ASSESSMENT OF COST ACCOUNTING PRACTICE IN CASE OF WOW NATURAL PURIFIED WATER PLC

A RESEARCH SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT OF BACHELOR OF ART DEGREE IN ACCOUNTING AND FINANCE

BY:-

GINBARU FIKADU

ADVISER:-

Ms. NASRYA K.



COLLAGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

AUGUST, 2021

WELKITE, ETHIOPIA

ACKNOWLEDGEMENT

First I would like to express my great thanks to almighty God. He has helped me in every aspect of my life. Next I greatly appreciate my advisor Mis Nesrya, for her support through reading of the paper, valuable comments, suggestion, and her kind full appreciation. I would like to thank my targeted group of employee of wow natural purified water who give me a genuine respond respectfully. And also greatly respect and favor my beloved parents who support me. Finally, I would like to thanks for all my friends who help me.

ABSTRACT

The study "Cost accounting practice and related challenge" was conducted on wow natural purified water Company. The main objective of the study is to assess the product costing system of the factory. This research used non probability sampling judgmental technique to take response from the respondents. The total population of the study was 5 respondents of employees of the institution. To achieve this objective, both primary and secondary data sources were used. Primary data were obtained using in-depth interview and questionnaires whereas secondary data were obtained from annuals, records, and financial statements of the factory. The result of the data analysis showed that. The company uses both process costing and job order costing system. Seen a challenges of the cost accounting information in WOW natural purified water.

TABLE OF CONTENT

Content
page

ACKNOWLEDGEMENT i

ABSTRACT ii

TABLE OF CONTENT iii

LIST OF TABLE v

Acronym vi

CHAPTER ONE 1

1. INTRODUCTION 1

1.1. Back ground of the study 1

1.2. Background of the organization 2

1.3. Statement of the problem 2

1.4. Research Question 2

1.5. Objective of the study 3

1.5.1. General objective 3

1.5.2. Specific objective 3

1.6. Significance of the study 3

1.7. Scope of the study 3

1.8. Limitation of the study 3

1.9. Organization of paper 4

CHAPTER TWO 5

2. LITERATURE REVIEW 5

2.1. Theoretical review 5

2.1.1 Definition of cost accounting practice 5

2.2 Classification of costs 6

2.2.1 Cost in their relation to the production. 6

2.2.2 Cost in their relation to manufacturing department 7

2.3. Costing system 7

2.3.1. Job order costing system 7

2.3.2 Process costing system 8

2.4. Use of cost information 8
2.4.1. Advantage of Budget 8
2.5. Empirical review 9
2.6. Summary and literature gap 11
CHAPTER THREE 14
3. RESEARCH METHODOLOGY 14
3.1. Research Design 14
3.2. Source of data 14
3.3. Method of Data Collection 14
3.4. Target Population 14
3.5. Sampling method 15
3.6. Method of Data Analysis and Interpretation 15
CHAPTER FOUR 16
4. DATA ANALYSIS, PRESENTATION AND INTERPRETATION 16
4.1. Back ground of respondents 16
4.2. Subject Matter Related 19
CHAPTER FIVE 28
5. CONCLUSION AND RECOMMENDATION 28
5.1. Conclusion 28
5.2. Recommendation 28
REFERENCE 30
APPENDIX 31

LIST OF TABLE

Table 4.1.1 Sex of respondents 16
Table 4.1.2 Age of Respondent 17
Table 4.1.3 specialization of respondents 17
Table 4.1.4 Educational level of respondents 18
Table4.1.5. job position 18
Table 4.1.6.Work Experience of the respondents 19
Table 4.2.1 Efficient and Effective Utilization of Cost Accounting in the Organization 20
Table 4.2.2 proper keeping and recording of cost data in the organization 20
Table 4.2.3 the company had a properly handled cost data for the past 5 years? 21
Table 4.2.4 Does the company have skilled human resource that work on cost accounting? 21
Table 4.2.5 is there a challenge related to cost data in the organization? 22
Table 4.2.6 Does the company have effort to use cost accounting information for management decision? 22
Table 4.2.7 does the cost accounting information contributed for management decision making? 23
Table 4.2.8 is there a challenge in order to use the proper cost accounting information in the organization? 23
Table 4.2.9 prime cost for the company 24
Table 4.2.10 period of cost reporting mostly used in the organization 25

Acronym

1. PLC: - Private Liability Company.
2. E.C:- Ethiopian Calendar
3. WOW :- Logo of the organization

CHAPTER ONE

1. INTRODUCTION

1.1. Back ground of the study

In proper costing system is a very important tool for the success of any organization as well as personal financial manager. An essential system of costing is an essential factor to industries under modern conditions of business and such maybe regarded as an important part in the efforts of any management to serve business stability. In this study, attention is given to the costing practice of manufacturing company. Manufacturing means the process of converting materials in to finished goods by using raw materials, Labor, overhead cost and many types costs used in converting the raw materials in to products to be sold to customers. Thus Cost accounting is an accounting system that provides financial and nonfinancial cost related information. Cost accounting provides information for both management and financial accounting. Its measure and report the financial and non-financial information that relates to the past of acquiring or consuming resources by the organization. Product costing is the cost of direct labor, direct material, and production overhead that are used to create a product. And the purposes are for preparing financial statement, setting price and for control purpose (Horngren C.T 2003.P 129-148). Thus, cost accounting. Technological advancement and growing need of mankind has been the prime cause for today's dynamic business environment. So the need for consistent recording in business enterprises arose (Firgomark L. 1986 P. 9-17).

Despite the importance of financial reporting, management accounting and control practice is unfortunate to find that these practices are often in adequate and lacking in the organization. Except for early taxation returns and some form of profit and loss statements, other statements such as balance sheet, cash flow statement, fund statement, production report, and variance report are infrequently used. These rather limited usage of financial and management accounting reports could be attributed to

organization in ability to employ professional manager with functional specialization in the financial area due to their limited financial resource. Cost accounting system and management accounting practice could be one of the determinants of company survival particularly wow natural purified water. To ensure the contribution of water to the economy the enterprise should perform efficiently, which is effective through practicing cost accounting system and having an access to finance. Cost accounting especially for producing companies is the key factor for achieving the desired profit since cost of direct labor, direct material, and production overhead is the major expense. For this research it will attracted to study the topic to assessment of cost accounting practice and related challenge in wow natural purified water.

1.2. Background of the organization

WOW natural purified water is endowed with ideal ecology for the production of good quality natural purified water. The production of natural purified water started in 2009EC. The organization produces more than 100,000Lit natural purified water per day. And the company has 230 permanent employees of these there is 1 manager, 1 auditor, 1 cashier and 1 accountant. Its location is founded in Guraghe zone, southern region. It has distance about 180km south west of Addis Ababa.

1.3. Statement of the problem

Technological advancement and growing need of mankind has been the prime cause for today dynamic business environment. So the need for consistent recording in business enterprises arose. Cost accounting information in decision making process plays an important role for the organization. Its proper implementation creates the company good market opportunity by gaining competitive advantage among the major areas providing decision was the one that was in use in almost all for profit organization that are using cost accounting as one unit in their organizational system. Cost accounting especially for production companies is the key factor for achieving the desired profit since cost of raw materials is the major expense. In our country, as the practice of modern cost accounting is of its development phase, organizations are facing a great challenge regarding its practical uses. So the researcher's also studied the problems in practicing cost accounting in wow natural purified water. Finally, I

would identify the causes of managerial problem in the company and forward the possible solutions to address causes of problem.

1.4. Research Question

1. What type of cost accounting method is used by the company?
2. Is there proper keeping and recording of cost data?
3. How is the cost accounting information contributed for management decision making?

1.5. Objective of the study

1.5.1. General objective

The general objective of this studied would be assessing and examining the cost accounting practice of the wow natural purified water.

1.5.2. Specific objective

The following are specific objectives in line with achievement of general objectives.

1. To identify types of cost accounting method is used by the company.
2. To assess the proper keeping and recording of cost data in the organization
3. To evaluate the company effort to use cost accounting information for management decision.

1.6. Significance of the study

The research paper would have the following importance; first, the output of the study will help the organization to correct its problems and also providing information and recommendation for the company will result to improve its cost accounting system. Second, in done this research, the student researcher developed the research skill and finally, the research paper can be used as a base for further research undertakings. It may also serve the same purpose for those organizations in the same business.

1.7. Scope of the study

The studied would cover as much as possible all cost accounting practice which is focused on wow natural purified water. This study was specially design to assess the cost department of the company. This study would be delimited in the head office of the company finance administration department, purchasing department, cost accounting department.

1.8. Limitation of the study

There were so many limitations to complete the project. Difficult to inspect all aspects of the company, some respondent were unwilling to give the required information because of carelessness or intentional failure. The manager was voluntary to response the interviews.

1.9. Organization of paper

The research paper was organized in to four chapters the first chapter is the introduction part which covers general background of the organization, background of the study, statement of the problem, objective of the study, significance of the study, scope of the study and organization of the paper. While chapter two will covered over view of relate literatures, chapter three is want to show the research design and methodology, chapter four includes results and discussion. Chapter five covers the summary recommendation and conclusion.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical review

2.1.1 Definition of cost accounting practice

Cost accounting is the process of accumulating the cost of manufacturing and other functional process and identifying these costs produced or some other projects. Cost accounting is the field of accounting that measure, record and report about cost represented in the accounting system by out lays of cash, promise to pay cash in the future, the cost of increasing sales volume and cost saved from energy efficiency equipment (Ed word and Michael. 1991 page 77).

Thus the cost accounting is used to indicate the tendency of costs to make choice among the elements. This would enable to control the overall costs and help the firms to cope with prevailing competition of similar procedures especially in manufacturing organization. (Edward and Michael 1991 P. 77-78).

Cost accounting is a unique sub field of managing and financial accounting. It is applied primary to manufacturing. Organization that combine and process raw material in to finished products. (cherington. 1998 P. 23).

Management accounting is a process of identification measurement, accommodation, analysis, preparation, interpretation, and communication of financial information used by management of plane, evaluated and control within an organization to assure appropriate use of and accountability for its resources. (Cherrington, 1998.P.45).

Cost accounting provides information for management accounting and financial accounting management accounting measures and reports about financial and non-financial information that helps managers make decisions to fulfill the goal of the organization and financial accounting focus on reporting to external parties. (Horngren, 2003, p. 11). Cost accounting provides mangers with relevant cost data to assist them in operating the business effectively. The management process includes developed an

operating plan, implemented the plan, and evaluated the result of operation (Cherrington, 1998, p54).

2.2 Classification of costs

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

1. Planning profit by means of budget.

2. Controlling cost via responsibility accounting

3. Measuring annual or periodic profit including inventory costing

4. Assisting in establishing selling price and pricing policy

5. Furnishing relevant cost data for analytical processes for decision making.

2.2.1 Cost in their relation to the production.

The elements of manufacturing cost are direct material. Direct labor and factory overhead (indirect manufacturing). Direct material and direct labor costs are combined in to another classification called primary cost, and direct labor and factory overhead can be combined in to a classified called conversion cost. Representing the cost of converting direct material in to finished products (Frigo, 1986, p 10).

Direct material: are all materials that forms and integral part of finished product and that can be included directly in calculating the cost of product clued all to make automobile bodies. The case and feasibility with which the material item can be traced to the final product are major consideration in their designation as direct material. Give and facts to build furniture from part of the finished product but for costing purposes such item may be classified as in direct materials for manufacturing cost (Frigo 1986 p 10).

Direct labor: is labor applied directly to the materials. It comprises the finished products. The cost of wedge paid to skilled or unskilled workers and assignable to the particular

unit produced is termed direct labor (Frigo, 1986, p10).

Factory over head:- Defined as the cost of indirect material, indirect labor and all other manufacturing cost that cannot conveniently by charged to specific unit, job or products (Frigo, 1986, 10-11)

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

Indirect labor: - may be defined in contrast to direct labor as that labor which does not directly affect the constitution or the composition of the finished product. The term include the labor cost of supervisor shop clerks, general helper cleaner and those employees engaged on maintenance work or other service work. Not directly related to production (Cherrington, 1998, p28).

2.2.2 Cost in their relation to manufacturing department

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

Product department:-is one in which manual and machine operation is performed directly upon any part of product manufactured, more specifically, producing department are those whose cost may be charged to the product because they have contributed directly to its production. weather two or more different type of machine perform operation on product with in the same department a break down into cost center increase the accuracy of product cost (cherrington,1998,p.492).

Service department:-is not directly engaged in production but tenders a particular type of service for the benefit of others department. in some instance these service benefit of others service department as well as producing department represents a part of the total factory overhead and must be observed the cost of the product by means of the factory overhead cost (cherrington , 1996 pp,492-93).

2.3. Costing system

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

2.3.1. Job order costing system

In this system, the cost object is a unit or multiple unit of a distinct product or service called a job. Job order costing system is a type of cost system that provides for a separate record of the cost of each particular quantity of product that passes through the factory. Job order costing system is commonly used by companies with product that are unique and divisible. In this system costs are assigned to a distinct unit, batch or lot of product, or service. Job is task for which resources expended in bringing a distinct product or services to market (Cherrinqton, 1998 p 123-124).

2.3.2 Process costing system

In this costing system is used for manufacturing process which produced a single product or single mix of products continuously for an extended period of time. In this system the cost of a product or service is obtained by using broad averages to assign cost to mass of similar unites produced for general sale and not for any specific customers.

2.4. Use of cost information

Cost for planning and control

A company of information system provides the data required for the preparation and operation of budget and establishing standard costs. Budget is a quantitative expression of a proposed plan of action by management for specific period and an aid to coordinating what need to be done to implement that plan. A budget is covers financial aspects quantitative management expectation regarding income, cash, and financial position. Financial statement can be prepared for future period for example budget income statement, of cash flow and budget balance sheet.

2.4.1. Advantage of Budget

Budgets are big part of most management control system (style). Some advantages are

listed below.

1. Compare strategic planning and implementation of plane

2. Provided framework for judging performance

3. Motivates managers and employees

4. Promote coordination and communication among sub units within the company (Horngren 2003. P. 176-177).

2.5. Empirical review

This topic of the research covers topics about the findings of different researchers about cost accounting practices in different countries.

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

Alahdal et al (2016), conducted a study aimed to explain the role of cost accounting systems in the process of pricing decision-making in Yemeni industrial companies of Taiz City. The researcher has used both descriptive and analytical methods which suit

the nature of the present study which is mostly based on field work and the theoretical underpinnings. A group of previous studies related to the subject of the study have been utilized in the construction of study tools (questionnaires) which have been distributed in the industrial companies in the Taiz city, Yemen. The study targeted accounting costs, accountants, auditors and managers of financial department's in industrial companies. Data analysis through the Statistical Package for Social Sciences (SPSS) was the use of scientific statistical methods, frequencies and percentages, SMA, Standard deviation, t-test, Cronbach's alpha test. The results indicated that the cost of the accounting system applied in industrial companies provides quality accounting information; there is an impact of this information on the pricing decision-making; there are areas in which pricing decisions much depend on the information provided by the cost accounting systems. This study can contribute to the literature by providing an analysis of the role of cost information in pricing decisions within industrial companies in the Taiz city, Yemen.

According to MeksudArebo in (2003E.C) the main objective of the study was to assess the cost accounting practice of Kaliti food share Company. For the study purpose the research have collected and used primary and secondary data. The secondary data were collected and analyzed from the financial documents of the company.

The primary data were collected from interview held with the finance manager and cost accountant workers selected by judgment sampling method. In addition to these, discussion had been held with division head of cost centers. Then the conclusions reached are the following.

The current costing practice of product costing purpose components in each purpose, product costing system, cost center allocation, and cost allocation base are found at good level. However there are certain issues that should be examined by the finance department.

The company uses cost for their product pricing purpose and for preparation of their financial statements. It uses cost plus pricing approach to price their product by computing the material cost. Labor cost, overhead cost and administrative expenses

and to this adds up the desired profit percentage. This pricing approach used to fix the desired profit percentage of the company. The preparation of financial statement also used to know its net income and net loss.

Basically, the company uses both process costing and job order costing system. Costing system for products that are produced in mass production which usually pass in continuous fashion is process costing system. These costing systems accumulate costs in a particular costing center.

According to BeleteAmsal and Bethel Moges in (2006 E.C), the research paper is prepared on the title of the assessment of cost accounting practice in case of family flour factory. The scope of the study is delimited to the assessment of family flour factory's cost accounting practice. The general objective of the study is to assess cost accounting practice in the factory. The researcher would have a descriptive research design. Both qualitative and quantitative types of data are used. The sources of data for the study are both primary sources, unstructured in depth interview and questionnaire via both close ended and open ended questions, and secondary sources, from published and unpublished books which are viable for the study. A non-probability judgmental sampling techniques would be used. The target population for the study would be the factory's officers and employees those are quantitatively fifty four in number. Out of these 30% (17) employees of the factory are selected as a sample. Finally, the researcher expects to minimize the problems observed in relation to cost accounting practice and related challenge in the factory. And the research paper would serves as a benchmark for further research undertakings.

2.6. Summary and literature gap

The literature review has unfolded certain points in terms of the scope and application of cost accounting techniques. The major literature gaps are revealed as follows.

1. Cost management is one of the most significant issues in company performance and company financial management.
2. Cost control has a positive impact on organizational performance and also the style of management has a positive impact on organizational performance.

3. Decision-making can be improved through the integration of cost accounting principles for appropriate costing of products and services through the provision of accurate cost accounting information.
4. Cost reduction strategy should be embarked with emphasis on selling and distribution overhead cost and office and administrative overhead cost.
5. Organization goals such as competitive pricing and profitability cannot be reliably achieved unless industry participants possess a full understanding of their company's cost structure.
6. Most of the Activity Based Costing research was done in developed countries and very few in developing countries.

The above Literature review highlights most of the studies so far conducted are mainly discussing that are related to the different elements and aspects of cost accounting systems. Some studies also covered cost systems and techniques and others are also related to cost accounting practices, but there are no in-depth specific study has been conducted covering substantial aspects on the cost accounting practices related to Ethiopian production companies on the best knowledge of the researcher. The scanning of literatures give an indication that there exists a gap in the existing study and a study is needed that include cost accounting system of Ethiopian production companies.

Addressing the research study questions, the present study will conduct in WOW natural purified water PLC. One of the big companies in spring water in Ethiopia is a modest attempt to this direction, which throws a light on the application of cost management accounting techniques of the production sector in Ethiopia.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

To solve the main research problem and answer the research questions the studied would be used descriptive research design. The study would use descriptive design to describe the real facts in which collect about the characteristics of the company costing staff and the company's procedures of production cost determination.

3.2. Source of data

Source of data selection to conduct the study is important because the more valid the information source, the reliable would be the information receive, which leads to accounts and good communication so the organization. To conduct the study both primary and secondary source of data would be used.

- **primary source**

The primary source of data on this information gathered by the researcher. This includes questionnaires.

- **secondary source**

The secondary source of data would include different document and related reports through investigations and verification of balance related transaction based on departmental activity of the organization.

3.3. Method of Data Collection

Primary data were collected by using the questionnaires, which were prepared by both open ended and close ended questions. Secondary data were observed from the company's procedural manuals and reports.

3.4. Target Population

The target population for this study employee included: 1 Manager, 1 Accountant, 1 Auditor, 1 Casher, and 1 store keeper inside the organization. The population size or members were five (5).

3.5. Sampling method

The sample size of the study was five. They are the cost and budget department and other department related to cost accounting used for different purposes. For this study the researcher was used judgment sampling of non-probability technique.

3.6. Method of Data Analysis and Interpretation

In this section, the collected data would be presented, analyzed, and interpreted. So both quantitative and qualitative method would be used to analyze the information collected from different instruments. Qualitative data obtained using semi structured questionnaire, interview, observation, and document analysis would be analyzed qualitatively using appropriate words. For quantitative data descriptive statistics such as percentage and frequency will employee.

CHAPTER FOUR

4. DATA ANALYSIS, PRESENTATION AND INTERPRETATION

This chapter is the main part of the study, which concerns with the presentation of the finding, analysis, and discussion. The important information for the analysis is mainly collected through questionnaires from employees of the 5 employees of wow natural purified water.

This chapter consists of the responses of respondents, presentation of the data obtained from the company profile and analysis and interpretation of the data.

This chapter first presents the data analyses then present data in accordance with the objective of the study and financial interpret on the data. The research was analyzed based on the data Collection through questionnaire via close ended and open ended as stated in the methodology part. To collect relevant data questionnaires were distributed to 5employees of wow natural purified water. The questionnaires distributed to employees of wow natural purified water from the total of 5 questionnaires distributed to employees 5 of them were collected, the rest of the questionnaires are not collected since the respondents were not voluntary to fill and return it timely. Thus, based on the response obtained from sample respondents, analysis and interpretation of data are presented as follows:

4.1. Back ground of respondents

4.1.1. Sex of Respondents

Table 4.1.1 Sex of respondents

No	Sex	Frequency	Percentage
1	Male	2	40%
2	Female	3	60%
Total		5	100%

Source: questionnaire 2021

Analysis: - As shown in the above table 2(40%) of the respondents are male and 3(60%) are female. Therefore this table shows that the majority of employees in the wow natural purified water plantation were female.

Table 4.1.2 Age of Respondent

No	Age group	Frequency	Percentage
1	20-30	1	20%
2	31-40	3	60%
3	41-50	1	20%
4	Above 50	-	-
Total			100%

Source: questionnaire 2021

Analysis:- The above table shows that about 1(20%) of the respondents were at the age of 20-30 and 3(60%) of the respondents were at the age of 21-40. And 1(20%) of the respondents were at the age of 41-50 are none of the respondents were at the age of above 50. According to the table majority of the employees are young.

Table 4.1.3 specialization of respondents

No	Specialization	Frequency	Percentage
1	Accounting	4	80%
2	Management	1	20%
3	Economics	-	-
4	Others	-	-
	Total	5	100%

Source: questionnaire 2021

Analysis: - In the above table 4(80%) of the respondent were specialized in accounting. 1(20%) of respondents were management and none of them are economics and others according to the table in the wow natural purified water both in accounting and management specialization.

Table 4.1.4 Educational level of respondents

No	Level of education	Frequency	Percentage
1	Diploma	1	20%
2	First degree	4	80%
3	Master	-	-
4	Other	-	-
	Total	5	100%

Source: questionnaire 2021

Analysis: - As indicates the above table 4.1.4 from the total respondents 1(20%) were Diploma and 4(80%) are first degree there is no respondents at the level of master and others. this shows that majority of the wow natural purified water respondents were first degree.

Table4.1.5. job position

No	Job position	Frequency	Percentage
1	Finance manager	1	20(%)
2	Cashier	1	20(%)
3	Auditor	1	20(%)
4	Stock keeper	1	20(%)
5	Manager	1	20(%)
	Total	5	20(%)

Source: questionnaire 2021

Analysis: - as indicate the above table 4.1.5. From the total respondents 1(20%) were finance manager, 1(20%) were cashier, 1(20%) were auditor 1(20%) were stock keeper and 1(20%) were manager are there in the organization.

Table 4.1.6.Work Experience of the respondents

No	Work experience	Frequency	Percentage
1	12 years	1	20(%)
2	5 years	1	20(%)
3	25 years	1	20(%)
4	2 years	1	20(%)
5	3 years	1	20(%)
	Total	5	100%

Source: questionnaire 2021

Analysis: - as indicate the above table 4.1.6. From the total respondents 1(20%) has 12 years, 1(20%) has 25 years, 1(20%) has 5 years 1(20%) has 25 years and 1(20%) 25 years work experience in wow natural purified water. According to the table majority of the employees are well experienced.

4.2. Subject Matter Related

How cost accounting information utilized in the organization?

Cost accounting information is the basis for the existence of an organization. It provide information both management accounting and financial accounting.

For the management accounting, cost accounting information is provided in the company to provide information for planning, controlling, and evaluating the performance of production operation. In addition it is helpful to provide accurate cost data about products for use in pricing decision.

For financial accounting, cost accounting information is provided to collect and process the information used to calculate the inventory and cost of goods values that appear in the company's financial statement.

Table 4.2.1 Efficient and Effective Utilization of Cost Accounting in the Organization

Description	Yes		No	
	Freq	%	Freq	%
Is there Efficient and Effective Utilization of Cost Accounting in the Organization	5	100	-	-

Source: questionnaire 2021

Analysis: - From the above table 4.2.1 one can observe 5(100%) respond that, the cost accounting in the organization was effective and efficient. And none of respondents were no. From the table all respondents simply conclude there was effective and efficient cost accounting in the organizations.

Additionally, respondents who answered yes for the above question explains their reason as follows:-

- ✓ Since the cost accounting has the effective controlling practice, it is easy to be effective and efficient by the existing high standard institution.
- ✓ The company has ability to generate the expected profit by costing system.

Table 4.2.2 proper keeping and recording of cost data in the organization

Descriptive	response	Frequency	Percentage
Is there proper keeping and recording of cost data in the organization	Yes	5	100%
	No	-	-
	Total	100%	100%

Sources: questionnaire 2021

Analysis: - From the above table 4.2.2 5(100%) were yes and none of the respondent are no. Therefore all responses were yes because the organizations all activities of finance were properly recorded.

Table 4.2.3 the company had a properly handled cost data for the past 5 years?

No. 4	Description	Yes		No	
		Freq	%	Freq	%
1	Does your company have a properly handled cost data for the past 5 years?	5	100	-	-

Source; questionnaire 2021

Analysis: - From the above table 4.2.3 5 (100%) of the respondents were yes and none of the respondents are no. therefore it can conclude that the company has properly handled cost data for past 5 years.

Table 4.2.4 Does the company have skilled human resource that work on cost accounting?

No.	Description	Yes		No	
		Freq	%	Freq	%
1	Does the company have skilled human resource that work on cost accounting?	4	80%	1	20%

Source; questionnaire 2021

Analysis: - From the above table 4.2.4. 4 (80%) of the respondents were yes and 1(20%) of the respondents are no. therefore it can conclude that most of the company have skilled human resource that work on cost accounting and the few are not.

Table 4.2.5 is there a challenge related to cost data in the organization?

Description	response	frequency	Percentage
Is there a challenge related to cost data in the organization?	Yes	1	20%
	No	4	80%
	Total	5	100%

Source; questionnaire 2021

Analysis: - From the above table 4.2.4. 4 (80%) of the respondents were no and 1(20%) of the respondents are yes. therefore it can conclude that, most of the company have no challenge related to cost data but there are few challenges.

Additionally, respondents who answered yes for the above question explains their reason as follows:-

- ✓ Since some of the company employees are not skilled human and they are less familiar to cost data.
- ✓ Some of the employees are degree specialized and the other are qualified in diploma

Table 4.2.6 Does the company have effort to use cost accounting information for management decision?

Description	Response	Frequency	Percentage
Does the company have effort to use cost accounting information for management decision?	Yes	5	100%
	No	-	-
	Total	5	100%

Source; questionnaire 2021

Analysis: - From the above table 4.2.6 one can observe 5(100%) respond that, the company have effort to use cost accounting information for management decision in

the organization. And none of respondents were no. From the table all respondents simply conclude the company has effort to use cost accounting information for management decision.

Table 4.2.7 does the cost accounting information contributed for management decision making?

No.	Description	Response	Frequency	Percentage
1	Does the cost accounting information contributed for management decision making?	Yes	5	100%
		No	-	-
	Total		5	100%

Sources questionnaire 2021

Analysis: - From the above table 4.2.7 one can observe 5(100%) respond that, the cost accounting information contributed for management decision in the organization. And none of respondents were no. From the table all respondents simply conclude the cost accounting information has contribution for management decision in the organization.

Table 4.2.8 is there a challenge in order to use the proper cost accounting information in the organization?

No.	Description	Response	Frequency	Percentage
1	Is there a challenge in order to use the proper cost accounting information in the organization?	Yes	1	20%
		No	4	80%
	Total		5	100%

Sources questionnaire 2021

Analysis: - From the above table 4.2.8. 4 (80%) of the respondents were no and 1(20%) of the respondents are yes about a challenge in order to use the proper cost accounting information in the organization.

Additionally, respondents who answered no for the above question explains their reason as follows:-

- ✓ Most of the company employees are skilled and they are familiar to cost accounting information.
- ✓ Most department of the organization which responsible to cost accounting information is used properly according to the cost data.

How cost is allocated in the organization?

- Direct material cost allocation

It is the most significant element of cost and accounts for a higher percent of total cost of production. Then materials issued summary as per monthly material consumption register would give the data for material consumed for each production. Issue voucher shall indicate cost center together with the type 0f product to be produced with material.

- Direct labor cost allocation

It is the cost of human endeavor. Then the payroll shall workers in each product unit which can be categorize as direct labor where as in direct labor workers and administrative workers accumulated in the respective production unit each accumulated monthly. Direct labor cost shall be distributed to products as per quantities produced.

- Factory over heads cost allocation

The factory also use actual overhead rate which is the rate at which overhead cost are actually incurred during an accounting period. Cost allocation base that should be used when allocating the indirect cost pools at wow natural purified water must be appropriate cost allocation base.

Table 4.2.9 prime cost for the company

No	Description	Frequency	Percentage
1	Only direct labor	-	-
2	Only direct material	-	-
3	Both	5	100%
	Total	5	100%

Source: questionnaire 2021

Analysis: - According to the above table 4.2.4 the respondents responses 5(100%) both direct labor and direct material none respondents were only direct labor or only direct material. Therefore both direct labor and direct material were prime cost of company.

Table 4.2.10 period of cost reporting mostly used in the organization

No	Period	Frequency	Percentage
1	Daily	3	60%
2	Weekly	-	
3	Monthly	2	40%
4	Semi-annually	-	-
5	Annually	-	-
	Total	5	100%

Source: questionnaire 2021

Analysis: - The table 4.2.5 indicates 3(60%) of the respondents who work on cash receipt and payment were daily cost reporting to general finance manager and 2(40%) of respondents who work on general finance manager were report monthly the form of ledger account and none of the respondent were weekly or semi-annually and annually reporting. Therefore the organization of cost reporting period was both daily and

monthly reporting.

For what purpose company need cost information?

The company need cost information for some purposes.

- To generate income and profit
- To minimize its expense
- To increase its income by using modernize costing system

Does the company have a strategy to reduce cost of production?

Yes, The Company used some strategy to reduce cost of production. These strategies were the following:

- The company used general modern machinery by systematically.
- The company done modern work activity and changing mechanisms.
- The company used modern product material.

COST STATEMENT

Wow natural purified water Company prepares cost of tea manufacturing statements daily and monthly, and then the total amount for the year is added for the preparation of financial statements, i.e. income statements. This measurement is shows profitability of the company. Therefore, the need for reduced production costs is given great attention in attaining the organizational objectives. Reports of the cost of income statements are shown below (source; observation from annual cost reports).

WOW NATURAL PURIFIED WATER

INCOME STATEMENTS

FOR THE YEAR ENDED SENE 30, 2013

Sales …… Birr.92, 675,127.91

Less: cost of goods sold ……. (62,957,944.21)

Gross operating surplus……Birr 29,717,183.70

Other Income ……..377, 5451.62

Total income……..Birr 33,492,674.7

Expenses

Selling and distribution expense ……. 6,215,214.57

General and admits esp……. 40,839,703.50

Share of head office expense……..25,554,649.00

Total expense……..72,609,567.07

Net surplus before tax ……26,223,106.93

Provision for taxation ……... (18,264,920.5)

Net Profit After tax ……..…7,958,186.92

Balance brought forward……59, 961,471.42

Transfer to head office…… (36,849,778.00)

Prior's years adjustment…….. (766,024.49)

Balance carried forward……30,303,855.56

Generally the costing system of the company is relevant and satisfactory because the employee of accounting departments are composed of the first degree level and few of them are below degree. In order to present accurate and timely cost information to the head finance manager and there must be an effective costing system design and implemented with independent responsible cost department. The above expression is the investigating and evaluation of the annual financial statements of the company and profitability of the company. Making proper decisions is directly related to the degree of

accuracy of the information received. Accurate cost information is a product of effective and efficient costing system of a company. Therefore, designing an efficient costing system that would provide mangers with accurate information is unquestionable. Then wow natural purified water is reality to take about accurate cost information from last year costing practice.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The main objective of the research was assessing and examining cost accounting practice in wow natural purified water. The researcher data was collected from primary and secondary data. The primary data were collected from questionnaire held with finance manager, accountant, casher, and auditor and stoke keeper selected by judgmental sampling method. And the secondary data were collected and analyzed from financial document of company.

- From the above analyzing when would conclude the company's cost accounting information was efficient and effective utilization.
- Basically the company could use and proper keeping and recording of cost data were correct and accurately and strongly coordinated.
- Allocations of production cost of the company were allocated for effectively labor and administrative.
- The organization was report the cost mostly a time or period of monthly in a year.
- The reduction of cost production was by doing modernized work activity and machinery.
- The company has no challenges related to cost data and to use the proper cost accounting information.

5.2. Recommendation

As the cost accounting practice in the organization is effective and efficient, the organization manager improves the efficiency of the organization.

- ✓ Even if the cost accounting practice in the organization is effective and efficient, there are challenges in order to use proper cost accounting practice in the organization. Because: some employees of the organization are not skilled and

not capable to cost accounting information. Then the responsible body should improve the capability of all employees.

- ✓ All department of the organization which responsible to cost accounting information is not used properly according to the cost data. Each department of organization should use cost data properly.
- ✓ And the qualifications of some employees are not enough. They should be improving their qualification. And the responsible body of the organization should improve the qualification of employees.

Even if the cost handling of the company is proper, some objectives of the organization were not achieved. So the responsible body should correct internal accounting practice.

The company used the cost accounting for profit, reduce expense and to increase the income. This is not enough, so the institution have to use the cost accounting to compare with past costing system to know about which method is better to generate or to achieve the purpose of the organization.

REFERENCE

Cherrington (1998) cost accounting a managerial approach (2nd edition) west publishing company, New York

Frigo mark .L 1986). Cost accounting har court barece Jovanovich publisher

Horngren C.T.(1991) Cost accounting a managerial emphasis (9th edition).USA person prentice Hall

Horngren C.T.(2003). Cost accounting a managerial emphasis (11th edition).USA person prentice Hall

Horngren mark. L, 1986, cost accounting, Har courst Barece Jovanovich, publisher.

Buehiman David M. curtin Dennis P. (1998) cost accounting A managerial emphais, new Jersy, printice Hall.

Ronald W. Hilton , Michael W. maher and Fralk H. selto (2000) cost management strategies for business decision, by MC Graw mill companies.

Mosich A 1989 Intermediate Accounting 6th edition USA.

APPENDIX

WOLKITE UNIVERSITY

COLLAGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONAIRES

The questionnaires are prepared to be filling only by wow natural purified water employees.

Your corporation in giving relevant information or filling the questionnaires appropriate is given greater importance because the accomplishment of my work highly depends on your real and timely response and return of the questionnaire paper.

NB

No need of writing of your name

Please, put "" or "" Mark for the correct answer the space provided and write short answer on blank space.

Part I

1. Age A. 21-25 B. 25-30 C. 30-35 D. >35

2. Sex A. Male B Female

3. Specializations A. Accounting B. Management C. Economics D. Others

4. Educational level A. Diploma B. Degree C. Masters D. Others

5. Job position A. Finance manager B. Auditor C. Manager D. Stock keeper E . Cashier

6. Work Experience A. 2 years B. 3 years C. 5 years D. 12 years E. 25 years

Part II

7. Is there Efficient and Effective Utilization of Cost Accounting in the Organization?

Yes_____ No_____

How cost accounting information utilized in the organization?

8. Is there a proper keeping and recording of cost data in the organization?

Yes_____ No_____

9. Does your company have a properly handled cost data for the past 5 years?

Yes_____ No_____

10. Does the company have skilled human resource that work on cost accounting?

Yes _____ No_____

11. Is there a challenge related to cost data in the organization?

Yes ____ No_____

12. Does the company have effort to use cost accounting information for management decision?

Yes_____ No_____

13. Does the cost accounting information contributed for management decision making?

Yes _____ No_____

14. Is there a challenge in order to use the proper cost accounting information in the organization?

Yes ____ no _____

15. Prime cost for the company. Direct labor ____ Indirect labor_____ Both____

16. Period of cost reporting mostly used in the organization? Daily___ weekly____ monthly_____ annually_____

17. How cost is allocated in the organization?

_____

_____

_____

18. How cost is allocated in the organization?

_____

_____

_____

19. For what purpose company need cost information?

_____

_____

_____

20. Does the company have a strategy to reduce cost of production? How?

_____

_____

_____