quality control on cost control and reduction of manufacturing costs.

4.3.7 Employee involvement in cost reduction and control practice.

Under this section to assess Employee involvement in cost reduction and control practice in Awash wine S.C, different questions were given for 40 respondents and the data is as presented in the Table 4.9.

Table 4.9. Employee involvement in cost reduction and control practice. (N=40)

Employee involvement:	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
Employees participates in budget preparation and standard setting.	17.50	75.00	-	5.00	2.50	2.0000	0.7840
Training given by the company to upgrade the skill of the employees enhances employee's skill and this resulted to increase productivity.	5.00	-	-	55.00	40.00	4.2500	0.8990
Trained employees are helpful in reducing labor cost of the company.	2.50	2.50	-	85.00	10.00	3.9800	0.6600
Trained labor assists to enhance the product quality.	2.50	2.50	2.50	75.00	17.50	4.0300	0.7330
Trained labor assists to reduce material wastage and this reduces material cost.	-	-	-	50.00	50.00	4.5000	0.5060
Skilled labor in the company produces quality products this in turn inspection cost decreased	-	-	-	55.00	45.00	4.4500	0.5040
Incentives by the company is useful to motivate employees and enhance staff morale to increase productivity.	2.50	-	2.50	22.50	72.50	4.6300	0.7740
Job rotation in the company is helpful for employees easily train, motivate, and enhance productivity.	2.50	-	-	80.00	17.50	4.1000	0.6320
Average Mean and Std.Devation						3.9925	0.6865

Source: Researcher computation based case study questionnaire result

When respondents asked whether in the company employees participates in budget preparation and standard setting or not. They replied 92.50% (17.50% strongly disagree and 75% disagree), 7.50% (5% agree and 2.50% strongly agree) and producing mean value 2.0000 with a standard deviation of 0.7840. This implied that majority of respondents disagree the company employees participates in budget preparation and standard setting.

When respondents asked whether the training given by the company to upgrade the skill of the employees enhances employee's skill and this resulted to increase productivity or not. They replied 5%strongly disagree, 95% (55% agree and 40% strongly agree) and producing mean value 4.2500 with a standard deviation of 08990. This implied that majority of respondents agree training given by the company to upgrade the skill of the employees enhances employee's skill and this resulted to increase productivity

When respondents asked whether trained employees are helpful in reducing labor cost of the company or not. They replied 5% (2.50% strongly disagree and 2.50% disagree), 95% (85% agree and 10% strongly agree) and producing mean value 3.9800 with a standard deviation of 0.6600. This implied that majority of respondents agree trained employees are helpful in reducing labor cost of the company.

When respondents asked whether trained labor assists to enhance the product quality or not. They replied 5% (2.50% strongly disagree and 2.50 disagree), 2.50% neutral. 92.50% (75% agree and 17.50% strongly agree) and producing mean value 4.0300 with a standard deviation of 0.7330. This implied that majority of respondents agree trained labor assists to enhance the product quality.

When respondents asked whether trained labor assists to reduce material wastage and this reduces material cost or not. They replied 100% (50% agree and 50% strongly agree) and producing mean value 4.5000 with a standard deviation of 0.5060. This implied that all respondents agree trained labor assists to reduce material wastage, and this reduces material cost.

When respondents asked whether skilled labor in the company produces quality products this in turn inspection cost decreased or not. They replied 100% (55% agree and 45% strongly agree) and producing mean value 4.45 with a standard deviation of 0.5040. This implied that all respondents agree skilled labor in the company produces quality products this in turn inspection cost decreased.

When respondents asked whether incentives by the company is useful to motivate employees and enhance staff morale to increase productivity or not. They replied 2.50% strongly disagree, 2.50 neutral, 95% (22.50% agree and 72.50% strongly agree and producing mean value 4.63 with a standard deviation of 0.7740. This implied that majority of respondents agree incentives by the company is useful to motivate employees and enhance staff morale to increase productivity.

When respondents asked whether in the company job rotation in the company is helpful for employees easily train, motivate, and enhance productivity or not. They replied 2.50% strongly disagree, 97.50% (80% agree and 17.50% strongly agree) and producing mean value 4.1 with a standard deviation of .6320. This implied that majority of respondents agree company job rotation in the company is helpful for employees easily train, motivate, and enhance productivity. The sum up result, except employees participates in budget preparation and standard setting, overall respondents agree on the benefit of employee involvement in cost reduction and control practices in manufacturing company.

4.3.8 The benefit of responsibility accounting in cost budgeting and cost controlling.

Under this section to assess the benefit of responsibility accounting in cost budgeting and cost controlling in Awash wine S.C, different questions were given for 40 respondents and the data is as presented in the Table 4.10.

Table 4.10 The benefit of responsibility accounting in cost budgeting and cost controlling. (N=40)

Benefit of responsibility accounting	Respondents Response in Percentage					Mean	Std. Deviation
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
The accounting system of the company clearly defines the responsibilities and obligation of each department in order to measure their performance.	2.50	0.00	-	87.50	10.00	4.0250	0.5768
The accounting system is helpful to regularly report report variances of budge and actual cost to measure management performance as a control device.	2.50	2.50	-	52.50	42.50	4.3000	0.8228
The accounting system is used as a control device.	2.50	-		60.00	37.50	4.3000	0.7232
Information released from accounting system of the company helps managers to know whether the company goals achieved or not.	-	-	-	52.50	47.50	4.4750	0.5057
The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance	-	-	-	67.50	32.50	4.3250	0.4743
The accounting records of the company hold detailed report that shows actual cost incurred in each department and this assisted managers for the preparation of department budget.			2.50	60.00	37.50	4.3500	0.5335
Responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information.	-	2.50	-	75.00	22.50	4.1750	0.5495
Average Mean and Std.Devation						4.2786	0.5980

Source: Researcher computation-based case study questionnaire result

When respondents asked whether in the company the accounting system of the company clearly defines the responsibilities and obligation of each department in order to measure their performance or not. They replied 2.50% strongly disagree, 97.50% (87.50% agree and 10% strongly agree) and producing mean value 4.0250 with a standard deviation of 0.5768. This implied that majority of respondents agree the accounting system of the company clearly defines the responsibilities and obligation of each department in order to measure their performance.

When respondents asked whether in the company the accounting system is helpful to regularly report variances of budge and actual cost to measure management performance as a control device or not. They replied 5% (2.50% strongly disagree and 2.50 disagree), 95% (52.50% agree and 42.50% strongly agree) and producing mean value 4.3000 with a standard deviation of 0.8228. This implied that majority of respondents agree in the company the accounting system is helpful to regularly report variances of budge and actual cost to measure management performance as a control device.

When respondents asked whether in the company the accounting system is used as a control device or not. They replied 2.50% strongly disagree, 97.50% (60% agree and 37.50% strongly agree) and producing mean value 4.3000 with a standard deviation of 4.3000. This implied that majority of respondents agree the company accounting system is used as a control device.

When respondents asked whether in the company information released from accounting system of the company helps managers to know whether the company goals achieved or not. They replied 100% (52.50% agree and 47.50% strongly agree) and producing mean value 4.4750 with a standard deviation of 0.5057. This implied that all of respondents agree the company information released from accounting system of the company helps managers to know whether the company goals achieved.

When respondents asked whether in the company the accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance or not. They replied 100% (67.50% agree and 32.50% strongly agree) and producing mean value 4.3250 with a standard deviation of 0.4743. This implied that all of respondents agree the company accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance.

When respondents asked whether in the company the accounting records of the company hold detailed report that shows actual cost incurred in each department and this assisted managers for the preparation of department budget or not. They replied 2.50% neutral, 97.50% (60% agree and 37.50% strongly agree) and producing mean value 4.3500 with a standard deviation of 0.5353. This implied that majority of respondents agree in the company accounting records of the company hold detailed report that shows actual cost incurred in each department and this assisted managers for the preparation of department budget.

When respondents asked whether in the company responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information or not. They replied 2.50% disagree, 97.50% (75% agree and 22.50% strongly agree) and producing mean value 4.1750 with a standard deviation of 0.5495. This implied that majority of respondents agree the company responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information. The sum up result, overall respondents agree on the benefit of responsibility accounting in cost budgeting and cost controlling in cost reduction and control practices in manufacturing company.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMANDATION

5.1 Introduction

This chapter summarizes the findings of the study as detailed in chapter four, concludes, and gives recommendations as deemed fit on assessment of cost management practices in reducing and controlling manufacturing costs at Awash Wine S.C.

5.2 Summary and Findings

This study was aimed at examining the assessment of cost management practices in reducing and controlling manufacturing costs. The specific objectives of the study include to examine the extent of application of cost management practices to improve the performance of awash wine S.C; ascertaining the cost control and cost reduction tools and techniques can help the company in cost saving and profit maximization; identifying different cost management tools and techniques that help to control and reduce cost to the lowest minimum; examining how frequently management reviews standard cost and budget to communicate control measures in decision making; assessing the benefit of cost management practices in manufacturing companies; evaluating the benefits associated with the application of cost control and reduction tools and techniques in the manufacturing process; evaluating the importance of employees involvement in the processes of cost control and cost reduction; and assessing the benefit of responsibility accounting in cost budgeting, cost reduction and cost controlling. The study was conducted by using both primary and secondary data. The primary data for this study were collected through questionnaire, interview with top management and department managers. Secondary data were collected from documents and reports. The study conducted based on 40 employees who are member of management team, finance staff and production department staff

From ascertaining the importance of cost control and reduction tools and techniques, research result indicated that cost control tools and techniques can increase productivity, reduce cost, improve quality, and enhance market share. The study further indicated that cost control has a great help to the management of manufacturing firms towards the attainment of its objectives profit maximization. From assessing which type of cost control tool and techniques applied, the result indicated that Awash wine S.C has well defined standard cost control, budgetary cost control and quality cost control implementation to reduce and control costs and for performance evaluation purpose. However, Awash wine S.C doesn't apply target costing in its cost control and reduction schemes.

From examining how frequently standard cost and budget reviewed to communicate control measures in decision making, it was founding that Awash wine S.C reviews standard costs and budget annually to realize any problem on the process and implementation as well as any deviation from the set targets. Reviewing regularly cost control tools and techniques is helpful in order to correct any deviation happened, annually reviews of standard and budget cost is not good for the Awash wine share company because I saw the document huge variance between standard cost and actual performance this implies the company not properly measure the performance of the company also implies the company have tools and but not applied properly.

From examining the benefit of cost management practice in manufacturing companies, the research study discovered that Awash wine S. C's cost management practices are helpful for managerial decision-making process, helped to achieve the intended target by enhancing profitability and measuring performances. The study results also indicated that cost management practice has an influence on the profit margin of the company. It further indicated that cost management practices are important for managing product costs. Product costs can be effectively managed and reduced without affecting the quality of the product.

For examining how top managers support in the application of cost management practices to improve the performance of their company, various research questions employed, and the result indicated that there is a top management support at Awash wine S.C to reduce and control manufacturing costs. According to the research results top management of Awash wine S.C set standards for each cost elements, prepare cost budgets, apply various types of cost reduction and control tools and techniques and measures performances. However, in order to set standard costs Awash wine S.C uses past historical data approach. The disadvantage of this approach is that past efficiency may include in current standard costs. The research also indicated that standard costs set for each unit manufacturing costs by taking actual material, labor, and overhead costs of previous month instead of engineering studies for each item. According to research results, standard costs and cost budget are prepared by top management and department representatives. However, employees do not participate in budget preparation. Budgetary control has a direct effect on performance, but budgetary participation affects performance directly and negatively. About product costing system the study result indicated that Awash wine S.C applies traditional costing method. However, this method starts from actual product cost. Traditional costing method did not allow the company to see the market and it reduce completeness.

In evaluating the benefit drive from the application of cost reduction and control tools and techniques, the research study indicated that Awash wine S.C budgetary cost control can effectively control costs, measures performance, enhance profitability, used as a tool to estimate costs and helps for decision making. The result also indicated that the standard cost control of Awash wine S.C helps for setting product costs, to establish yardstick for exercise control and measure performance, serves as a bases for setting budgets and for managerial decision. It is known that budget and standards in itself will not help for any purpose in cost control unless it embarked on budgetary control and standard costing control which are the monitory aspects of standards and budgets. According to the study result, quality cost control is the other technique which in Awash wine SC applies. Awash wine S.C uses quality cost control as a cost control technique to prevent defect products, to reduce wastage of materials and reduce inspection costs. The research also indicated that the company doesn’t apply target costing in its cost control and reduction schemes.

However, target costing system avoids non-value-added costs from production line and enhance market share. Target costing is a cost reduction tool to minimalize cost and maximize profit.

From assessing the usefulness of employee's involvement in reducing and controlling costs, the study result indicated that motivation, incentives and job rotation can enhance the productivity of employees, decreases wastage, enhance quality and reduce labor costs. Job rotation increases employees' skill and enhance productivity. The result also indicated that training is useful to upgrade employees' skill. It further indicated that skilled employees can have a potential to improve productivity. Therefore, this study showed that employee involvement is one mechanism of reducing costs and enhancing productivity of manufacturing companies.

As to evaluating the usefulness of responsibility accounting in cost controlling and reducing manufacturing costs, the study result indicated that responsibility accounting is useful for budget preparation, budgetary control, cost control, delegation of authority and for measuring performance.

5.3 Conclusion

The purpose of the study was to assess the cost management practices in reducing and controlling manufacturing costs at Awash Wine S.C. Based on the findings of the study, the following conclusions were drawn on the five key and specific objectives of the study.

5.3.1 To examine the extent of application of cost management practices to improve the performance of awash wine S.C.

5.3.2 To identify different cost management tools and techniques that help to control and reduce cost to the lowest minimum.

5.3.3 To examine how frequently management reviews standard cost and budget to communicate control measures in decision making.

5.3.4 To evaluate the importance of employees' involvement in the process of cost control and cost reduction; and

5.3.5 To assesses the benefit of responsibility accounting in cost budgeting, cost reduction and cost controlling.

The purpose of this research is examining the application of cost management in reducing and controlling manufacturing costs. In manufacturing companies, the major cost elements are direct material cost, direct labor cost, manufacturing overhead costs which are grouped under manufacturing costs. Controlling and reducing manufacturing costs can be seen from the viewpoint of material utilization, labor utilization, wastage elimination and supervision of costs incurred in the course of production. All these helps to enhance the earnings of business entity.

Cost management practices of reducing and controlling manufacturing costs require top management support, employees' involvement, responsibility accounting and different cost control tools and techniques. Without top management support cost management practices cannot be set up. Manufacturing company managers regularly establish cost standards, prepare cost budget, review budgets and standards, evaluate deviations and measure performances.

Since the ultimate goal of a company is making profit, cost management practices enable to achieve the target. Manufacturing companies may prefer and use tools and techniques like value analysis and value engineering, quality control, budgetary control, standard costing system and target costing for the purpose of cost reduction and control.

Employee involvement is helpful in reducing and controlling costs of the company. Motivation, incentives and job rotation can enhance the productivity of employees and reduces manufacturing labor costs. Responsibility accounting is important cost information center which help for setting standards, preparing budget, measuring performances and to assist managers for managerial control and decision making. Hence, responsibility accounting is a prerequisite for ensuring effective cost control and reduction in actual data collection from responsibility centers, analysis of cost data, budgetary control, and supervision. However, according to the result Awash wine S.C using traditional criterion in responsibility accounting system.

With the use of cost control and reduction measures such as standard cost control, budgetary control, responsibility accounting, employee involvement the company has been able to control and reduce costs, enhance profitability, and measure performance. Cost management practices provide information, which aids the management of the firm in making decisions concerning business operations.

5.4 Recommendation

- ✓ The main factor of decreasing the competitive of Ethiopian manufacturing industries is their manufacturing cost management system. Awash wine S.C as a manufacturing firm its cost management system should be designed to help the company's operation and strategy and should provide reliable targets for managerial attention.

- ✓ Without any active support of top management of a company cost management practice cannot be successful set-up. Awash wine S.C top managements should support and sustain their leadership commitment to control and reduce manufacturing cost and take an active role in all cost management activities.

- ✓ The common challenge that hampers manufacturing industry's profitability is input cost increase. Effective material utilization, wastage elimination, elimination of idle time, efficient utilization of labor in the production process, skilled manpower, training, introduction of incentives schemes that favor high productivity, eliminating non-value-added activities will help to reduce costs and enhance profitability. Therefore, the study recommends Awash wine S. C's top management to watch regularly its cost management system to control and reduce manufacturing cost elements to become profitable.
- ✓ The winery industry is led by fixed unit selling price. As result, Awash wine SC is price taker in the market. As result, top management of Awash wine SC should give better emphasis for effective cost management practice to become profitable and competitive in the market;
- ✓ The company currently set standards based on historical method. In setting product cost standards, manufacturing companies must apply engineering method rather than historical methods. Because in engineering method each operation is studied thoroughly based on 56 careful specifications of material, labor, and overhead costs. Therefore, Awash wine SC should set its standard costs based on engineering method.

- ✓ Setting standard cost and cost budget in Awash wine SC is limited to top management and departmental managers. However, all employees should participate and be aware of how much and why standards cost, cost budget, and its objective. These are the key performance indicators to know each employees' role and measure their contributions against the result achieved.

- ✓ Employees are the most important asset in any organization. No matter how educated and experienced, employees need a continuous training for operational improvement in some specific issues they are working around. Hence, Awash wine SC should consider a continuous employees training to efficiently utilize and increase their knowledge, performance and to become competitive in winery market.

- ✓ Awash wine SC uses traditional cost system, but traditional cost systems may provide information that is distorted, too exaggerated, and too late to be used in reducing cost or providing productivity and market projection. Target costing system provides accurate and recent market information in order to manage costs relative to the prices the market allows and to achieve sufficient margin over its costs. Therefore, to overcome the problems arising because of implementing traditional costing system, Awash wine SC should use target costing techniques as a means to reduce its product cost and become competitive in the industry.

- ✓ Responsibility accounting is a management control system based on the principles of delegating and locating responsibility. Manufacturing companies should have responsibility accounting to evaluate the performance of each functional department to assists managers for managerial control and decision making.

- ✓ More research studies should be conducted to understand the importance of cost management practice and its effects on manufacturing firms performance

Appendix I

Budget process flow charet

INPUT	PROCESS STEPS	OUTPUT	RESPO.
Historical data & Market Research Information	Sales Forecast	Sales Targets	Marketing, Sales & Distribution
Received Targets	EXCOM Reviewing of Targets,	Reviewed Targets	CEO
Sales Targets, FG Policy and Cellar & Bottling Line capacity	Production Plan Preparation	Production Plan	Lideta & Mekanissa Production Teams
Prodn. Plan & Recipe	Preparing Material Requirement Plan	RM & PM Plan	**SCM**
RM & PM Plan	RM & PM Ordering Plan	Ordering Plan	SCM
RM & PM Ordering Plan	Preparing RM & PM Cost	RM & PM Cost	SCM
Draft Plan Document	Draft Plan Review	1st Approval	CEO
	Approval, (No / Yes)	Approved Plan Document	
Approved Plan Document	Preparing Financial Statements	Draft Financial Plan	Finance Dept.
Draft Financial Plan	EXCOM Review & Approval (No / Yes)	Reviewed and Approved first Draft Plan Document	CEO
Draft F/S Plan Document	BOD Approval, (No / Yes)	Approved Plan Document	BOD
Communicated and Implemented Plan Document	Communicating for	**Implementation & Review**	AWSC

Company source document

Appendix II

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ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FUCULTY OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

Acknowledgement to the Respondent

Dear Respondents

Here by, I would like to express my gratitude in advance for the time you share us, your Dedication and genuine cooperation to fill this questionnaire. This questionnaire designed to conduct research on the topic ASSESSEMENT of COST MANAGEMENT PRACTICE: COST REDUCTION AND CONTROL IN MANUFACTURING COMPANIES (IN THE CASE OF AWASH WINE S.C.) for the partial fulfillment of the requirement of MSc degree in Accounting & Finance. For the successful accomplishment of the study, the response of managers, supervisors and technical staffs of the manufacturing company will have pivotal role by being as valuable input for the study.

I assure you that the information obtained from this questionnaire will kept confidential and will not transferred to other parties for any other purpose. Therefore, you kindly requested. genuinely to fill these questionnaires.

Thank you for your cooperation!

Yours Sincerely,

Cost Reduction and Cost Control Concepts

Cost control and cost reduction is applications of cost reduction and control of undesirable manufacturing expenses to increase profit. There are various reduction and cost control tools and techniques in practice. Some of them are budgetary control, standard costing, target costing, quality cost control, value analysis, value engineering etc. Cost reduction aims at reducing the targeted costs whereas cost control is reducing the actual cost to the targeted amount.

The Objective of the Study

The general objective of this study is to examine and evaluate the application of cost management practices in cost reduction and cost control of manufacturing company and to improve performance.

Instructions:

- Writing your name is unnecessary.
- Put "√" mark to in each box to answer question.

Part I: Respondent Profile1. Respondent Sex Male□ Female□

2. Age in Years Below 25 □ 25-35 □ 35-50□ above 50□

3. Educational Level Diploma□ Degree □ Masters □ PhD. □ Other □

4. Organizational Hierarchy Management□ Finance □ Production □

Marketing □ Quality Cost Control □ Warehouse □

5. Year of Service Below 5 Year □ 5 - 10Years □ 10 – 15Years □ 15 – 20Years□

above 50□

Part II: Questions Related with Cost Reduction and Control Practice

There are various cost management practices in cost reduction and control in the manufacturing business operation. To reduce and control costs and enhance the profitability, management uses different cost reduction and control techniques in manufacturing business. Please answer the following question to show your company's cost reduction and control tools and techniques.

Which type of cost control tools and techniques your company uses in its cost management practice

a	Standard cost control	□
b	Budgetary control	□
c	Quality cost Control	□
d	Target costing	□
e	a&b	□
F	a, b&c	□
g	All	□

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

____

1. How Frequently your company review standard costs and budgeted cost in its cost reduction and control practice?

A	Monthly	☐
B	Quarterly	☐
C	Semi annually	☐
D	Yearly	☐
E	All	☐

2. Who is responsible for setting standards cost in this organization?

A	Finance department	☐
B	Production department	☐
C	Finance and production department	☐
D	Personnel and department heads	☐
E	All	☐

If any, specify ____

Part III: Instruction to rate respondents' approaches to cost reduction and control practice

Please rate to show your standing towards cost reduction and control practice how strongly you agree or disagree with each of the following statements by placing checkmarks (√) to the respective column as rated Strongly disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, Strongly Agree = 5.

S/N	Cost Reduction and Control Practice Statements	Possible Answers				
		1	2	3	4	5
1	Cost management practices for reducing and controlling manufacturing cost and improving performance.					
1.1	Cost management practices applied in this company are effective to enhance the profitability of the organization					
1.2	Management exercises cost reduction and control tools and techniques in managerial decision making					
1.3	The company efficiently uses cost reduction and control techniques to measure performance					
1.4	Cost management practices have a significant on the profit margin of the organization					
1.5	The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.					
1.6	The cost management 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.					
2	**The benefits associated with the application of cost reduction and control tools and techniques.**					
2.1	**Budgetary cost control**					
2.1.1	The company has a good budgeting process that can effectively control costs.					
2.1.2	The company budgeting process helped enhance profitability.					
2.1.3	In this company budgetary control system serves as a tool to estimate costs.					
2.1.4	In the organization budgetary control used as effective cost control tool and it served to measure performance.					
2.1.5	Budgetary control helps to motivate employees and to enhance productivity.					
2.1.6	Budgetary cost control serves to establish manufacturing cost budget in each operation function or departments related to manufacturing operation					
2.1.7	The Management of the company communicates budget in decision - Making					
2.1.8	Helpful to creates cost control awareness among department representatives.					
2.2	Standard costing					
2.2.1	All organization department representative participate in setting standard costs of goods and service.					
2.2.2	The company uses standard costing for establishing yardstick in exercising control.					
2.2.3	Standard costing facilitates in setting budgets					
2.2.4	Standard costing useful in evaluating managerial performance.					
2.2.5	Standard cost of the companyn is helpful in decision making by providing forecast of future cost.					
2.2.6	Standard costing facilitates delegation of authority and fixation of responsibility.					
2.3	Product quality					

2.3.1	The company quality control method is effective because it enables to decrease defect products and increase productivity.					
2.3.2	The quality control method of the company enables to reduce the cost of inspaection.					
2.3.3	The Qualiry control method of the company enables to reduce rejection cost					
2.3.4	Material qualith control system of the company used as a cost control tool for decreasing material cost by avoiding wastages.					
2.3.5	Material quality control techniques of the company used as a cost control tool by avoiding scrapes and therefore manufacturing cost decreased					
2.3.6	The company's quality control enables to produce quality products and this enhance the market share of the company					
3	Employee involvement in cost reduction and control practice					
3.1	Employees participates in budget preparation and standard setting.					
3.2	Training given by the company to upgrade the skill of the employees enhances employee's skill and this redulted to increase productivity.					
3.3	Trained employees are helpful in reducing labor cost of the company.					
3.4	Trained labor assists to enhance the product quality.					
3.5	Trained labor assists to reduce material wastage and this reduces material cost.					
3.6	Skilled labor in the company produces quality products this in turn inspection cost decreased					
3.7	Incentives by the company is useful to motivate employees and enhance staff morale to increase productivity.					
3.8	Job rotation in the company is helpful for employuees easily train, motivate and enhance productivity.					
4	The benefits of responsibility accounting in cost budgeting and cost controlling					
4.1	The accounting system of the company clearly defines the responsibilities and obligation of each edepartment in order to measure their performance.					
4.2	The accounting system is helpful to regularly report report variances of budge and actual cost to measure management performance as a control device.					
4.3	The accounting system is used as a control device.					
4.4	Information released from accounting system of the company helps managers to know whether the company goals achieved or not.					
4.5	The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measurs each center performance					
4.6	The accounting records of the company hold detailed report that shows actual cost incurrednin each departments and this this assisted managers for the preparation of department budget.					
4.7	Responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information.					

INTERVIEW QUESTIONS

To examine the manufacturing cost management practice of cost reduction and cost control tools and techniques the researcher conducted interviews with top management and division. managers. The questions raised during the interview were: -

1 Do you think that cost management help to the management of manufacturing firms.

towards the achievement of its ultimate goal-profit maximization?

2 Is cost control and reduction used as a measure in facilitating corporate profitability and performance of this organization?

3 Does the company able to measure its performance by the use of cost control techniques such as standard costing, budgetary control, and responsibility accounting

4 How standard costs are set? How do you prepare the budget? Do you think that it only a top management work? Are each department or unit within the firm is responsible to prepare its part of the budget?

5) Does management communicate on budget in making decision?

6) Does cost control and reduction measures efficiently applied in the company?

7) What type of costing method used in your company? Traditional costing or market based. costing /target costing/?

9) How do you determine production cost?

9) Is budget preparation participatory?

10) Which type of cost reduction and cost control tools and techniques applied in the company?

Why?