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DEPARTEMENT OF ACCOUNTING AND FINANCE

An Assessment of Cost Accounting Practice in Case of Zebidar Beer Factory

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Table of Contents

Contents

Acknowledgments i

ABSTRACT v

CHAPTERONE: INTRODUCTION 1

1.2. Statements of the problem 2

1.3. Research questions 6

The researcher will raise and answer the following specific researchable questions based on the possible causes of the main research problem. 6

1. How do the manager's support the company to control and reduce costs to improve the performance of the company? 6

2. How do employees involve in the company to control and reduce costs to improve the performance of the company? 6

3. How does the company organize cost centers and responsibility centers? 6

4. What methods of costing system, cost accounting tools and techniques and purchasing procedures are using in the company? 6

5. For what purpose does the company use cost information 1.4 Objectives of the study 6

1.4.1 General objectives 6

1.4.2. Specific objectives 6

1.5 Significance of the study 7

1.6 Scope of the study 7

1.7 Limitation of the study 7

CHAPTER TWO 8

LITERATURE REVIE 8

2.1 Meaning of cost accounting 8

2.2 Types of Cost 8

2.3 Purpose of cost Accounting 10

2.4 Cost Accounting Practice 11

2.5. Cost Control 12

2.6. Cost Reduction 14

2.7 Traditional Cost Allocation System 14

2.8.1 Standard Costing 15
2.8.2 Target Costing 15
2.8.3 Activity Based Costing 16
2.9 Management Support 17
2.10 Employees Involvement 17
2.11 Responsibility and Cost Center 18
2.12 Methods of Costing System 19
2.12.1 Job order costing system 19
2.12.2Process costing system 20
2.13 Uses of cost information 20
2.14Empirical evidence for cost accounting practice 21
CHAPTERTHREE: RESEARCH METHODOLOGY 25
3.1. Research design 25
3.2 Research approaches 25
3.3 Population 26
3.4 Types, sources and data collection methods 26
3.5 Procedures of data collection 26
3.6 Methods of data analysis 27
CHAPTERFOUR: DATA ANALYSIS AND INTERPRETATION 28
4.1Respondents' profile 28
4.2Respondents' awareness about cost accounting practice related questions 31
CHAPTER FIVE: 56
CONCLUSION AND RECOMMENDATION 56
5.1Summary of the study 56
5.2Conclusion 57
5.3 Recommendation 58
REFERENCE 60
APPENDEX 64

LIST OF TABLES

Table 4.1 Response rate……..31
Table 4.2 Department, Sex and age of respondents……31
Table 4.3 Educational status and work experience of respondents ……32
Table 4.4 Employees' involvement in cost control and reduction……..35
Table 4.5 Cost accounting practice for controlling and reducing Manufacturing costs …….38

Table 4.6 Cost control and reduction tools and techniques……..40
Table 4.7 Responsibility center and cost center……42
Table 4.8 Costing system and purchasing procedures……..45
Table.4.9 Uses of cost information……... 47

ACRONYMS AND ABBREVIATIONS

NALF……National Alcohol and Liquor Factory

ABC……. Activity Based Costing

MOH……. manufacturing overhead

PLC……privet limited company

CIMA……Chartered Institution of Management Accountants

ABSTRACT

The purpose of this thesis is to assess cost accounting practices in control and reducing in manufacturing cost at Zebidar beery Factory. It looks through the company's management support, employees' involvement, arrangement of cost and responsibility centers, tools and techniques of cost control and reduction, cost classification and allocation, methods of costing and its implementation, purchasing procedures and finally the use of cost information of the company's data were collected through questionnaire and interview. The data were gathered through a combination of both unstructured interviews with the department head and questionnaire addressed to the employees of the organization. The data received were analyzed by using narration and descriptive statistics. The finding of the research revealed that the company does not give chance for employees to participate in budget preparation and standard setting, it does not use target costing as cost control and reduction tools and techniques and reporting without relating of actual and planned information. Lack of assign costs to particular cost objects and each cost object has not separate measurement of cost, return back to store and inform the costing department when it has excess raw materials, use only traditional costing method and giving cost information for external users are other problems that found out in the study. So in light of the above problems, the following recommendations were forwarded. The company should try to include employees in budget preparation and standard setting, try to use target costing, and relate actual with planned information in reporting. It should also assign costs to particular cost objects and each cost object has separate measurement, return back to store and inform the costing department when it has excess raw materials, try to use modern costing method and in time of need give cost information for external users.

Key words: Cost accounting, cost **accounting tool and techniques, Cost control and reduction, manufacturing cost**

CHAPTERONE:
INTRODUCTION

1.1.Background of the study

The importance cost accounting practices has increased more than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreases profit margins, increasing input prices due the tightening energy sources, economic crises, etc. Therefore, companies operating in developing countries have also begun to implement cost accounting practices which were first adopted by companies operating in developed countries. Parallel to these developments, research studies which have been conducted initially in developed countries are followed by studies conducted in developing countries (Ali, 2010). However, Lin and Y U (2002) states that the application of cost accounting in less developed countries remains unsatisfactory and studies in this area are rare in the literature. They add saying this may be due to the relatively under developed status of economic and business administration in less developed countries. Accounting researchers have argued that the development of cost accounting practice is associated which happened in the eighteenth century, was starting point for cost accounting practice (Abobaker, 2013). A few researchers, such as Inttner and Larcker (2002) and Hume (2007) have claimed that cost accounting should be named manufacturing accounting because it serves manufacturing businesses and the production of commodities. Cost accounting is the process of recording, analyzing, classifying, summarizing and allocating costs associated with a process and then developing various course of action to control the costs .Its goal is to advise the management on how to optimize business practice and process based on cost efficiency and capability. It also provides the detailed cost information that management needs to control current operations and plan for the future. Cost accounting is the art and science of recording, classifying, summarizing and analyzing cost to help management make provident business decision. There are basically three purposes of cost accounting; these are cost control, cost computation and cost reduction. (Samaha and Abdallah, 2011). Cost accounting is an accounting system that provides financial and non-financial cost related information. Product costing is the cost of direct labor, direct materials, and manufacturing overhead that are used to create

a product. And the purposes are for preparing financial statement, setting price and for control purpose (Krumweld and Suessmair, 2005). The vital importance that cost accounting has acquired in the modern age is because of the growth of complexities in modern industry. It is a formal system of accounting for costs in the books of account by means of which costs of products and services are ascertained and controlled. The main objectives cost accountings are ascertainment of cost, control of cost, guide to business policy, determination of selling price, and measuring and improving performance .Cost accounting provides information for both management accounting and financial accounting. It measures and reports both financial and nonfinancial information that relates to the cost of acquiring or consuming resources by an organization. Cost accounting includes those parts of both management accounting and financial accounting where cost information is collected or analyzed (Marco, 2016). Every business must control all its costs if it wishes to remain competitive. It also needs to control cost in total as well as the costs of a particular department or activity. Sound business management depend up on timely and rational judgment or decisions: in turn effective and rational decision making depends upon proper planning and control functions. Planning and controlling activities are continuous interrelated and the success would depend up on the quality of accounting data supplied effective decision making. It is just a question of being able to disentangle the information and finds costs that are relevant to this purpose. The cost data will be an important element in the decision. So; good cost accounting system supports the pricing technique while quoting the bids or accepting the offers (Aron, 2014).

1.2. Statements of the problem

In current era of business environment there is a lot of competition in business and corporate world in developed as well as developing countries. The owners of the corporations want to achieve higher position in the market of their corporations in every aspect of the business (Sleihat, 2012). In today's competitive business environment organizations seek to have an upper hand over their competitor, foreign investments are becoming welcomed especially in Africa market and are growing drastically over time and organizations need to compete with the wide open market avail for foreign investors. This type of competition is an opportunity for organizations that foresee what global market to

become in near future and become ready to compete, while it is a threat to those organizations that circled their environment only for the domestic competitors and could not image the bigger picture of their future competition environment look like. One way of competing with such type of competitive environment is by making informed business decisions timely, effectively and also efficiently (Yohannes, 2018).

As it stated in the back ground of the study, cost accounting is the recent phenomena because of the complexity of modern industry. Cost accounting can address various information which is not detail explained by financial accounting. According the studied of Ali (2010), the importance of cost accounting practices has increased more than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreases profit margins, increasing input prices due the tightening energy sources, economic crises, etc. Therefore, companies operating in developing countries have also begun to implement cost accounting practices which were first adopted by companies operating in developed countries. Parallel to these developments, research studies which have been conducted initially in developed countries are followed by studies conducted in developing countries. However, Lin and Yu (2002) states that the application of cost accounting in less developed countries remains unsatisfactory and studies in this area are rare in the literature. They add saying this may be due to the relatively under developed status of economic and business administration in less developed countries. Uncertainty may cause costs to increase beyond acceptable levels. In profit maximization, cost control and reduction play significant role. Any type organization that is successful in cost control and reduction, without reducing its quality can sell its products at lower amount than its competitors. Having price competitive advantage, the company can enhance its market share and become a market leader (Akeem, 2017). He further stated that in good or bad periods, cost control and reduction scheme remain constant. Currently the increases in the cost of operation become difficulty for organizations. So cost reduction and cost control scheme become inevitable. Hence, in order not to exceed their budget and not run at loss, as well as not to reduce the quality of their products, organization needs to use effective cost reduction and control tools and techniques to reduce their cost to the lowest minimum. Many organizations today are still not making use of cost accounting tools to assist them in providing sustainability information for

decision making. This may impede the financial performance and success of organizations since erroneous decisions, increases in information, the use of antiquated cost drivers, large amount of information and human errors may occur (CIMA, 2011). Without applying cost accounting tools, managers of organizations may find it difficult to improve the day to day operations and take decisions that will enhance the financial performance of the business. Despite the increasing amount of research in cost accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery,2004). This lack of research based knowledge may have been based on a belief that the discipline in cost accounting is best served by studying the most innovative and successful examples of practice that can be found in the leading western and Japanese firms (Michell, 2006).There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is not on the basis of development of accounting as academic but due to the lack of research in accounting and specially cost accounting (Inanga and Schneider, 2005). In many countries studies were made on cost accounting practices to reduce and control of manufacturing costs; Cost accounting practice in India corporations to verify any significance difference between using ABC and traditional cost system(Anand, 2004), traditional cost allocation can lead to price distortion while ABC, tracing overhead consumption lead to more precise results (Samha and Abdallah, 2011), cost control and its impact on the survival of Nigeria firms as a case study on Nigeria bottling company(Olalekani and Tajudeen, 2005), the effect of cost control and cost reduction techniques in organizational performance (Akeem, 2017), product costing system in manufacturing company (Girum, 2014), effectiveness of traditional cost monitoring and controlling system (Dagnachew,2017),cost efficiency level in Banks (Heruy,2015), assessment of product costing and pricing system in plastic share company, (Samrawit,2010), Assessment of job order costing and application(Mengistu,2010) and cost estimation practice methods and processes in road construction (Samuel,2017). However, in Ethiopia cost accounting practice in manufacturing companies was not yet widely examined. Hence, this study examined and evaluated cost accounting practices that help the manufacturing firm to control and reduce manufacturing costs. As business organization in general and manufacturing companies in particular NALF primary objective is to generate optimal profit (Biruk, 2009). When we are talking about

profit, it is obvious that the company should maintain its cost low and raise its quality as per the expectation of its customers. If the company fails to minimize its cost and keeps its customers satisfaction, there will be a simple shift of customers to other similar products that leads to low profit. And for the company to fulfill its objective, the cost accounting plays a vital role in minimizing costs and producing quality product that exceeds customer expectation. In addition to this before few years, there was no as such a rigorous computation in the alcohol industry of Ethiopia. Because there were no strong companies in the market, Ethiopian NALF had taken the larger market share. Currently Ethiopian NALF is facing a strong computation from international brands and successful national companies. Therefore, cost accounting practices become a major issue for Ethiopian NALF include zebidar brewery factory.

This study designed to assess the practical usage of cost accounting practices in Ethiopia Zebidar Brewery Factory and tries to recommend possible solutions.

1.3. Research questions

The researcher will raise and answer the following specific researchable questions based on the possible causes of the main research problem.

1. How do the manager's support the company to control and reduce costs to improve the performance of the company?

2. How do employees involve in the company to control and reduce costs to improve the performance of the company?

3. How does the company organize cost centers and responsibility centers?

4. What methods of costing system, cost accounting tools and techniques and purchasing procedures are using in the company?

5. For what purpose does the company use cost information

1.4 Objectives of the study

1.4.1 General objectives

- The general objective of this paper is to assess cost accounting practices in controlling and reducing manufacturing costs.

1.4.2. Specific objectives

- To identify how the top managers support and employees involve in the company for controlling and reducing costs to improve the performance of the company.
- To examine the ways of the company organize cost centers and responsibility centers.
- To see the methods of costing system, cost accounting tools and techniques and purchasing procedures which are using in the company.
- To evaluate the purpose of cost information in the company.

1.5 Significance of the study

This study will have useful implications for theory and practice. The study will expand the existing management accounting literature in two ways. First, it will provide new empirical evidence on the use of cost accounting information. Second, it will contribute an additional study in the new context of Ethiopian manufacturing like the Zebidar brewery factory firms regarding what contingent factors affect the extent of cost accounting use. Finally, the research will test a relationship between the use of cost accounting information and the effectiveness of the manufacturing firms in Ethiopia. The focus on Ethiopia is especially important because research on cost accounting is very limited in this country and developing countries more generally. In general, the study used for:- Manufacturing firms to practice cost accounting for the effectiveness and efficiency of the company.

For the company's policy makers-it may assist as to identify level of use of cost accounting firms and factors that affect the use of cost accounting that may ensure the future policy decisions made by the company is evidence based.

Other researchers- they may use as reference to study the practice of cost accounting to give further solutions for the problem.

1.6 Scope of the study

The study covers the major cost accounting practices in Zebidar brewery factory. The paper is specifically designed to assess the cost department and its relation with other financial departments in the company. The study was delimited in the head office of the company

1.7 Limitation of the study

The limitations that occurred in the time proposal research study was: The study limited to the Zabidar brewery factory, the findings are only from the Beer alcoholic manufacturing company's perspective. In case, similar research in the future may extend to cover the other industries. The other limitation that researcher confronted was the Zabidar brewery factory confidentiality policy obligated only to observe original document.

1.8 Organization of the study

This research report organized in five chapters. Chapter one provides the general introduction about the whole report. Chapter two describes the review of related literatures. Chapter three provides detail description of the methodology that used by the

research. Chapter four contains data presentation, analysis and interpretation. Finally, the last chapter concludes the total work of the research and shows the implication for policy makers and further researches.

CHAPTER TWO

LITERATURE REVIE

2.1 Meaning of cost accounting

In1987 the Chartered Institution of Management Accountants (CIMA) of United Kingdom (UK) define cost accounting as follows: Cost accounting is the process of cost accounting for costs from the point at which expenditure is incurred or commutated to the establishment of its ultimate relationship with cost centers and cost unites. In its widest usage, it embraces the preparations of statistical data, the application of cost control methods and ascertainment of profitability of activities carried out or planned .Cost accounting is a formal system of accounting for costs in the books account by means of which costs of products and services are ascertained and controlled. Cost accounting is the mathematical approximation or economic calculation of resources (including the durables, working time, space, knowledge and ideas) consumed by accost object during the course manufacturing products or providing services (Kohler,2007).

Cost accounting is the process of recording, analyzing, classifying, summarizing and allocating costs associated with a process and then developing various course of action to control the costs .Its goal is to advise the management on how to optimize business practice and process based on cost efficiency and capability. It also provides the detailed cost information that management needs to control current operations and plan for the future. Cost accounting is the art and science of recording, classifying, summarizing and analyzing cost to help management make provident business decision. There are basically three purposes of cost accounting; these are cost control, cost computation and cost reduction (Marco, 2016).

2.2 Types of Cost

Cost accounting can be grouped in different ways by different scholars. Nigam and Jain (2001) puts to gather a frame work for classifying total costs by five bases, which are behavioral, functional, responsibility, traceability and relevance to decision making. Of these two of them are describing as follows which directly related to the study.

The behavioral classification measures the changes in costs in relation to the changes in level of activity. Three categories are fixed, variable and semi variable. Fixed costs-care costs that are remain constant regardless of the volume of output within a certain level. They are also called capacity costs as they denote the productive capacity. Thus when the range of activity expands beyond the peak capacity, the current fixed costs rises to another level, which is termed as step costs. A sub division of fixed cost is committed fixed costs and discretionary fixed costs (also known as programmed/managed fixed costs). The former involve the acquisition and maintenance of the organization and its long term assets, example depreciation of equipment, rental of buildings, and key personal salaries. Whereas the latter can be manipulated by management and adjust to situations, example, research and development, public relations, and training initiatives. Variable costs- respond directly to the volume of output at a constant rate, example direct material, sales commission. Semi variables –Those activities which require a minimum fee (i.e. the fixed component) plus additional charges for actual usage (i.e. the variable component) incur semi variable costs (also known as mixed costs), example telephone, repair, electricity charges.

The functional classification is based on the purpose of activities undertaken. It is divided in to manufacturing and non-manufacturing categories. Manufacturing costs comprise of every cost in the plant up to the point when goods are finished, i.e. direct material, direct labor and factory overheads. Direct materials- are those materials which can be conveniently identified with and allocated to cost units. They are the acquisition costs of all materials that eventually become part of the object and that can be traced to the cost object in an economically feasible way. Acquisition costs of direct materials include freight in charges, sales taxes and custom duties. Direct materials are the raw materials from which the product is made and comprise the value of materials that are physical observable as being identified with the finished good and that may be traced to the finished product in an economically feasible manner. Direct labor cost-labor cost is the cost of remuneration such as wages, salaries, commissions, bonuses, etc. Direct manufacturing labor costs include the compensation of all manufacturing labor that can be traced to the cost object in an economically feasible way. Direct labor consists of wages paid to workers directly engaged in converting raw materials in to finished products.

These costs can be conveniently identified with a particular job or process. Manufacturing overhead costs- The total of all indirect costs is termed as overhead costs, non-productive cost, factory burden, supplementary costs, are all manufacturing costs that are considered part of cost object in an economically feasible way example include power samples, property taxes on plants plant depreciation and the compensation of plant managers.

There are also three types of non-manufacturing costs. Administrative costs relate to organizing and controlling the operations, hence are largely fixed in nature, example key personal and clerical staff salaries, electricity bill and equipment of general office. The second non-manufacturing cost is marketing costs that include selling and distribution. These are the costs to move the goods from the plant to customers, example warehouse, vehicles, wages of packers and drivers. Lastly financing costs are paid for raising and using capitals, example loan interest, fees for issuing shares, bonds coupons.

2.3 Purpose of cost Accounting

A total number is sufficient for the purpose of external reporting since profitability analysis is done for the entire business a whole. On the other hand, for internal decision making divisible cost information is needed to figure out cost per unit, because analysis of profitability is performed on each particular product or process or operation (Thukaram, 2012). Decisions such as pricing, introduction or continuance of product lines, outsourcing, and capacity planning all rely on analysis (Taylor, 2000). Decreasing profitability, increasing costs and computation, and economic crises are reasons which increase the importance of cost accounting. It is important to remember that cost accounting information is just a means to an end, and the final product is a managerial decision based off information generated by the cost accounting system. The most accurate information is not always sought out nor cost effective, but the best available information is desired. The information being collected and used is for managerial purposes only.

The main objectives of cost accounting are as follows (Samaha and Abdallah , 2011): Ascertainment of cost-This is the primary objective of cost accounting .For cost ascertainment, different techniques and systems of cost accounting are used under different circumstance. Control of cost; Cost control aims at improving efficiency by controlling and reducing cost. It is becoming increasingly important because of growing completion. Guide to business policy- cost data provides guidelines for various managerial decisions like make or buy, selling below cost, utilization of idle plant capacity, and introduction of a new product. Determination of selling price-cost accounting provides cost information on the basis of which selling prices of products or services may be fixed. In periods of depression, cost accounting guides in deciding the extent to which the selling prices may be reduced to meet the situation. Measuring and improving the performance of cost accounting measures efficiency by classifying and analyzing cost data and then suggest various steeps improving performance so that profitability is increased.

2.4 Cost Accounting Practice

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

The evolution of cost accounting is a single in to three eras-the first era from the first appearance until before the industrialization; the second from the industrialization to the twentieth century and there after the third (Antonelli and Vetal, 2009). During the first era, the nomenclature cost accounting might not exist as a clear and well recognized concept like it is today, the activity could be called by other names. The first point appearance of cost accounting can be traced back to the fourteenth century (Thukaram, 2012).

With the expansion of the scale of business, mainly in manufacturing activities that small enterprises started to produce trade items such as books, woolens, coins and wine, an expansion in cost accounting was required (Cunagin and Stancil , 2002).

The industrialization began in the late eighteenth century in England as the industrial revolution and later spreading to other parts of the world led to fundamental changes in agriculture, manufacturing, transportation economic policies and the social structure (Montagna, 2001). The change in macro environment gave rise the new developments in cost accounting as a result of the enormous impact on a manufacturing methods and costs (Schwarz, 2007). The advancement of means of communication during the twentieth century enhances the possibility to export and re import theory and practices (Parker and Yamey, 2004), hence the voice from one original source is able to induce echo on a much larger scale which is manifested by the growing debates in the research field. The definition of full cost varies from country to country as it dictated by GAAP, but the same nation apples for every jurisdiction that only a lump sum number of the full cost of all products or services is needed to report inventory and costs of goods sold (IFAC, 2009).

A manufacturing company's income statement is more complex than a retailer or a merchandiser as it transforms raw materials into finished goods through the use of labor. As a result of manufacturing goods, manufacturers must understand the various costs associated with this production process. It is simply not sufficient to know the price paid for raw materials when manufacturing a finished product. The cost accounting system used by a manufacturing company should be able to provide information relevant for the external reporting system. For a manufacturing firm, financial reporting separates costs based on when those costs becomes recognized as expenses. All costs manufacturers can be classified as product or period costs. Product costs are frequently referred to as manufacturing costs. These costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system. Period costs include all other manufacturing costs. These costs are expensed as they are incurred (Lanen, Andorsen and Maher, 2008).

2.5. Cost Control

In the process of manufacturing companies, the concern of cost control management is essential in order to effectively utilize the material resources. In addition to this, cost control includes the management measures implemented to ensure that cost continues in accordance with the management plan. The significance of cost control cannot be over emphasized as an existence technique for manufacturing companies because they ensure appropriate monitoring of cost against budget and correct any financial impropriety the company. The term cost control is used widely and no uniform definition exists (Horngren et.al, 2012). They further explained that cost control is used to define the activities of manager in short run and long run planning and management of costs. They further processed that planning and cost control is often inseparable related with revenue and profit planning. Agara (2005) opines that cost control is a process whereby targets are set against which the daily incidence of cost is compared to ensure that cost targets are not unduly exceeded. Adeniyi (2007) specified that cost control the standard of cost of operating an organization and it is concerned with holding costs within tolerable limit. He said this limits will regularly in a form operational plan or budget. Cost control action will be important, if actual cost vary from planed cost by too much amount. He further explained that is a process of setting targets and receiving feedback information in order to ensure that actual performance is in line with set target and if not, take corrective action. Cost control and costing systems are identical with common attributes (Lockyer, 2000). Costing system includes an organization's control, plans and structures which have three levels. Those are the setting, the operation and the feedback phases. In setting a control system, establishment of standards is the criteria for performance and it can be specified in quantitative terms, in units of products or services, labor hour, speed, volume or stated in value such as volume of sales, cost of capital expenditure or profits, etc. The operation phase is the part the association in which the technology is applied raw materials inputs transformed into finished goods. The achievements and failure in this regard depends on the set standards. If the set standard unclearly defined, the result will be failure, and if it correctly defined, the operation will bring out best outcome. The feedback phase is a phase that provides information for decision that adjusts the system. Whether or not performance is on the correct target and objective is being achieved, the system is monitored as plans are implemented or not. To be efficient, actual performance is measured against standard and deviations investigated.

An organization wants regular information about operations to plan for the future, to control current activities and to evaluate the past performance of the managers, workers and linked business units (Cooper et. al, 2009). In order to become fruitful, administration guides the activities of its employees in the operation of the business according to the predetermined goals and objectives.

There are two forms of controls that management's leadership takes the management and the supervision of behavior and the evaluation of performance. Behavioral management involves the approach and activities of employees. While employees' behavior finally effects on achievement, behavioral management involves certain issues and rules not applicable to accounting control function. On the other hand, performance evaluation measures results workers' actions by comparing the actual results of management identified the strengths, it needs to maximize and the weaknesses it seeks to correct. The process of remedy and evaluation is known as cost control.

2.6. Cost Reduction

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

2.7 Traditional Cost Allocation System

Traditional cost system uses two stage allocation processes. In the first stage, traditional cost allocation system allocates overheads to production and service departments and then allocates service department costs to the production departments. In the second stage, traditional costing systems trace overheads to products using a small number of second stage allocation bases, which vary directly with the volume produced. Traditional cost systems tend to report less accurate costs because they use cost drivers where no cause and effect relationships exist to assign support costs to cost objects (Drury, 2007).

According to a survey conducted by national association of accountants (2006), traditional cost based performance measures have numerous shortcomings. There are: Do not adequately trace costs of products, process, activities, etc. Do not adequate isolate non-value activities. Do not penalize over production. Do not adequately identify the cost of quality. Do not adequately evaluate the importance of non-financial measures based on quality, customer service, flexibility and throughput, etc.

2.8 Development costing practice

as companies enter a more competitive environment on a global scale, they also require better cost information. This is made possible through the implementation of an effective cost accounting system. Advances in cost accounting have produced valuable tools that management can utilize in order to gain better information. A useful cost accounting system allows a business to acquire accurate product and service costing for pricing, determining optimal products or services mixes, assisting with decisions on whether to and what to outsource, determining preferred channels of distribution, targeting activities for process implement, managing cost customer relations and making investment decisions. It is important for businesses to adopt and utilize cost accounting methods that fully recognize cost and allow for innovation within the company (Kawan, 2011).In developing an effective cost accounting system; executives can apply several techniques that will undoubtedly assists in the operations of the organization. Executives should understand the importance of these methods in producing one efficient cost accounting system that will help cut costs and produce quality out puts. Techniques that management can utilize to develop a better cost accounting system to compete in the global market include standard costing, target costing, ABC and the just in time approach (Hansen, 2009).

2.8.1 Standard Costing

For simple controlling costs, the usage of a standard costing system is beneficial for companies. The main reasons to develop standard costing system are that helps executive manage costs, improve planning and control, facilitate decision making, and facilitate product costing (Hansen, 2009). In this system, products costs are determined by using quantitative and price standards for materials, labor and overhead. For many tons, the use standard costing variance analysis has been viewed as the most effective tool for cost control (Kinney, 2006.

2.8.2 Target Costing

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

Target costing also requires extensive interactions among the productions, marketing and accounting departments, so that everyone is in sync with the same idea (Kaplan, 2006). This cost management techniques helps to reduce costs in each stage of the development of the product.

2.8.3 Activity Based Costing

As mentioned before, traditional cost systems do not reliably calculate total product costs. The system utilizes only a few drivers to allocate overhead costs, and most of the costs are placed in the same generic cost pool. ABC accounting, though, seeks to provide more accurate cost measures. An ABC system is a cost accounting system that uses both unit and non-unit based cost drivers to assign costs to cost objects by first tracing costs to activities and then tracing costs from activities to products (Hasenn, 2009).

In ABC accounting, the system attempts to reveal costs through direct tracing instead of allocation. This creates a more accurate pictures of the total costs associated with a product. Besides reducing costs, this management tool also improves the final price that customers pay for the product by focusing on the activity involved. The philosophy behind using ABC is the value that it provides to customers at a cost less than the price customers pay for that value. Activity is any discrete task that an organization under takes to make or deliver products or services. Products or services consume activities and activities consume resources. ABC is a two stage product costing method that assigns cost first to activities and then to the products based on each product's use of activities. There are four steps involved in ABC (Kinney, 2006).

First, the activities consume resources are identified and costs are assigned to them. Identifying the activities that consume resources can sometimes be challenging and interesting. Identifying these activities, activities can be classified into value added and non-value added. When following the production process all the way through, managers often uncover many non-value added activities that can be eliminated from this first step. Second, cost drivers associated with each activity are identified. Third, a cost rate per cost driver is computed. A predetermined rate is equals to the estimated indirect cost divided by the estimated volume of allocation base. Fourth, costs are assigned to products by multiplying the cost driver rate by the volume of cost driver units consumed by the product. ABC uses more data than conventional costing but provides more informed estimates of product costs. Having better cost information enables managers to make decisions about pricing. Activity based management focus on managing activities to reduce costs. Identifying users of ABC is not always easy for a variety of reasons.

First, ABC means different things to different observers. Second, ABC can be used in some parts and organization but not in every part of an organization. Lastly, organizations usually announce the adoption of ABC but do not necessarily announce its discontinuance (Kaplan, 2006).

Widely ranges of organizations have adopted ABC, ranging from manufacturing to government agencies. The sizes of these organizations also vary significantly. Some organizations using ABC are small regional users while others are large multinational users. By using a greater number of cost centers and different types of cost drivers that causes activity resource consumption and assigning activity costs to cost objects on the basis of cost driver usage, ABC system can more accurately measure the resources consumed by cost objects (Drury, 2007).

2.9 Management Support

Cos accounting practice cannot be set up without any active support of top management of a company. If management has a positive attitude towards setting standards, budgeting and provides direction for implementation and control, a company will be able to implement its plans efficiently. Management involves directing the activities of others, making sure that other people do what should be done. The basic managerial control process involves three steps. They are establishing standards, measuring performance against these standards and correcting deviations from standards and plans. First managers plan the way they want people to perform, then they implement procedures to determine whether actual performance complies with these plans. Cost control is continues process that begins with the budget. Management compares actual results to those projected in the budget and incorporates in to the new plan the lessons learned from its evaluation of current operations. Through the budget process and accounting controls, management establishes overall company objectives, defines the centers of responsibility, and determines specific objectives for each responsibility center, and designs procedures and standards for reporting and evaluation (Adeleke, 2014).

2.10 Employees Involvement

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

Employees should be empowered by top management. One of the techniques to improve workers' productivity is giving training to employees on the area where cost can be controlled. The other method to increase the productivity is giving incentives for employees. The employees need to be encouraged so as to accomplish with interest in order for the desired result to be achieved. Organization should ensure that staff morale is always high. Affording better payment and being aware of the workers' welfare are methods of incentives. The incentive system has to be linked with performance evaluation of employees. Nowadays competition is a common worldwide trend and it cannot be avoided. It may become to the solution by offering quality products with reasonable price as well as by having capable and knowledgeable man power. Myronenko (2012) stated that focusing on lean production and quality programs, firms should have to improve productivity by upgrading the skill of their employees. This can be created by more extensive training, job rotation, multi-tasking and empowerment of employees. This enhances employees' morale and can yield substantive benefits in terms highest quality and workers suggestions for improvements in the process. If employees understand as they are a large portion of the production process, they able to contribute more efforts.

2.11 Responsibility and Cost Center

A responsibility center in cost accounting denotes a segment of a business organization for the activities of which responsibility is assigned to a specific person. Thus a factory may be split into a number of centers and a supervisor is assigned with the responsibility of each center. All costs relating to the center are collected and the manager responsible for such a cost centers judged by reference to the activity levels achieved in relation to costs. Even an individual machine may be treated as a responsibility center for cost control and cost reduction (ICAI, 2018).

A cost center is defined by (CIMA of UK, 2005) as "allocation person, or item of equipment (or group of these) for which costs may be ascertained and used for the purpose of control." Thus, a cost center refers to a section of the business to which costs can be charged. It may be allocation (a department, a sales area), an item of equipment (a machine, a delivery van), a person (a sales man, a machine operator) or a group of these. The main purpose of ascertaining the cost of a cost center is control of cost. The determination of suitable cost centers as well as analysis of cost under cost centers is very helpful for periodical comparison and control cost. In order to obtain the cost of product or service, expense should be suitably segregated to cost center. The manager of a cost center is held responsible for control of cost of his cost center. The selection of suitable cost centers or cost units for which costs are to be ascertained in on undertaking depends upon a number of factors such

as organization of a factory, condition of incidence of cost, availability of information, requirements of costing and management policy regarding selecting a method from various choice. Cost center may be production cost centers, operating cost centers or process cost centers depending upon the situation and classification.

2.12 Methods of Costing System

Costing should not be confused with cost accounting. Costing can be carried out arithmetically whereas cost accounting is the formal mechanism by means of which costs are ascertained (Beyenesh, 2012). Costing is an essential work for the efficient management of any enterprise and gives most useful information for preparation of financial accounts. It enables a business not only to find out what various jobs or processes have cost but also what they should have coasted. It indicated where losses and wastage are occurring before the work is finished, so that the immediate action may be taken to avoid such loss or wastage. Also all expenditures are localized and there by controlled in the light of information provided by the cost record(Beyenesh, 2012).Types of costing system refer to the techniques and processes employed in the ascertainment of costs. There are different methods of costing for different industries. The methods costing to be used in the particular company depends up on the type of manufacturing and nature of industry (Willamsan, 2009). The two basic types of costing systems are used to assign cost to product or service. Each of them are describing as follows:

2.12.1 Job order costing system

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

In this system the cost object is a unit or multiple unite of a distinct product or service called 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 expanded in bringing a distinct product or services to market (Cherington, 2008).

2.12.2Process costing system

This costing system is used for manufacturing process which produces a single product or single mix of products continuously for an extended period of time. In this system the cost of product or service is obtained by using broad averages to assign cost to mass of similar units produced for general sale and not any specific customers. Average cost over large number of nearly identical produce companies that use process costing system are cement factory, petroleum refineries, flour companies, beer factories, textile factories and beverage companies. According to Arora (2003), processes costing system follow the following procedures: First, the factory is divided in to a number of processes and an account is maintained for each process. Second, each process account is debited with material cost, labor cost, and direct expenses and overhead allocated or apportioned to the process. Third, the output of a process is transferred to the next process in the sequence. Finally, the finished output of the last process is transferred to the finished goods account.

A single work in process account may use by a company that has only one producing department or continuously produces a single product. On the other hand department works in process accounts are preferable if production flow through several cost centers or departments separate cost figures for each process might also be desirable. In manufacturing process costing setting, each unit receives the same or similar amounts of direct material costs, direct labor costs and indirect manufacture costs (Horngren, 2003). According to him, there are five steps in calculating unit costs in process costing system. Summarize the flow of physical units of output, compute output in terms of equivalent units, compute cost per equivalent unit, summarize total costs to account for and assign total costs to units completed and to unit in ending work in process.

2.13 Uses of cost information

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

Second, it uses to provide useful information for managerial decision making requirements. In order to meet financial accounting requirements, it may not be necessary to accurately trace costs to individual products (Drury and Tayles, 2005). With knowledge of the fixed costs and variable costs, the manager should use this information, along with the financial statements, to aid in the decision making process. The traditional income statement is primarily used for external reporting. The value approach or the contribution margin income statement is more useful for internal decision making (Lanen, Anderson, and Maher, 2010).According to Samrawit (2010) cost information can use for two purposes. These are describing briefly as follows. A company's cost information system provides the data required for the preparation and operation of a budget and for establishing standard costs. Budget- In money companies predetermining or estimating factory overhead constitutes the initial step toward budget program. The budget program lists of all members of management in the task of creating workable and acceptable plan of action welds the plan in to homogenous unit. Communicate to all managerial levels difference between planned activity and actual performance and point out unfavorable conditions which need corrective action. Standard cost- Closely allied with the budgets are standard cost which are predetermined cost of direct material, direct labor and factory overhead. They are established by using information accumulated from past experience and data secured from research studies and it helps the management to form the foundation for the budget. A standard cost under given condition which is held constant in order to observe measure fulgurations. The measurements of deviation from established standard norms in accomplished.

2.14Empirical evidence for cost accounting practice

The empirical studies carried out by earlier authors as regards the cost accounting practice to reduce and control manufacturing costs are discussed below:

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

The study carried out by Saaydah and Khatatneh (2014) on the adoption of some recent cost accounting tools and their perceived effects on the performance of Jordan manufacturing companies shows that few modern techniques have been adopted so far. The authors used 30 companies which represent 25% of the targeted population and confirm reasonable level of awareness and adoption of

Jut in time manufacturing, Balance Score Card, ABC, Target costing and Kaizen costing in their order of intensity. Their findings also reveal that the tool that faces the greatest difficulty in terms of adoption is Target costing followed by ABC.

Caroline (2014) examined the effects of cost management on the financial performance of manufacturing companies. The study tried to found the effects of supply chain management, labor management and stock management on the financial performance of manufacturing companies. To conduct the study six manufacturing companies listed on Nairobi Security exchange were selected. The study used quantitative approach as well as causal research design multi variance linear regression model. Data was sourced from both primary and secondary sources namely questionnaire and audited financial statements. The study found that cost management is positively related to financial performance of manufacturing companies. This research recommended that the management should focus on managing cost of distribution, cost of labor and cost of stock. Siyanbola and Raji (2013) studied the impact of cost control on manufacturing industries' profitability on West Africa Portland Cement PLC.

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

New approaches to cost accounting, such as the ABC, did not receive widespread adoption. As Sharman (2003) states, an Ernst and young survey in 2003 of about 2,000 chief financial officers revealed that 98% of respondents reported that cost information is distorted due largely to improper overhead allocation. It is reported that about 80% of the USA companies still use the traditional cost allocation methods. Of the many companies that tried to implement the ABC costing, only 20% were able to sustain it. Many companies claimed that the ABC system design is too complex.

Anand (2004) studied cost accounting practice in India corporations to verify any significance difference between using ABC and traditional cost system. The study established that the firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for bench marking and budgeting with ABC cost system. Yet the consistency in their priority of budget goals is taking unlike the firms which are using traditional costing systems.

In study conducted on 40 industrial companies in Egypt, Elshahat (2007) concluded that cost accounting information in Egypt is available at a basic level, and used more external(pricing) purposes than for internal(performance) purposes. They also found that the use advanced cost accounting techniques such as activity based costing system seem absent. The comparative study conducted by Joshi(2001) revealed that Indian manufacturing companies rely heavily on the traditional cost accounting techniques such as variable costing, budget for day to day operations, capital budgeting tools, return on investment based performance evaluation, and performance evaluation. However, the adoption rates of recently developed practices such as shareholder's value analysis, performance evaluation, product life cycle costing, back flush costing, activity based budgeting, and value chain analysis, have been rather low and slow.

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

CHAPTERTHREE:
RESEARCH METHODOLOGY

3.1. Research design

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

3.2 Research approaches

Descriptive research design involves both quantitative and qualitative data. Quantitative approach involves numerical data subjected quantitative analysis whereas qualitative approach involves data in textual form that concerned with subjective valuation of attitude, thoughts and behavior (Kothari, 2004). According to Schweitzer (2009) quantitative approach was used for its appropriateness to the determination of developing research questions and it is suitable for the type of numerical data required in the study. In this study both qualitative and quantitative data were used. In analyzing case study descriptive research, both qualitative and quantitative research approach is needed (Yin, 2003). Therefore, in this study the researcher employed both research approaches.

3.3 Population

All items in any field of inquiry constitute a universe or population. It is obvious that in such inquiry no elements of chance is left and highest level of accuracy can be obtained but in reality this may not be practical due to time, money and energy constraints (Kothari, 2004). Accordingly, the population for this study was employees of the organization who are working in cost accounting department and other financial departments.

Therefore the total employees of the organization working in department of cost accounting, finance, central warehouse, production and purchasing are 50 and the population for this particular study that helped to get accurate data was the whole employees. To accomplish the study, the researcher has used a census data collection. This was preferred because it provided the possibility of examining the entire population and acquiring information.

3.4 Types, sources and data collection methods

Both primary and secondary data were used in the study. The primary data were collected using questionnaires for the whole employees working in cost accounting department and other financial departments and also in addition to that using an interview for cost department manager and the manager of the organization to get the first hand information. Secondary data were gathered by reviewing various cost accounting documents such as reports, polices, manuals and other documents of the department.

3.5 Procedures of data collection

The questionnaires were distributed in person to the targeted respondents. And follow-up calls were conducted to provide feedback, clarification and remainder. Statistical analysis then conduced on this data. For literature review and other purposes, articles, manuals, websites and other secondary data were reviewed. Data were primarily collected through simple self-administered questionnaires with Likert scale 5 type of questions. A Likert scale 5 is a variation of the summated rating scale with consists of statements that express either a favorable or unfavorab0le attitude toward the object of interest (Cooper and Schinddle, 2003). Respondents were asked to agree or disagree with each statement. Each response was given a numerical score

to reflect its degree of favorableness (1= strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=strongly agree). Likert scales5 helped the researcher to compare the respondents' score with a distribution of scores from the sample group. Interviews were used as a second the tool to get more insight and meaning of the research problem. Respondents were asked to fill the questionnaire and send it back within five days. One week later, a reminder was sent to all selected respondents. Two weeks after the initial posting, remainders were again sent to respondents who had not returned their questionnaires. Structured interview questions were used.

3.6 Methods of data analysis

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

The data collected were analyzed by quantitative and qualitative data analysis methods. The researcher employed descriptive statistical method specifically frequency distribution and percent with tables in order to avail the finding of the study. Percentages are suitable for comparative analysis of data. The use of frequency distribution tables by the researcher in analysis of data is to give faster and more understandable presentation of the data collected by the researcher. The findings are discussed in relation to the research questions and the literature reviewed. In addition to this, the information gathered through interview is utilized to elaborate major factors related to cost accounting practices of the organization and the resulted are presented in the form of summary and narration.

CHAPTERFOUR:
DATA ANALYSIS AND INTERPRETATION

This chapter deals with data presentation, interpretation and analysis of the study. The chapter has two parts: the first is demographic variables of the respondents; while the other part of data analysis made on opinion survey on cost accounting practice.

4.1Respondents' profile

To do this research, a total of 50 questionnaires were distributed in person to the targeted group of employees. These questionnaires were distributed to employees of zebidar beer factory in different financial departments. Out of the total 50 questionnaires 40 were fully responded and returned, thus achieving 80 percent responses rate. However, 4 of them returned but not completed and 6 of them were not returned.
Table4.1 Response Rate

Total questionnaires	50
Completed and Returned questionnaires	40
Response Rate	80 percent

Table 4.2 Department, Sex and Age of the respondents

Departments	Frequency	Percent	Cumulative percent
Finance	9	22.5	22.5
Central warehouse	5	12.5	35
Production	6	15	50
Purchase	7	17.5	67.5

Cost accounting	13	32.5	100
Total	40	100	
Sex			
Male	25	62.5	62.5
Female	15	37.5	100
Total	40	100	
Age			
21-30	17	42.5	42.5
31-40	11	27.5	70
41-50	9	22.5	92.5
51-65	3	7.5	100
>65	-	-	-
Total	100	100	

Source: Own survey, 2021

Respondents on department shows 32.5% of respondents are in cost accounting division, 22.5% in finance, 12.5% from central warehouse, 15% in production and 17.5% from purchase. It implies that more questionnaires are given for cost department which directly related to the study. This increase the accuracy and reliability of the study.
The respondents on sex indicate that 62.2% of the respondents were male and 37.5% were female, which shows the majority of the respondents are male.
As the above table depicts the age distribution of the respondents, that is; 42.5% of the respondents are within the age of 21-30, 27.5% fall within the age of 31-40, 22.5% fall within the age of 41-50 and the rest 7.5% falls within the age of 51-65. This implies that most of the employees are young and trainable.

Table 4.3 Educational status and work experience of respondents

Educational status	Frequency	Percent	Cumulative percent
Grade10 or12 completed	-	-	-
Certificate	-	-	-
Diploma	-	-	-
Degree	36	90	90
Masters	4	10	100
PHD	-	-	-
Total	40	100	
Work experience	1-5	9	22.5
6-10	17	42.5	65
11-15	11	27.5	92.5
16-20	3	7.5	100
>20	-	-	
Total	40	100	

Source: Own survey, 2021

From the above table, we can infer that about 90% of the respondents are BA degree holders and the rest 10% are master's degree holders. This indicates that most of the employees in the organization are well educated. And since the majority of respondents are educated, it can be concluded that almost all employees are capable of understanding and answering the questions of the questionnaires and it increases efficiency through reducing costs. This support the study done by Sitty (2001) stated that educational level of employees determines capability in their day today activities.
The above table shows that 22.5% of the respondents have been working with the organization for 1-5 years, 42.5% from 6-10 years, 27.5% from 11-15 and the rest 7.5% are from 16-20. This means most of the respondents have good knowledge about the environment and they are well aware of the activities performed; most importantly, how cost accounting practiced in the organization, which in turn increases the reliability of the responses by the participants.

4.2Respondents' awareness about cost accounting practice related questions

The researcher analysis is based on the employees' awareness of the following thematic areas: top management support and employee involvement in cost control and reduction, cost accounting tools and techniques, ways of cost classification and allocation, ways of organizing responsibility and cost center, ways of costing system and purchasing procedure and finally uses of cost information to control and reduce costs in the organization. In each table, the researcher used short forms. These are T= Total, F=Frequency, A=Agree, SA= Strongly Agree, NS= Not Sure, DA=Disagree, SDA= Strongly Disagree and %=Percent.

4.2.1 Top management support in cost control and reduction

The study is intended to evaluate the top management support of cost accounting practice in reducing and controlling manufacturing costs at NALF. Top management support involves establishing standards, budget preparation, applying cost control tools and techniques in the company, measuring performance against the set standards and correcting deviations from standards and plans. Amoako and Acquaah (2008) stated that, for cost control systems to be successful, it must be initiated and supported by

management. If management has positive attitude towards setting standards, budgeting and providing direction for implementation and control, a company will be able to implement its plans efficiently. Related to the top management support, the following two questions were interview for managers:

Question 1, how frequently cost accounting reports are written? The interviewee replied that it is written in quarterly. As researcher observed the reports of the organization, the cost department manager writes cost accounting reports at every quarter for the top managers and the board members. To communicate managerial decision measures reviewing standards and budgets cost is important.

Question 2, how frequently your company review standard costs and budgeted cost in its cost reduction and control practice? The interviewee answered it as managers reviewed standard cost and budget cost monthly. The study results indicated that standard costs and budget review is conducted monthly to realize any problem on the process and implementation as well as any deviation from the targets set. Regularly reviewing cost control and reduction tools and techniques is helpful in order to correct any deviation happened (Bedilu, 2006). One can infer from this study that the company management thoughtfulness to regular monthly standard cost and budget review and communicate management decision making. According to the response obtained from interview in question how set cost standards, prepare budget and how to decide product price? Cost control starts by establishing manufacturing cost standards. Based on these standards cost budgets are prepared. As the researcher reviewed documents, the top management of the company establishes standards, prepare budget, and evaluate deviations and measure performances. The researcher also found that the new standards are set based on standard unit product cost. When the new products introduced in the operation, a new standard cost is calculated on this particular product based on the purchase price of materials. This shows that the result got from the questionnaire proved by the interview and document reviewing which have similar conclusion.

4.2.2 Employees involvement in cost control and reduction practice

Employees' involvement refers to using maximum efforts of all the employees of the

company for optimal usage of resources to reduce costs and maximize profit. The empowerment of individuals' employees and teams is essential to generate motivation for work (Huang and Zhang, 2013). To examine this, the researcher asked the respondents and they answered as it shown in table 4.5

Table 4.4 Employees involvement in cost control and cost reduction practice

No.	.	SDA	DA	NS	A	SA	T	
1	Employees participate in budget preparation and standard setting.	F	9	17	7	7	-	40
%	22.5	42.5	17.5	17.5	-	100		
2	Training given by the company to upgrade the skill of the employees enhances employees' skill and this resulted to increase productivity.	F	3	-	7	17	13	40
%	7.5	-	17.5	42.5	32.5	100		
3	Training	F	2	-	5	19	14	40

	employees are helpful in reducing labor cost of the company.							
%	5	-	12.5	47.5	35	100		
4	Training labor assists to enhance the product quality, reduce material wastage and reduces material cost.	F	-	-	5	14	21	40
%	-	-	12.5	35	52.5	100		
5	Incentives motivate employees' enhance staff morale and increase productivity.	F	-	-	7	19	14	40
%	-	-	17.5	47.5	35	100		
6	Job rotation is helpful to train easily, motivate	F	5	2	7	17	9	40

	employees, enhance employee morale and increase productivity.							
%	12.5	5	17.5	42.5	22.5	100		

Source: Own survey, 2021

When the respondents asked whether employees participate in budget preparation and standard setting or not, they answered 22.5% strongly disagree, 42.5% disagree, 17.5% agree and the remaining 17.5% were not sure. This indicates that employees did not participate in the company's budget preparation and standard cost setting. When respondents asked whether training upgrade and enhance employees skill and increase productivity or not, they replied that 42.5% agree, 32.5% strongly agree, 17.5% not sure and the remaining 7.5% were strongly disagree. From this result, it is possible to say that training upgrades and enhances employees' skill to increase productivity. In analyzing whether trained employees are helpful in reducing labor cost of the company or not, the majority of respondents (47.5% agree and 35% strongly agree) replied that trained employees can reduce labor cost is helpful. To the contrary 5% of the respondents were strongly disagreeing and 12.5% of the respondents were neither agree or disagree. When respondents asked whether training labor assists to enhance the product quality, reduce material wastage and reduces material cost or not, the respondents replied that 52.5% strongly agree, 35% agree and 12.5% were not sure. This implies that training labor assists to enhance the product quality, reduce material wastage and reduce material cost. When respondents asked whether incentives motivate employees' enhance staff morale and increase productivity or not, they responded that 47.5% agree, 35% strongly agree and the remaining 17.5% were not sure. This indicates that incentives motivate employees' enhance staff morale and increase productivity. About whether job rotation is helpful to train easily , motivate employees, enhance employee morale and increase productivity or not, respondents were replied 42.5% agree, 22.5% stronglyagree,17.5%

not sure, 12.5% strongly disagree and 5% were disagree. As the result shows, one can conclude that job rotation is helpful to train easily, motivate employees, enhance employees' morale and increase productivity. In general, majority of respondents agree with employee's involvement is helpful in controlling and reducing of manufacturing costs. Besides respondents believe in incentives, motivation, training and job rotation enhances employees' morale and increase productivity. This situation supported by Huang and Zhang (2013) who stated empowerment, motivation and training are techniques that used to enhance workers' motivation and increase productivity. According to the respondents' response results, skilled employees can have a potential to improve productivity. This is supported with the study conducted by Myronenko (2012) stated that upgrading the skill of employees improve productivity. Therefore, employees' involvement is one mechanism of reducing costs and enhancing productivity of manufacturing companies. However, employees do not participate in budget preparation and standard setting. The situation is in contrary with the study done by Brownell and Huang and Zhang (2013) stated that budgetary participation affects performance directly and negatively. This notion may of hamper NALF's cost control and cost reduction manufacturing cost. Budget is an important aspect of cost control in any organization. To answer the question, who involved in cost budget preparation? Interviews were conducted with cost department manager. According to the response, in budget preparation only department managers participate, but not all employees. This situation is against the views of Jackson and Schuler (2005), who found out all employees involvement in budgetary preparation leads to minimize role vagueness, and this has a relation with higher performance. To answer the question how cost budget prepare, the respondents response revealed that before cost budget preparation, standard cost data about each cost elements are collected from company's accounting information system. Based on collected cost data standard cost is set and manufacturing cost budget prepared. Another question which forward for cost department was for whom and how often the cost department write reports? The response revealed that the cost department writes reports for the board members of the company at every quarter.

4.2.3 Cost accounting practice for reducing and controlling manufacturing costs

The importance cost accounting practices has increased more than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreases profit margins, increasing input prices due the tightening energy sources, economic crises, etc. Therefore, companies operating in developing countries have also begun to implement cost accounting practices which were first adopted by companies operating in developed countries. Parallel to these developments, research studies which have been conducted initially in developed countries are followed by studies conducted in developing countries (Ali, 2010). Questions related to cost accounting practices for reducing and controlling manufacturing costs were raised for the respondents and the respondents replied as follows in table 4.6

Table 4.5 Cost accounting practice for reducing and controlling manufacturing costs

N o .	Statements	SD A	DA	*NS*	A	SA	T	Total
1	Cost accounting practices applied in this company are effective to enhance the profitability of the organization.	F	3	9	7	11	10	40
%	7.5	22.5	17. 5	27. 5	25	100		
2	The company efficiently uses	F	17	9	5	9	-	40

	cost reduction and control techniques to measure performance.							
%	42.5	22.5	12.5	22.5	-	100		
3	Cost accounting practices have a significant influence on the profit margin of the organization.	F	-	-	3	19	18	40
%	-	-	7.5	47.5	45	100		
4	The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.	F	-	5	10	13	12	40
%	-	12.5	25	32.	30	100		

				5				
5	The cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products.	F	-	9	7	11	13	40
%	-	22.5	17.5	27.5	32.5	100		

Source: Own survey, 2021

When respondents asked whether cost accounting practices applied in this company are effective to enhance the profitability of the organization or not, the respondents replied that 27.5% agree, 25% strongly agree, 22.5% disagree, 17.5% not sure and 7.5% were strongly disagree. It shows that the cost accounting practices in the company are nearly effective to enhance the profitability of the organization. Cost accounting practices applied in this company are effective to enhance the profitability of the organization. It is supported by Oyadonghan and Ramond (2014) who stated that there is a positive relationship between cost accounting and profitability. When respondents asked whether the company efficiently uses cost reduction and cost control techniques to measure performance or not, the respondents answered 42.5% strongly disagree, 22.5% disagree,

22.5%agree and 12.5% were not sure. It implies that the company is not efficiently used cost reduction and control techniques to measure performance. The respondents were also asked whether cost accounting practices have a significant influence on the profit margin of the organization or not. For this, the respondents replied that 47.5% agree, 45% strongly agree and the remaining 7.5% were not sure. It indicated that cost accounting practices have a significant influence on the profit margin. The idea is supported by Siyanbola and Raji (2013) founds that cost control has a significance influence on the profit margin of the company. When the respondents asked whether the company has utilized cost reduction and control tools and techniques policy to attain its maximal target or not, the respondents answered that 32.5% agree, 30% strongly agree, 25% not sure and 12.5% were disagree. It shows that the company has utilized cost reduction and control tools and techniques policy to attain its maximal target. It is supported by Selamawit (2014) who stated that a policy is a statement that describes in very general terms may intend course of action. If policies are to function effectively, it is very important that they be placed in written form. Finally, the respondents were asked whether the cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products or not. They replied that 32.5% strongly agree, 27.5% agree, 22.5% disagree and 17.5% were neither ragree nor disagree. It implies that the cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products. According to the interview response for the question in what ways the company classifies costs and what are these cost classifications? The company classifies cost as material, labor and overhead costs. On the other hand it also classifies as manufacturing and nonmanufacturing but it does not classify costs as fixed, variable and semi -variable.

4.2.4 Cost control and reduction tools and techniques

There are different types of cost control and reduction tools and techniques such as standard costing, budgetary cost control, quality cost control and target cost control. Cost control is one of the most important functions in a company and that it is crucial not only for the price choice but also in order to understand what really succeed in the company.

Table 4.6 Cost control and reduction tools and techniques

No.	Statements	SDA	DA	NS	A	SA	T
1	Which cost reduction and cost control tools and techniques your company uses in its cost accounting practice?						
Standard cost control	F	-	-	9	17	14	40
%	-	-	22.5	42.5	35	100	
Budgetary control	F	-	14	-	11	15	40
%	-	35	-	27.5	37.5	100	
Quality cost control	F	7	-	5	13	15	40
%	17.5	-	12.5	32.5	37.5	100	
Target costing	F	15	11	9	5	-	40

%	37.5	27.5	22.5	12.5	-	100	

Source: Own survey, 2021

When the respondents asked whether the company uses standard cost or not, the respondents answered that 42.5% agree, 35% strongly agree and 22.5% were not sure. This implies that the company uses standard costing to control and reduce its costs. This is supported by CIMA (2005) stated that the main uses of standard costing are for performance measurement, control and creation of selling price. The respondents also asked whether the company uses budgetary control or not to reduce and control cost, they responded that37.5% strongly agree, 27.5% agree and 35% were neither agree nor disagree. This indicates that budgetary control is applicable in the company to control and reduce costs. This situation supported by Adebayo et.al. (2014) that discovered that budgetary control contributes to the profitability of a firm and can reduce costs. They also discovered that budgetary control help manufacturing companies can reduce costs and maintain high quality products. When the respondents asked whether the company uses quality cost control or not, they replied that 37.5% strongly agree, 32.5% agree, 17.5% strongly disagree and 12.5% were not sure. This shows that the company uses quality cost control as cost control and reduction tools and techniques. This supported by Stan and Klein ,2012) stated that quality control reduces the cost of inspection, decrease defects, increase productivity and enhance market share. The respondents asked whether the respondents use target costing or not, they replied that 37.5% strongly disagree, 27.5 agree, 22.5% not sure and 12.5% were agree. From this one can infer that target costing is not applied as cost control and reduction tool in the company. This is contrary with the study of Imeokparia and Adebisi (2014) who stated that target costing is a fundamental cost management technique which reduces cost based on the difference between the selling price and target profit margin of a product for the purpose of becoming competitive in the market. In general, the result revealed that standard cost control, budgetary control and quality cost control are cost control and cost reduction tools and techniques which are applied in the company whereas target costing is not applicable. For the question in the interview that asked as which type of cost reduction and cost control tools and techniques applied in the company? Why? According to the response, the company uses standard cost control, budgetary control and quality cost control as cost

control and cost reduction tools and techniques but not target costing. The respondent also answered as the company does not use modern techniques of costing system like ABC system rather it uses traditional techniques of costing system for the question, what type of costing system does the company use?

4.2.5 Responsibility center and cost center in cost control and reduction

A responsibility center in cost accounting denotes a segment of a business organization for the activities of which responsibility is assigned to a specific person. Thus a factory may be split into a number of centers and a supervisor is assigned with the responsibility of each center. All costs relating to the center are collected and the manager responsible for such a cost centers judged by reference to the activity levels achieved in relation to costs. Even an individual machine may be treated as a responsibility center for cost control and cost reduction (ICAI, 2018). A cost center is defined by (CIMA of UK, 2005 as "allocation person, or item of equipment or group of these) for which costs may be ascertained and used for the purpose of control." Thus, a cost center refers to a section of the business to which costs can be charged. It may be allocation (a department, a sales area), an item of equipment (a machine, a delivery van), a person (a sales man, a machine operator) or a group of these. The main purpose of ascertaining the cost of a cost center is control of cost.

Table 4.7 Responsibility center and cost center in cost control and reduction

No.	Statements	SDA	D A	NS	A	SA	T	
1.	The accounting system of the company clearly defines the responsibilities and obligations of each department in order to	F	-	-	17	13	10	40

	measure their performance.							
%	-	-	42.5	32.5	25	100		
2.	The company adopted proper keeping, recording and accumulation of cost data.	F	1	-	9	13	17	40
%	2.5	-	22.5	32.5	42.5	100		
3.	The company assigns costs to particular cost objects and each cost object has separate measurement of cost.	F	19	11	7	-	3	40
%	47.5	27.5	17.5	-	7.5	100		
4.	The accounting system of the company collects	F	-	3	21	9	7	40

	and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance.							
%	-	7.5	52.5	22.5	17.5	100		
5.	Responsibility accounting the organization helps for budgetary control purpose by giving budgeted and actual cost information.	F	3	-	7	17	13	40
%	7.5	-	17.5	42.5	32.5	100		
6	The company creates a good cooperation and coordination	F	-	5	7	13	15	40

	between cost department and other financial departments.							
%	-	12.5	17.5	32.5	37.5	100		

Source: Owned survey 2021

When respondents asked whether the accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure their performance or not, the respondents replied that 32.5% agree, 25% strongly agree and 42.5% were neither agree nor disagree. It implies that the accounting system of the company is more or less defines the responsibilities and obligations of each department in order to measure their performance. This is in line with the study conducted by Hanini (2013) who showed the importance and significance of the relationship between implementing responsibility accounting, the company's profitability and operational efficiency.

When the respondents asked whether the company adopted proper keeping, recording and accumulation of cost data or not, they responded that 42.5% strongly agree, 32.5% agree, 22.5% not sure and the remaining 2.5% were strongly disagree. It indicates that there is proper keeping, recording and accumulation of cost data that adopted in the company. This is supported by Arsema (2015) stated that if any company is planning to run a successful business, accurate and timely financial information is a must this accurate and timely financial information is greatly dependent on the record keeping of every transaction. The record keeping will help to monitor the success or frailer of any business.

When the respondents asked whether the company assigns costs to particular cost objects and each cost object has separate measurement of cost or not, the respondents replied that 47.5% strongly disagree, 27.5% disagree, 17.5% not sure and 7.5% were strongly agree. In this point any one can understand that the company does not assign costs to particular

cost objects and each cost object has not separate measurement of cost. This is supported by Lanen, Andorsen and Maher (2010) who stated that the production costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system.

The respondents were asked whether the accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance or not, the respondents answered that 52.5% not sure, 22.5% agree, 17.5 strongly agree and 7.5% were disagree. It implies that more than half of the respondents were not sure that the accounting system of the company collects and reports both planned and actual information in each responsibility center and helps managers to measure each center performance. But, as a researcher observed in the reports of the company, the accounting system of the company collects and reports only the actual information in each responsibility centers which helps managers to measure center performance. It means that the report does not write with relating of the planned information. When the respondents asked whether responsibility accounting the organization helps for budgetary control purpose by giving budgeted and actual cost information or not, they replied that 42.5% agree, 32.5% strongly agree,17.5% not sure and 7.5% were disagree. It indicated that responsibility accounting in the organization helps for budgetary control purpose by giving budgeted and actual information.

Finally the respondents were asked whether the company creates a good cooperation and coordination between cost department and other financial departments or not, the respondents responded that 37.5% strongly agree, 32.5% agree 17.5% not sure and 12.5% were disagree. It showed that the company creates a good cooperation and coordination between cost department and other financial departments.

As a researcher got in the interview for the question how does the company organize responsibility and cost center and assign costs to its cost center?, the company organize responsibility and cost center for the effective allocation of costs to control and reduce cost but it has its own limitation to assign costs to particular cost objects and each cost object has not separate measurement of cost.

4.2.6 Costing system and purchasing procedures

Types of costing system refer to the techniques and processes employed in the ascertainment of costs. There are different methods of costing for different industries. The methods costing to be used in the particular company depends up on the type of manufacturing and nature of industry (Willamsan, 2009). Purchasing is the activity responsible for getting the right material to the right place, at the right time, in the right quantity, at the right price. It is a function in a business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires (Herel, 2006).The questions that relate the costing system and purchasing procedures and the replied of the respondents are shown in table 4.9 as follows.

Table 4.8 Costing system and purchasing procedures

No.	Statements	SDA	DA	NS	A	SA	T	
1	The purchasing department submits the proper documents to the cost accounting department for record at the time of delivery.	F	-	-	8	15	17	40
%	-	-	20	37.	42.	100		

				5	5			
2	The store keeper sends and copy material receiving voucher to the costing department on time.	F	-	1	11	15	13	40
%	-	2.5	27.5	37.5	32.5	100		
3	The costing department records the purchaser transaction immediately when it gets the proper source documents.	F	-	-	12	13	15	40
%	-	-	30	32.5	37.5	100		
4	The production department uses material	F	5	-	1	13	21	40

	requisition form to receive raw materials from the store and it has material specification and it requests material based on such specification.							
%	12.5	-	2.5	32.5	52.5	100		
5	The production department returns back to store and inform the costing department when it has excess raw materials.	F	9	19	5	7	-	40
%	22.5	47.5	12.5	17.5	-	100		
6	The company has a proper	F	-	5	7	11	17	40

	time keeping materialism to identify the labor hour consumption.							
%	-	12.5	17.5	27.5	42.5	100		

Source: Own survey, 2021

When the respondents were asked whether the purchasing department submits the proper documents to the cost accounting department for record at the time of delivery or not, they responded that 42.5% strongly agree, 37.5% agree and 20% were neither agree nor disagree. It implies that the purchasing department submits the proper documents to the cost accounting department for record at the time of delivery. The respondents were asked whether the store keeper sends and copy material receiving voucher to the costing department on time or not, they replied that 37.5% agree, 32.5% strongly agree, 27.5% not sure and the remaining 2.5% were disagree. This shows that the store keeper sends and copy material receiving voucher to the costing department on time. When the respondents asked whether the costing department records the purchaser transaction immediately when it gets the proper source documents or not, the respondents answered that 37.5% strongly agree, 32.5% agree and 30% were neither agree nor disagree. In this everyone can conclude that the cost department records the purchaser transaction immediately when it gets the proper documents. The respondents were asked whether the production department uses material requisition form to receive raw materials from the store and it has material specification and it requests material based on such specification or not, they replied that 52.5% strongly agree, 32.5% agree, 12.5% strongly disagree and 2.5% not sure. It implies that the production department uses material requisition form to receive raw materials from the store and it has material specification and it requests material based on such specification. When the respondents asked whether the production department returns back to store and inform the costing department when it has excess raw materials or not, they replied that 47.5% disagree, 22.5% strongly disagree, 17.5% agree and 12.5% were not sure. This

shows that the production department does not return back to store and inform the costing department when it has excess raw materials. The respondents also asked whether the company has a proper time keeping materialism to identify the labor hour consumption or not, the replied that 42.5% strongly agree, 27.5% agree,17.5% not sure and 12.5% were disagree. This indicates that the company has a proper time keeping materialism to identify the labor hour consumption. In general, the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information with other departments. This is supported by (Herel, 2006, as cited by Selamawit, 2010) who stated that purchasing is the activity responsible for getting the right material to the right place, at the right time, in the right quantity, at the right price. It is a function in a business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. However, the production department does not return back to store and inform the costing department when it has excess raw materials which contrary the above idea.

4.2.7 Use of cost information

Manufacturing organizations assign costs to products for two purposes: First, for internal profit measurement and external financial accounting requirements in order to allocate the manufacturing costs incurred during a period between cost of goods sold and inventories. Second, it uses for providing useful information for managerial decision making requirements. In order to meet financial accounting requirements, it may not be necessary to accurately trace costs to individual products (Drury and Tayles, 2005).

Table 4.9 Use of cost information

No.	Statements	SDA	DA	NS	A	SA	T
1	The company uses cost information for:						
➢ Budget	F	-	2	2	3	33	40

determination and allocation							
%	-	5	5	7.5	82.5	100	
➢ Fixing the price of their product	F	-	3	3	3	31	40
%	-	7.5	7.5	7.5	77.5	100	
➢ Accepting or rejecting any project	F	3	-	7	23	7	40
%	7.5	-	17.5	57.5	17.5	100	
➢ Future product and investment plan by providing necessary information by cost control and maximize profit.	F	-	-	9	27	4	40
%	-	-	22.5	67.5	10	100	
➢ Performance evaluation of each activity in particular and the organization as a	F	-	-	7	25	8	40

whole.							
%	-	-	17.5	62.5	20	100	
➢ Supply cost information for external users such as government, investors, creditors, etc.	F	29	7	4	-	-	40
%	72.5	17.5	10	-	-	100	

Source: Own survey, 2021

Table 4.10 summarizes about the use of cost information for the company. For budget determination and allocation, respondents replied that 82.5% strongly agree, 7.5% agree, 5% not sure and 5% were disagree. It implies that the company uses cost information for budget determination and allocation. This is supported by Samrawit (2010) who stated that a company's cost information system provides the data required for the preparation and operation of a budget and for establishing standard costs. For fixing of the price of their product, the respondents answered that 77.5% strongly agree, 7.5% agree, 7.5% not sure and 7.5% strongly disagree. This shows that the company use cost information for fixing of the price of their products. The respondents also asked whether the company uses cost information for accepting or rejecting any project or not, they replied that 57.5% agree, 17.5% strongly agree, 17.5% not sure and the remaining 7.5% were strongly disagree. This implies that the company uses cost information for accepting or rejecting any projects. When the respondents asked whether the company uses cost information for future product and investment plan by providing necessary information by cost control and maximize profit or not, they responded that 67.5% agree, 10% strongly agree and 22.5% not sure. It shows that the company uses cost information for future product and investment plan by providing necessary information for cost control and maximizes

profit. Respondents were asked whether the company uses cost information for performance evaluation of each activity in particular and the organization as a whole or not, the y replied that 62.5% agree, 20% strongly agree and 17.5% were not sure. This indicates that the company uses cost information for performance evaluation of each activity in particular and the organization as a whole. When the respondents asked whether the company supplies cost information for external users such as government, investors, creditors, etc. or not, they replied that 72.5% strongly disagree, 17.5% disagree and 10% not sure. This implies that the company does not supply any cost information for external user such as government, creditors, investors, etc.

In general, the respondents were agree that cost information uses in the company for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation. However, the company does not supply cost information for external users. This contrary the study of Thukaram (2012) who stated that a total number is sufficient for the purpose of external reporting since profitability analysis is done for the entire business a whole.

As the researcher got from the interview, the use of cost information is only for internal purpose not for external. In the company, cost information uses for price fixing, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation.

CHAPTER FIVE:

CONCLUSION AND RECOMMENDATION

5.1Summary of the study

This part of the study aims to summarize the findings that have emerged from the data analysis presented in chapter four. From examining how frequently the cost department write report and the management review standard cost and budget, majority of respondents agree that cost department writes report at every quarter. On the other hand standard cost and budget review is conducted monthly to realize any problem on the process and implementation as well as any deviation from the targets set. Majority of the respondents agree with employees involvement is helpful in controlling and reducing a manufacturing costs. Besides respondents believe in incentives, motivation, training and job rotation enhances employees' morale and increase productivity. However, employees do not participate in budget preparation and standard setting. Regarding to cost accounting practice, most respondents agree that the applied cost control and reduction tools and techniques are effective, efficient and has significant influence on profit and productivity. The company has its own cost accounting policy and it uses standard cost control, budgetary control and quality cost control as cost control and reduction tools and techniques but target costing is not applicable. About the responsibility and cost center, majority of respondents agree that the company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among departments and the responsibility centers provide information for budget control. However, in time of reporting the actual does not relate with planned information and the company does not assign costs to particular cost objects and each cost object has not separate measurement of cost. Regarding to costing system and purchasing procedure, as most respondents agree that the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between

cost department and others. However, the production department does not return back to store and inform the costing department when it has excess raw materials. From the use of cost information, the respondents were agree that cost information uses in the company for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation. But, the company does not supply cost information for external users.

5.2Conclusion

According to Ali (2010), cost accounting is the process of recording, analyzing, classifying, summarizing and allocating cost associated with a process and then developing various course of action to control the costs. Its goal is to advice the management on how to optimize business practice and process based on cost efficiency and capability. It also provides the detailed cost information that management needs to control current operations and plan for the future. The broad objective of this research was to assess the system of cost accounting practices in control and reducing in manufacturing cost. Investigating the company's management support, employees involvement, arrangement of cost and responsibility centers, tools and techniques of cost control and reduction, cost classification and allocation, methods of costing and its implementation, purchasing procedures and use of cost information at Zebidar beer Factory were the specific objective derived from the broad objective.

From this study, the following major findings have been drawing:
✓ In the company, there is management support and employee's involvement by which the management reviews standard cost and budget monthly and the employees have incentives, motivation, training and job rotation to enhance their morale and productivity but they do not participate in budget preparation and standard setting.
✓ The company has cost accounting policy and it uses standard cost control, budgetary control and quality cost control as cost control and reduction tools and techniques but target costing is not applicable

- ✓ The company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among

departments and the responsibility centers provide information for budget control. However, in time of reporting the actual does not relate with planned information and the company does not assign costs to particular cost objects and each cost object has not separate measurement of cost.

- ✓ The company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between cost department and others. However, the production department does not return back to store and inform the costing department when it has excess raw materials.
- ✓ Cost information uses in the company for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation. But, the company does not supply cost information for external users.
- ✓ The Company has separate cost accounting department, written manuals and guidelines and professionally qualified employees in accounting and finance. It classifies cost as material, labor and overhead costs. On the other hand it also classifies as manufacturing and non-manufacturing.
- ✓ The company does not use modern techniques of costing system like ABC system rather it uses traditional techniques of costing system.

5.3 Recommendation

- ➢ The following recommendations are forwarded based on the conclusion of the study: The company should include employees in budget preparation and standard setting for the productivity and effectiveness of the company.
- ➢ In time of reporting, the company should try to relate actual with planned information and assign costs to particular cost objects and each cost object should have separate measurement of cost. Since assigning costs enable to be ascertaining for the costs that the company needs to know which helps to control cost.
- ➢ The Company should classify costs as fixed, variable and semi variable since it helps to measure costs in relation to the change in levels of activities and it should use cost principle to value fixed asset.

- The company also tries to use modern system of costing since it allocates each cost for each activity, use more data provide more informed estimates of product costs, give better cost information for decision making and helps to reduce costs.
- Although the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between cost department and others, its production department should return back to store and inform the costing department when it has excess raw materials.
- Even though the company use cost information for price fixing, budget determination and future product and investment plan and performance evaluation, it should also give cost information for external users in time of need.
- This research is conducted only in one company. More research should be conducted in different companies to get comprehensive results and to understand the importance of cost accounting practice and its effective on manufacturing firms' performance.

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APPENDEX

Questionnaires guide Section one: Demographic variables of the respondents
Instruction: Please tick [ ] in the box that best reflects your answer to the questions.
1. Sex

Male [ ] Female [ ]

2. What is your age?

[ ] 31-40 [ ] 41-50 [ ] 51-65 [ ] >65 [ ]

3. What is your educational status? Grade 10 or 12 completed [ ] Certificate [ ] Diploma [ ] Degree [ ] Masters [ ] PHD [ ]

4. Work experience

1-5 [ ] 6-10 [ ] 11-15 [ ] 16-20 [ ] >21 [ )

Section two: Questions related to the study

The purpose of this section is to obtain information about how cost accounting is practice to control and reduce costs in your organization. Instruction: please put tick mark in each column based on your level of agreement for each statement under each heading 1=strongly disagree (SDA), 2=Disagree (DA), 3=Not sure (NS), 4=Agree (A), 5=Strongly Agree (SA).

2.2 Questions about the cost accounting practice

4.2.1 Employees involvement in cost control and reduction practice

Statements	1	2	3	4	5
1	Employees participate in				

	budget preparation and standard costing.				
2	Training given by the company to upgrade the skill of the employees enhances employees' skill and this resulted to increase productivity.				
3	Training employees are helpful in reducing labor cost of the company.				
4	Training labor assists to enhance the product quality.				
5	Incentives motivate employees' enhance staff morale and increase				

	productivity.				
6	Job rotation is helpful to train easily, motivate employees, enhance employees' morale and increase productivity.				

4.2.2 Cost accounting practice for reducing and controlling manufacturing costs

No.	Statements	1	2	3	4	5
1	Cost accounting practices applied in this company are effective to enhance the profitability of the organization.					
2	The company efficiently uses cost reduction and control techniques to measure performance.					

3	Cost accounting practices have a significant influence on the profit margin of the organization.					
4	The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.					
5	The cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products.					

4.2.3 Cost control and reduction tools and techniques

Statements	1	2	3	4	5
1	Which cost reduction and cost control tools and techniques your company uses in its cost accounting practice?				
➢ Standard cost control					
➢ Budgetary control					
➢ Quality cost control					
➢ Target costing					

4.2.4 Responsibility center and cost center in cost control and reduction

Statements	1	2	3	4	5
1.	The accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure				

	their performance.				
2.	The company adopted proper keeping, recording and accumulation of cost data.				
3.	The company assigns costs to particular cost objects and each cost object has separate measurement of cost.				
4.	The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance.				
5.	Responsibility accounting the				

	organization helps for budgetary control purpose by giving budgeted and actual cost information.				
6	The company creates a good cooperation and coordination between cost department and other financial departments.				

4.2.4 Costing system and purchasing procedures

4.2.5 Use of cost information

Statements	1	2	3	4	5
The company uses cost information for:					
➢ Budget determination and allocation					
➢ Fixing the price of their product					
➢ Accepting or					

rejecting any project					
➢ Future product and investment plan by providing necessary information by cost control and maximize profit.					
➢ Performance evaluation of each activity in particular and the organization as a whole.					
➢ Supply cost information for external users such as government, investors, creditors, etc.					

If you have any comments please write in the following space.

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Statements	1	2	3	4	5
1	The purchasing department submits the proper documents to				

	the cost Accounting department for record at the time of delivery.				
2	The store keeper sends and copy material receiving voucher to the costing department on time.				
3	The costing department records the purchaser transaction immediately when it gets the proper source documents.				
4	The production department uses material requisition form to receive raw materials from the store and it has material specification and requests material				

	based on such specification.				
5	The production department returns back to store and inform the costing department when it has excess raw materials.				
6	The company has a proper time keeping materialism to identify the labor hour consumption.				

Interview questions

To examine the manufacturing cost accounting practice of cost control and reduction tools and techniques, the researcher conducted interview with top management (the manager of the company and cost department manager). The questions raised in the interview were:

1. How frequently cost accounting reports are written?

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

3. How is the management support and involvement of employees in cost control and reduction?

4. for whom and how often the cost department writes reports?

5. Who is responsible in setting cost standards and preparing budget and how to decide the price of the product?

6. In what ways the company classifies costs and what are these cost classifications?

7. How does the company organize responsibility and cost center and assign costs to its cost center?

8. What type of costing method used in your company? Traditional or modern like ABC.

9. Which type of cost reduction and cost control tools and techniques applied in the company? Why?

10. For what purpose the company uses cost information?