

COMPARATIVE ANALYSIS OF COST ACCOUNTING PRACTICE IN WOLKITE FLOUR COMPANY AND SEMIRA FLOURE FACTORY

**Research paper submitted to Department of Accounting and Finance in partial
fulfillment of Bachelor of Art Degree in Accounting and Finance**

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STATEMENT OF DECLARATION

I, Bikiltu Gemechise, have carried out independently a research work on “Comparative analysis of cost accounting practice in Wolkite and Semira flour factory” in partial fulfillment of the requirement of the BA Degree program in Accounting and Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution, and that all references materials contained therein have been duly acknowledged.

Name: Bikiltu Gemechis

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Signature-----

Signature-----

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ACRONMYS

CA=Cost Accounting

TMAT=Traditional Management Accounting Techniques

AMAT=Advanced Management Accounting Techniques

ABSTRACT

The study “Comparative analysis of cost accounting practice” was conducted on Wolkite flour factory and Semira flour factory”. The main objective of the study is to comparatively analyze the cost accounting practice of Wolkite flour factory and Semira flour factory. To achieve this objective, used descriptive research design with both primary and secondary data sources were used. Primary data were obtained using questioners distributed to the respondents whereas secondary data were obtained from annuals records and financial statements of the factory. The result of the data analysis showed that comparatively analyze the way of managing cost of material, labor and manufacturing overhead, allocate cost to cost object and cost accounting method. Based on findings, recommendations and suggestions forwarded to Wolkite and Semira flour factory.

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Cost accounting is the process of accumulating the costs of a manufacturing process and identifying them with the units produced. It is a unique subfield of management accounting that interfaces with both managerial and financial accounting and it is also a specialized area of accounting that attempts to satisfy the information need of management. Management at all levels within an organization has the responsibility of planning, coordinating, executing and controlling business operations. A large part of information required to do these jobs efficiently is accounting oriented and it is the job of the cost accountant to accumulate prepare and interpret this information. (Frigo 1986 p,7).

In planning cost accounting deals with the future. It assists to budget or predetermine material costs, labor and manufacturing, selling and distribution overhead. These costs may be used for determining process and measuring performances.

In addition, they help managements in decision making with respect to capital expenditure or expansion of facilities. The control aspect which deals with the present is achieved by comparing actual results with the budget or predetermined standard and investigating the courses of differences. (Frigo 1986 p,7).

The organization emphasis has been made on different cost finding methods for estimate the cost that has been incurred in a factory to manufacture specific products. One of the methods is job order costing are readily identified by individuals' units a batch which deal with broad average and masses of different units. This method is application of costs to specific jobs. Which may be either a single physical unit or a few similar unites. This method is construction, garment factories, furniture manufacturing, metal tools factories, printing, etc.

Generally, the cost accounting system when applied to the cost finding objective designed to accumulate the manufacturing costs and assign them to the units produced and the flow of these cost through manufacturing accounts.

An essential system of costing is an essential factor industrial under modern conditions of business and such may be 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.

1.2 STATEMENT OF THE PROBLEM

Cost accounting provides information for both management and financial accounting. It measures, reports financial and non-financial information that relates to the past of acquiring or consuming resources by the organization. Any organization starting from sole proprietorship to the corporation acquire or know how and use of cost concept and practice. Because cost accounting provides key data to managers for planning, controlling, and evaluating decision making, fixing product price as well as to know service price.

The company doesn't properly apply the cost accounting system leads an organization to problems. It is to say that how an organization can plan its operation without knowing cost centers and costs are more and how to bring down improper cost increments for certain cost objects Cost managers must use method of allocation because, we cannot observe causal link between this resource spending and use. Failure to make better decision based on financial reports is a feature of the company due to multiple books kept by businesses in order to avoid taxes and other obligations, so that the company does not has audit-worthy financial records. These poor accounting increases the likelihood of bankruptcy and makes bankruptcy administrations more difficult as well (USAID-Ethiopia, 2007).

As ROSC, (2007) studies, most of the companies in Ethiopia have exercising inefficient accounting system. Due to poor implementations of the international accounting standards and the study also shows limited number of professional accountants contributed to the problem. To this end, this project will assess and evaluate the cost accounting practice of Wolkite flour factory and Semira flour factory.

1.3 Objective of the study

1.3.1 General Objective

The general objective of this study is to comparatively analyze the cost accounting practice of Wolkite flour factory and Semira flour factory.

1.3.2 Specific Objectives

- To assess and compare the contribution of the cost accounting information for management decision making of Wolkite flour factory and Semira flour factory
- To assess and compare the way of managing cost of material, labor and manufacturing overhead in Wolkite flour factory and Semira flour factory
- To assess compare the allocation of cost to cost object in Wolkite flour factory and Semira flour factory.
- To assess and compare the cost accounting method of Wolkite flour factory and Semira flour factory

1.4 Research question

- How is the cost accounting information contributing for management decision making in Wolkite flour factory and Semira flour factory?
- How does Wolkite flour factory and Semira flour factory manage the cost of material, labor and manufacturing overhead?
- How does Wolkite flour factory and Semira flour factory allocate cost to cost object?
- What cost accounting method does Wolkite flour factory and semira flour factory uses?

1.5 Significance of the study

The study would be help to the public to give knowledge related to cost accounting well and good understanding. This study was used as the secondary source or material for other researchers who can be study further more on cost accounting and other related issues. It would be also used for reference for cost accounting information it is useful for the organization for its future action. In that the organization corrects unwanted procedures that affect the process of cost accounting information.

1.6. Scope the study

The study was been cover as much as possible all Cost accounting practice which is focused on Semira flour factory and Wolkite Flour Factory.

1.7 Organization of the study

The study has five separate chapters. The first chapter presents the Introduction part, such as background of the study, statement of the problem, objectives of the study, scope of the study, significance of the study. Chapter two describes review literature. The third chapter deals with methodology of the research and chapter four contains Data Interpretation and Analysis, finally the last chapter five present conclusion and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Definition of cost accounting

Cost accounting is the process of accumulating the costs of manufacturing, another functional processes and identifying these costs with units produced or some other object. it is a unique subfield of managerial and financial accounting. Cost accounting is applied primarily to manufacturing Organization that combine and process raw material into finished products (Cherrington, 1998). Cost accounting refers to collecting, recording, classifying, summarizing cost information to help managers to make planning, controlling and evaluating (Bruggeman) and Slag Mulder, 1995). Cost accounting (CA) as one of the most critical system in the organization, has also changed its way of capturing, processing, storing and distributing cost information. Now a day, more and more digital and on-line information is utilized in the AISs. (Bruggeman) and Slag Mulder,1995).

Cost accounting (CA) are a tool which, when incorporated into the field of cost Information and Technology systems, are designed to help in the management and control of topics related to organization' economic-financial area. But the stunning advance in technology has opened up the possibility of generating and using accounting information from a strategic viewpoint (El Louadi, 1998)

2.2. What is cost accounting?

Cost accounting is the process accumulating the costs of manufacturing, and other functional processes and identifying these costs with units produced or some other object. It is a unique sub filed of managerial and financial accounting. Cost accounting is applied primary to manufacturing. Organization that combine and process raw materials in to finished products (Frigo 1986 p, 7).

Management accounting is the process of identification measurement, accumulation, analysis preparation interpretation, and communication of financial information used by managements of plan, evaluate and control within an organization to assure appropriate use of and accountability for its resources. (Cherrington,1998, p5).

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 decision to fulfill the goal of the organization and financial accounting focus on reporting to external parties (Hrنگre, 2003, p 2-3).

Cost accounting provides managers with relevant cost data to assist them in operating the business effectively. The management process includes developing an operating plan, implementing the plan, and evaluating the result of operations. (cherringon, 1998 p 54).

2.3 Classification of costs

Costs may be classified and grouped of different purposes for which, costs are measured. There is several standard cost classifications and each classification has its own unique terminology.

A Time period for which the cost is computed

Time can be broadly classified in to past and future. Cost can also be classified accounting to these time period.

- **Historical costs**

Historical costs are those that were incurred in the past period.

- **Budget cost**

Budget cost is those that are expected to the incurred in a future period (2nd edition Cherrington p. 20).

B. Classification by management function

An organization may be separated in to functional areas. A manufacturing in company's functional areas generally includes manufacturing, marketing and general administration.

- **Manufacturing cost**

Include costs, from the acquisition of raw materials through production until the product can be turned over to the marketing devisor to be sold. Manufacturing costs include, the cost of raw materials, payroll cost, for the people working on the product and incidental costs such as tax payer, depreciation and repairs associated with the manufacturing equipment (Hornngren, 2003, p2-3)

- **selling cost**

Selling costs cost are all costs associated with marketing and selling product. They include all costs incurred by the marketing division from the time to manufacturing process is complete until

the product is delivered to the customer. These costs include advertising, promotional offers, freight to deliver the product and warehouse costs while the product is waiting to be sold (Horngren, 2003, p2-3)

- **Administrative costs**

Administrative costs are all costs associated with the management of the company and include expenditures for accounting legal and administrative activities. Interest costs are also included among administrative costs. (Horngren, 2003, p2-3)

C. Classification by accounting treatment

1. product costs

Product costs consist of all costs associated with the manufacturing function of the business. They include materials, labor and other factory costs associated with assembling and processing the unit. Because the company still holds the product and its usefulness has not yet expired, it is not appropriate to expense these costs. They are capitalized as inventory and held as unexpired costs until they are sold

(2ndCherrington p.22).

2. Capital costs

Capital costs are similar to product costs in that they are also capitalized as assets, however capital costs is the term used to describe the acquisition of plant and equipment. These items are capitalized as tangible fixed assets and depreciated over their useful lives. Product costs are reserved for inventor able costs associated with the manufacturing process (2nd ed. Cherrington p 22).

D. classification by behavior

Costs behavior describes how a cost changes with time or changes in volume

- **Variable costs** variable costs are costs that vary proportionately in total as the volume of production or sales changes (2ndedi. Cherrington P 23).
- **Fixed costs fixed** costs remain constant in dollar amount as volume of production or sales changes (2ndedtcherrington p 23).

E. classification by nature of expenses

1. Material cost: - material cost is the value of material used to produce certain product and to facilitate the production activity. This can further be divided in to direct and indirect material.

Direct material cost is that which can be identified with a specific product and directly charged to the cost of that product whereas indirect material cost is that which cannot be identified with specific product and cannot easily be charged to the cost of that product (Frigo, 1986 p 10).

2. Labor costs: - labor cost is a total cost of a salaries paid for the application of labor to manufacture a product. Thus, labor cost which is identifiable directly with specific products is known as direct labor while that parts to labor cost which cannot be identified and cannot be charged to the cost of specific product is termed as indirect labor. (Frigo 1986 p, 10).

3. Factory overhead

A group of expenses that are incurred in the manufacturing of a product and not classified as direct material or direct labor are known as factory overhead. Such costs are indirect material, indirect labor, power lights, fuel etc. (Frigo 1986, p 10-11).

F classification by tractability to product

1. Direct cost

Direct cost is one that can be economically traced to a single cost object; the cost object is a unit of finished product (2nd edition cherrington p.22).

2. Indirect Cost

Indirect costs are one that is not directly tradable to the manufacturing products (2nd edition cherrington p 22).

G. classification by decision significance

A decision involves making choices among alternative courses of action. The decision maker generally collects cost information to assist in making the decision (2nd edition cherrington p 23).

1. Relevant costs

Relevant costs are costs that make a difference in a decision-making process (2nd edition, cherrington p 23).

2. Irrelevant costs

Irrelevant costs are costs that make a difference in a decision-making process (2nd edition cherrington p 23)

H. classification by managerial influence

Managerial influence is the ability of managerial to control a particular cost (2nd edition, cherrington p 24)

1. Controllable cost

Controllable costs are subject to significant influence by a particular manger with the time period under consideration (2nd edition cherrington p 24).

2. Uncontrollable costs

Uncontrollable costs are those costs over which a given manger does not have a significant influence (2nd edition cherrington p 24)

2.3.1 Other cost classification

1. Out of pocket costs

Out of pocket costs are costs that must be met with a current expenditure (2nd edition cherrington p. 25).

2. Sunk costs

Sunk costs are defined as past costs that have already been incurred. Because sunk costs are historical costs (2nd edition cherrington p 25).

3. Opportunity cost

Opportunity cost is the cost or value of opportunity fore gone when one course of action chosen over another (2nd edition cherrington p 25).

2.4. Use of cost information

2.4.1. Cost for planning and control

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

Budget is a quantitative expression of a proposed plan of action by management for a specific period and an aid to coordinating what need to be done to implement that plan. A budget can cover both financial and non-financial aspects of the plan and serve as a blueprint for the company to follow in an upcoming period. A budget that covers financial aspects quantifies management expectation: regarding income, cash flow, and financial position. Just as financial statement is prepared for future period. For example, budget income statements, statements of cash flow and budget balance sheet.

Advantages of budget

Budgets are big parts of most management control style (system) some advantages are listed below.

- compares strategic planning and implementation of plane
- provided a frame work for judging performance
- motivates managers and employees
- Promotes coordination and communication among sub units within the company (Horngree, 2003 p 176-177).

Standard cost: closely allied with the budget are standard costs which are predetermined cost for direct material, direct labor, and factory overhead. They are established by using information accumulated from past experience and data secured form research studies and it helps the management to form the foundation for the budget (Frigo 1986, p 97).

2.5 Costing system

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

- **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 unity of product that passes through the factory. Job order costing system is commonly used by companies with products that are unique and divisible in this product or services. Job is task for which resources extended in bringing a distinct product or services to market. (2ndeditionCherrington,1998, p 227).

2.6 Process costing system

In this costing system is used for manufacturing processes which produce a single product or single mix of products continuously for an extended period of time. In this system the cost of a product or service is obtained by using broad averages to assign cost to mass of similar units produced for general sale and not for any specific customers. Average cost over lager number of nearly identical

product companies that use process costing system are as follows (Cherrington, 1998 p 278).
Characteristic of process costing system: - (charrington, 1998 p 314).

- The products manufactured are homogenous the cost is accumulated in department or cost centers each unit produced will receive the same amount of direct material, direct labor and MOH cost. Average unit cost is obtained by dividing total cost to unit produced in a given department (cost center). Costs are divided in to two based on when the costs are incurred in to the production process.
- **Direct material cost:** this cost is usually added aid one time either out the beginning at the middle or at the end of the production process.
- **Conversion cost direct labor MOH cost)** there costs are usually added evenly or uniformly throughout the production process.

2.7 Cost in their relation to manufacturing department

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

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

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

2.8 Costing system

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2.9 Empirical Evidence

Oyerogbaeta (2014) on their study cost management practices and firm's

Performance of manufacturing organizations. The study investigates the relationship that exists between cost management practices and firm's performance in the manufacturing organizations using data from 40 manufacturing companies' four hypotheses was formulated for the study.

The study relied on secondary data extracted from the audited financial statement. Direct material cost, direct labor cost, production overhead cost and administrative overhead cost were taken as independent variable while profitability (Operating profit) was taken as dependent variable representing the firm's performance. The study concluded that apposite significant relationship exists between cost management practice and firm's performance in organizations.

Lyndon & Paymoster (2016) in their study effect of inventory cost management on profitability. A study of listed brewery companies in Nigeria, examined the effect to inventory cost management proxy by raw material cost, work in progress & finished goods cost against profitability proxy by gross profit margin using secondary data extracted from annual reports and accounts of selected brewery companies from Nigeria stock exchange for 10 years period covering from 2005 – 2014. Multiple-regression technique were used for the study and concluded that inventory cost management has positive significant influence on the profitability of brewery companies' in Nigeria.

Isa & Thye (2006) examined the usage of management accounting practices in manufacturing firms in Malaysia. They also studied the relationship between product variety, complexity of production process, level of competition, company size, overhead expenses and usage of advanced management accounting practices. Management accountants in 500 manufacturing firms were randomly selected from the 2004/2005 federation of Malaysian manufacturers directory. A total of 75 usable responses were received, that represented a response rate of 15%. Respondents comprised of senior level managers, including chief Executive Officers, General Managers and management Accountants. In this study, the measures for traditional management accounting techniques (TMAT) and advanced management Accounting techniques (AMAT) were adopted from Waldron and Everet (2004).

The TMAT were represented by four Techniques full costing, standard costing, job order costing and process costing. The AMAT comprised thirteen techniques Activity-Based Costing, Activity-Based Management, Target Costing, Kaizen Costing, Value added Accounting, Cost of Quality, Economic Value Added, Life Cycle Costing, Target Cost Planning, cost Modeling, Strategic Management Accounting, through put Accounting and Back Flush Costing.

The study by Adler et al (2000) is generally consistent with the lack of adoption of advanced management accounting techniques as stated by the Ainikkal (1993) and Hawkes et al. (2003) studies, but is consistent with respect to individual techniques, It was found that firms in Australia adopted ABC, and cost of quality techniques and also that big firm were more likely to use modern accounting techniques.

Kamilah. (2017) in her study implementation of management accounting practice & its relationship with performance in SME enterprises, examines the extent to usage of management accounting practice among SME in developing country and to find if there are any significant relationships between management accounting practice and performance. 160 usable questionnaire mailed to accountant or financial executives the study develops who main variables to explore the relationship between management accounting practice and performance, management accounting practice usage was obtained using 5-point Likert scale from 1: Never to 5: Very frequently and management accounting practice performance measures was obtained using perceptual measure of performance in order to gauge data on performance. The results indicate that the uptake for basic

management accounting practice was higher (costing, budgeting, and performance measurement system) than for more sophisticated practices (decision and supports system and strategic management accounting) Despite the revolution in management accounting practice, research has shown that basic or traditional MAPS are still dominant in most today's firms. The study further concluded that there are significance associations between on management accounting practice adopters (costing system, budgeting system, Performance measurement system and strategic management accounting) and performance & provides support for a claim that management accounting practice plays significant roles in enhancing firm performance.

An earlier study can be seen in Merchant (1981) who explored a connection between budgeting practices and the relationship with performance. Specifically, this study focused on the method of the firm to budgeting based on formal administrative approach and the interpersonal approach and their relationships with organizational performance. The results demonstrated that the administrative approach to budgeting has a strong relationship with a better performance in large firms. Within smaller firms, a more interpersonal approach to budgeting is more associated with organizational performance.

Reid and Smith (2000) in a study of UKSMEs found that the impact of the MAS was greatest in those firms which are struggling to survive, where it can be used to monitor finances daily and can help to identify trends in key variables. The respondents tend to place less importance on the provision of management accounting information when their financial performance is adequate.

Argile's and Slof (2003) provided empirical evidence on the relationship between the use of financial reports and financial performance based on a sample of Catalan farmers. The study found that the financial performance of respondents using the reports for decision-making purposes was significantly better than those who did not use the reports (Krausetal.2006), who examined strategic planning and performance in Austrian smaller enterprises, found that planning formalization has appositve and highly significant impact on the probability of belonging to group of growth firms, where as other aspects of strategic planning (time horizon, strategic instruments, and control) did not contribute to performance.

Hansen and VanDerStede (2003) examined the reason for budgeting in organizations and the link with performance. The study concluded that the reasons-to-budget (operational planning, performance evaluation and strategy formation) have positive associations with organizational unit performance. Chandand Dahiya (2010) who explored management accounting practice in Indian small and medium hospitality enterprises Suggested that management accounting techniques have a great impact on different firm's aspects especially on cost reduction and quality improvement.

2.10 Conclusion and knowledge Gap

As shown in the above empirical literature review researches will be conducted by many researchers on the effect of cost accounting Practice on performance. Fewer studies have been conducted in the area of management accounting practice in developing countries especially in Ethiopia.

There are substantive efforts have been done in measuring the effects or the relationship of management accounting practice and performance. The prior studies examined individual cost accounting practice area (such as costing system, budgeting system and performance evaluation) based on financial or subjective criteria

Despite the growing adaptation and importance of cost accounting practices, the effect of cost accounting practice on performance is still misunderstood for two main reasons, there is in adequate understanding of the cost accounting practice available for them to better influence their performance, secondly their information need is best served by current practice that put in place. as far as the knowledge of the researcher is concerned, there are very few researches made in Ethiopia on cost accounting practice focused mainly on its effect on decision making such as (MintesinoH, 2013; TewodrosT, 2009). Furthermore, previous studies conducted on the topic of effect of cost accounting practice on performance in other countries identified some other variables in their finding. Unlike others, to fill the gap, this study will comparatively analyze the cost accounting practice of Wolkite flour factory and Semira flour factory.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter deals with methodology of the study this include study area, research design, type of data source of data, method of data collection, population and sample design and data analysis.

3.1 Study Area

This study was conducted on cost accounting practice of Wolkite flour factory and Semira flour factory.

3.2 Research Design

To conduct this study, the researcher used descriptive survey method. Thus, it can serve to describe all the data collected, presented, analyzed and interpreted in relation to cost accounting practice. Hence, to meet the objectives of this study, besides, this study used descriptive survey method to examine a stated objective because quantitative research is a systematic and scientific investigation of quantitative properties and phenomena and their relationships (Abiy, 2009).

3.3 Research Approach

The researcher was used both qualitative and quantitative research approaches. The use of mixed research method is very important because it would be help to take valid action of the findings in terms of accuracy; and it is essential to check for biases in research method. Besides, it compensates strength and weakness of each method (Tylor, 2006). As noted in Creswell (2003), in an investigative study there are three familiar types of research approaches to business and social research namely, quantitative, qualitative and mixed method approach. Though, each approach has its own strengths and limitations, Creswell (2003) advocates that certain types of social research problems call for specific approaches. Considering the research problem and objective along with the philosophy of the different research approaches, nature of the data to be collected, mixed research approach is found to be appropriate for this study.

3.4 source and method of data collection

In organizing the study so as to meet the objectives of the study; both primary and secondary was used. The researcher was collected primary data through questionnaire and by conducting interview. A questionnaire processing a number of questions with close ended types of question that are relevant and exhaustive as to the subject of the study would be designed in such ways that the respondent fill easily. The secondary data would be gathered from financial statements and annual reports of the factories to get preliminary understanding about the general situation and in the study area in particular.

3.5. Target population

The study target population consist employees of the both companies. Total30 individuals in Samira flour factory and44 individuals from Wolkite flour factory.

3.5 Sampling techniques and sample size

In order to get a necessary data from respondents, the researcher was been used purposive sampling techniques. From total30 individuals in number among this 10 was taken from Semira flour factory and10 would be taken from the Wolkite flour factory among 40 individuals that have sufficient knowledge about cost accounting practice of the factories.

3.6 Data Analysis Method

After the collection of data was been fulfilled and checked for the availability of necessary information both from primary and secondary data secondary data is carried on. The researcher was used descriptive method of data analysis. First the collected data categorized, next tabulation of the data would be followed and then the data interpreted using both quantitative and qualitative means of analysis. The qualitative analysis are organizing, describing and systematically interpreting the collected data while quantitative analysis would be in this research that of using statistical analysis, such as organizing the collected data's in tabular forms in terms of frequency and percentage.

CHAPTER FOUR

4. DATA INTERPRETATION AND ANALYSIS

The primary objective of this chapter was to find out the appropriate responses for the basic questions raised under the statement of the problem from the data gathered through questionnaires distributed to seminar flour factory and Wolkite flour factory. Here the data was presented in tables and analyzed by percentage in order to give full information about the study.

Table 4. 1 Item 1 Demographic background of the respondent

	Description	SEMIRA FLOUR FACTORY		WOLKITE FLOUR FACTORY	
		No of respondent	Percent%	No of respondent	Percent%
Gender	Male	7	70%	8	80%
	Female	3	30%	2	20%
	Total	10	100%	10	100%
Age	20-30	5	50%	6	60%
	31-40	3	30%	2	20%
	41-50	1	10%	2	20%
	>50	1	10%		
	Total	10	100%	10	100%
Educational Status	Diploma	2	20%	3	30%
	Degree	5	50%	6	60%
	Master	3	30%	1	10%
	Total				
work experience	<2year	2	20%	3	30%
	3-5year	5	50%	6	60%
	6-10year	3	30%	1	10%
	>10				
	Total	10	100%	10	100%

Source: Respondents

As the above item explains that 7(70%) of the employees of Semira flour factory are Male and 3(30%) of the employees are Female and 8(80%) of the Wolkite flour factory are Male and the remaining is 2(20%) is Female. and also 5 (50%) of the respondents in Semira flour factory are 20-30 age, 3 (30%) of the respondents are 31-40 age,1(10%) of the respondents are 41-50 age, 1(10%) of them are above 50 years old.

6 (60%) of the respondents in Wolkite Flour Factory are 20-30 age, 2 (20%) of the respondents are 31-40 age,2(20%) of the respondents are 41-50 age.

From the above item 2(20%) of the employees of Semira flour factory have Diploma 5(50%) have BA degree and3(30%) of the employees have Master’s Degree.

And Wolkite Flour Factory 3(30%) of the employees of the have Diploma 6(60%) was BA degree in Factory and the remaining 1(10) have Master’s Degree.

As the above item indicated 2(20%) of the employees had Less than 2 years work experience,5(50%) of the employees had 3-5 years’ work experienced ,3(30%) of the employees had >10 years work experienced in Semira flour factory. and in Wolkite flour factory 3(30%) of the had less than 2 Years, 6(60%) had 3-5 Years and the remaining 1(10%) had Master’s Degree.

Table 4. 2 cost of accounting information for management decision making in Semira Flour Factory and Wolkite Flour Factory

	Factor	1		2		3		4		5	
		F	%	F	%	F	%	F	%	F	%
The accounting department prepares interim production reports to management.	Semira	3	30%	3	30%	-		4	40%	-	
	Wolkite	-		5	50%	2	20%	3	30%	-	
The company use just in time cost management.	Semira	5	50%	3	30%	2	20%	-		-	
	Wolkite	5	50%	-		3	30%	2	20%	-	

The management department submits the proper documents to the cost accounting to the management department for record at the time of delivery.	Semira	-		4	40%	3	30%	3	30%	-	
	Wolkite			3	30%	3	30%	4	40%		
The cost accounting information systems have possibilities of integration with suppliers' and customers' value Analysis of competitors' strengths and weaknesses.	Semira	-		-		-		7	70%	3	30%
	Wolkite	2	20%	1	10%	-		7	70%	-	
The cost accounting information system use just in time cost management	Semira	5	50%	3	30%			2	20%		
	Wolkite	5	50%	-		3	30%	2	20%	-	

F' stands for frequency and '%' stands for valid percentage value

Source: Respondents

Table 4.2 Shows criteria the accounting department prepares interim production reports to management. 30%, 30% and 40% of the respondent strongly Agree, Agree and disagree respectively in semira flour factory and 50%, 20% and 30% of the respondent Agree, neutral and Disagree respectively in wolkite flour factory. Both semira and wolkite flour factory accounting departments prepares interim production reports to management.

50%, 30%, 20% respondent strongly Agree, Agree and disagree respectively in semira flour factory and 50%, 30%, 20% agree, neutral and disagree respectively in wolkite flour factory use just in time cost management. This indicate semira flour factory has better accounting departments prepares interim production reports to management than wolkite flour factory. The management department submits the proper documents to the cost accounting to the management department for record at the time of delivery more of the respondents 40% says Agree 30% Neutral and the remaining 30% Disagree in semira flour factory and 30% agree and Neutral remaining 40% disagree in wolkite flour factory. Both semira and

wolkite flour factory less management department submits the proper documents to the cost accounting to the management department for record at the time of delivery

The cost accounting information systems have possibilities of integration with suppliers' and customers' value Analysis of competitors' strengths 70% of the respondents Disagree with this and also the remaining 30% strongly Disagree in semira flour factory and 20% strongly agree, 10% Agree and 70% disagree in wolkite flour factory. Both semira and wolkite flour factory there is no the cost accounting information systems have possibilities of integration with suppliers' and customers' value Analysis of competitors' strengths. And final the cost accounting information system use just in time cost management 50% and 30% of the respondent responds strongly Agree and Agree. And remaining 20% disagree in semira flour factory and half of the respondents 50% strongly agree, 30% Neutral and the remaining 20% disagree in wolkite flour factory. So semira flour factory cost accounting information system use just in time cost management is better than wolkite flour factory.

Table 4. 3 managing product costing system material cost, manufacture overhead cost and labor cost in Semira Flour Factory.

		1		2		3		4		5	
		F	%	F	%	F	%	F	%	F	%
Your company use manufacturing overhead cost	Semira	6	60%	3	30%	1	10%				
	Wolkite	3	30%	3	30%	2	20%	2	20%	-	
Your company record their production cost separately on a cost sheet	Semira	3	30%	5	50%	2	20%				
	Wolkite	2	20%	5	50%	3	30%	-		-	
The company has proper purchasing procedures.	Semira	4	40%			4	40%	2	20%		
	Wolkite	-		2	20%	3	30%	5	50%	-	

Your companies use multiple cost managing system overhead	Semira	2	20 %	2	20 %	4	40 %	2	20 %		
	Wolkite	-		4	40 %	4	40 %	2	20 %	-	
Your companies use cost of quality	Semira	4	40 %	2	20 %	3	30 %	1	10 %		
	Wolkite	-		4	40 %	3	30 %	2	20 %	1	10 %
The company use just in time cost management	Semira	5	50 %			3	30 %	2	20 %		
	Wolkite	5	50 %	-		3	30 %	2	20 %	-	
The company use proper predetermine for allocating management overhead costs	Semira	4	40 %	2	20 %	4	40 %				
	Wolkite		-	3	30 %	3	30 %	2	20 %	2	20 %
The production costs accumulated in department basis.	Semira	3	30 %	4	40 %	2	20 %	1	10 %		
	Wolkite	3	30 %	4	40 %	3	30 %	-		-	
The production department use material requisition form to receive raw materials from the store.	Semira			2	20 %	2	20 %	5	50 %	1	10 %
	Wolkite	3	30 %	1	10 %	4	40 %	2	20 %	-	

Source: Respondents

F' stands for frequency and '%' stands for valid percentage value

Table 4.3. Shows criteria your company use manufacturing overhead cost-60%, 30% and 10% of the respondent strongly Agree, Agree and neutral respectively in semira flour factory and 30%, 30%,20%and 20% of the respondent strongly Agree, agree, neutral and Disagree respectively in wolkite flour factory. This indicate Semira flour factory better than wolkite flour factory in using manufacture overhead cost.

30%,50%,20% respondent strongly Agree, Agree and Neutral respectively in semira flour factory and 20%,50%,30% strongly agree, agree and neutral respectively in wolkite flour factory record their production cost separately on a cost sheet. Both semira and wolkite flour factory is used record their production cost separately on a cost sheet.

The company has proper purchasing procedures more of the respondents 40% says Strongly Agree 40% Neutral and the remaining 20% Disagree in semira flour factory and 20% agree 30% Neutral remaining 50% disagree in wolkite flour factory. Semira flour factory is better than Wolkite flour factory in proper purchasing procedures. Both the factory not to used enough multiple cost managing system overhead.

Regarding to use quality cost Semira flour factory is better than Wolkite flour factory. Regarding to use just in time cost management both of them are used just in time. Regarding to use proper predetermine for allocating management overhead costs Semira flour factory is better than Wolkite flour factory. Regarding to the production costs accumulated in department basis Wolkite flour factory is better than Semira flour factory. And final regarding to the production department use material requisition form to receive raw materials from the store of the respondent 20%, 20% , 50% and 10% Agree, Neutral, Dis agree and strongly dis agree in Semira flour factory and 30%, 10% , 40% and 20% Strongly agree, agree, Neutral and Strongly disagree respectively in wolkite flour factory. Both semira and wolkite flour factory. So Wolkite flour factory has production department use material requisition form to receive raw materials from the store is better than semira Flour factory.

Table 4. 4 cost allocation to cost object in Semira Flour Factory and wolkite flour factory

	1			2		3		4		5	
	F		%	F	%	F	%	F	%	F	%
The company's current costing system is proper record and analysis.	Semira	3	30%	4	40%					3	30%
	Wolkite	3	30%	5	50%	-		2	20%		
Your company's current costing system enables the department to assign fair production cost to products.	Semira	2	20%	6	60%			1	10%	1	10%
	Wolkite	2	20%	5	50%	1	10%	2	20%		
Your company Evaluate cost accounting practice using Economic value added or residual income.	semira			5	50%	1	10%	4	40%		
	Wolkite			5	50%	1	10%	4	40%		
The cost allocating department uses more than one pool for accumulating indirect costs.	semira			3	30%	3	30%	4	40%		
	Wolkite					1	10%	7	70%	2	20%
The current costing system is convenient for cost effective production cost assignment.	Semira	2	20%	2	20%	1	10%	2	20%	3	30%
	Wolkite	2	20%	2	20%	1	10%	2	20%	3	30%

F' stands for frequency and '%' stands for valid percentage value

Source: Respondents

Table 4.4. Shows criteria the company's current costing system is proper record and analysis. 30%, 40% and 30% of the respondent strongly Agree, Agree and strongly disagree respectively in semira flour factory and 30%,50% and 20% of the respondent strongly Agree, agree and Disagree respectively in wolkite flour factory. So Wolkite flour factory better than Semira flour factory. Regarding to current costing system enables the department to assign fair production cost to product 20%,60%,10% and 10% respondent strongly Agree, Agree, disagree and strongly disagree respectively in Semira flour factory and 20%,50%,10% and 20% strongly agree, agree, neutral and disagree respectively in wolkite flour factory. This indicate semira flour factory current costing system enables the department to assign fair production cost to product is better than wolkite flour factory

The management department submits the proper documents to the cost accounting to the management department for record at the time of delivery more of the respondents 40% says Agree 30% Neutral and the remaining 30% Disagree in semira flour factory and 30% agree and Neutral remaining 40% disagree in wolkite flour factory. Both semira and wolkite flour factory less management department submits the proper documents to the cost accounting to the management department for record at the time of delivery.

The cost accounting information systems have possibilities of integration with suppliers'' and customers'' value Analysis of competitors'' strengths 70% of the respondents Disagree with this and also the remaining 30% strongly disagree in Semira flour factory and 20% strongly agree, 10% Agree and 70% disagree in Wolkite flour factory. Both Semira and Wolkite flour factory there is no the cost accounting information systems have possibilities of integration with suppliers'' and customers'' value Analysis of competitors'' strengths.

And final the cost accounting information system use just in time cost management 50% and 30% of the respondent responds strongly Agree and Agree. And remaining 20% disagree in Semira flour factory and half of the respondents 50% strongly agree, 30% Neutral and the remaining 20% disagree in Wolkite flour factory. So Semira flour factory cost accounting information system use just in time cost management is better than Wolkite flour factory.

Table 4. 5 Questions related to cost accounting method in Semira Flour Factory and Wolkite Flour Factory

	1			2		3		4		5	
Your company's cost accounting method is suitable in computing cost of factor of production.	Semira	4	40%	3	30%	2	20%	1	10%		
	Wolkite	3	30%	2	20%	2	20%	2	20%	1	10%
Your companies used process costing system.	Semira	-		-		-		6	60%	4	40%
	Wolkite	3	30%	7	70%	-	-	-	-	-	
Your companies used job order costing system.	Semira	6	60%	4	40%	-	-	-		-	
	Wolkite	2	20%	2	20%	-	-	6	60%	-	-

Your companies used both process and job order costing system.	Semira	-	-	8	80%	2	20%	-	-	-	-
	Wolkite	6	60%	4	40%	-	-	-	-	-	-

According to Table 4.5 above expresses the company of cost accounting methods suitable in computing cost of factor of production 40%, 30%, 20% 10% of respondent strongly agree, agree, neutral and disagree respectively in Semira flour factory and 30%, 20%, 20% , 20% and 10% of the respondent strongly agree, Agree, neutral, disagree, and strongly disagree in Wolkite flour factory. so the Semira flour factory is better than Wolkite flour factory regarding to cost accounting methods suitable in computing cost of factor of production.

60% and 40% of respondent strongly dis Agree and neutral in the Semira flour factory.

But in Wolkite flour factory 30% and 70% strongly agree and agree respectively. So Semira flour factory does not use process costing system while Wolkite flour factory uses process costing system.

In Semira flour factory 60% and 40% of respondents strongly agree and agree respectively for using job order costing system. And respondents in Wolkite flour factory 20% and 20% of respondents strongly agree and agree respectively. So, in semira flour factory job order costing system is more used than Wolkite flour factory.

80% and 20% of respondents agree and neutral respectively in semira. And in Wolkite flour factory 60% and 40% strongly agree and agree respectively. So, both process costing and job order costing system is used more in Wolkite flour factory.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The main objective of the study is to assess the cost accounting practice of Semira flour factory and Wolkite flour factory. 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 workers selected by judgment sampling method. In addition to these, discussion has been held with division head of cost centers. Then the conclusions reached are the following.

- The accounting department prepares interim production reports to management. Are found at good level in both Semira flour factory and Wolkite flour factory. However, there are certain issues that should be examined by the finance department.
- Both companies use just in time cost management. 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, both Semira flour factory and Wolkite flour factory uses the management department submits the proper documents to the cost accounting to the management department for record at the time of delivery. 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.

Semira flour factory use job order costing system for some of its products that are manufactured in identical lots of groups or that are produced according to customer order specifications. In job order, cost is accumulated in which it occurred and also Wolkite flour factory uses this system.

They use these costing systems helps the company for its different products to accumulate costs that used for different purpose based on their nature of production. This is used to control the company's flow of production costs easily.

Semira flour factory is faced with problems that affect product costing. These are old age machines but now a day's almost all are planned to be replaced by new machines which takes less time to produce products, and avoid frequent break down.

Wolkite flour factory more modern than Semira flour factory as the result of questionnaires indicate they have modern Machine and use information system.

Generally, Semira flour factory costing practice concluded as it used appropriate cost allocation base, use the product costing system based on the type of products and their process of production. The company product costing practice is good that makes if possible, business operation and now a days is growing by increasing the type of products it produces and producing in large volume.

5.2 RECOMMENDATION

In least developing countries like Ethiopia there is problem in cost accounting practice. In order to cost products efficiently and effectively and run the business by controlling costs and increase its profit timely, modern costing method has to be implemented.

As concluding remark, The Researcher like to forward some recommendations on the Wolkite flour factory and Semira flour factory costing practices. The basic problem of Wolkite flour factory is price differentiation that used to produce the same products. This comes from the purchase of same raw material from different suppliers who sell their materials at different price. These different prices but same raw materials cause different cost of products produced. This can be eliminated by buying raw materials from one reliable supplier.

And Semira flour factory have problem with costing practice. They must have committee for this problem, the committee makes research how they organize and manage the cost of this company more and more.

Most of the product department employees found at lower position are not qualified as their position require, even though they acquired the position by long experience. As result poor labor productivity will occur which in turn affect the cost. Therefore, the company has to plan to replace employees in the long run. Both of them (Wolkite flour factory and Semira flour factory) work on customer handling. The other Semira flour factory changes their system of working, and use systematic information system.

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APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondents;

This study is conducting under title “COMPARATIVE ANALYSIS OF COST ACCOUNTING PRACTICE IN WOLKITE FLOUR FACTORY AND SEMIRA FLOURE FACTORY”. The information is required for conducting senior essay in accounting & finance as partial fulfillment for obtaining bachelor degree in accounting & finance. Dear respondent, I would like to express my gratitude in advance for your cooperation. You will show the answer in completing the questionnaires below

INSTRUCTION;

- ✓ *In all cases, where answers to options are available, please tick (✓) in the appropriate box.*
- ✓ *For questions that demand your opinion, please try to honestly describe your responses on the space provided.*
- ✓ *Don't write your name*

I. Personal Information

1. Job position_____
2. Work experience years
3. Gender: Male Female
4. Educational status: A. Diploma B. Degree C. Masters
- D. PhD and above E. If any other.....

A. Question about the cost of accounting information for management decision making.

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

	1	2	3	4	5
The accounting department prepares interim production reports to management.					
The company use just in time cost management.					
The management department submits the proper documents to the cost accounting to the management department for record at the time					
The cost accounting information systems have possibilities of integration with suppliers" and customers" value Analysis of competitors" strengths and weaknesses.					
The cost accounting information system use just in time cost management					

If any other please specify

B. Question about managing product costing system material cost, manufacture overhead cost and labor cost

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

	1	2	3	4	5
Your company use manufacturing overhead cost					
Your company record their production cost separately on a cost sheet					
The company has proper purchasing procedures.					
Your companies use multiple cost managing system overhead					
Your companies use cost of quality					
The company use just in time cost management					
The company use proper predetermine for allocating management overhead costs					

The production costs accumulated in department basis.					
The production department use material requisition form to receive raw materials from the store.					

If any other please specify

C. Question related with cost allocation to cost object

	1	2	3	4	5
The company's current costing system is proper record and analysis.					
Your company's current costing system enables the department to assign fair production cost to products.					
Your company Evaluate cost accounting practice using Economic value added or residual income.					
The cost allocating department uses more than one pool for accumulating indirect costs.					
The current costing system is convenient for cost effective production cost assignment.					

If any other please specify

D. Questions related to cost accounting method

	1	2	3	4	5
Your company's cost accounting method is suitable in computing cost of factor of production.					
Your companies used process costing system.					
Your companies used job order costing system.					

Your companies used both process and job order costing system.					
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If any other please specify

E. What about cost accounting practice contributes relevant and reliable to make good decision?

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

G. What is the purpose for maintaining cost accounting records for flour factory?
