SAINT MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

COST MANAGEMENT PRACTICES IN MANUFACTURING COMPANIES

(IN CASE OF FAFA FOOD COMPLEX S.CO.)

By

Biniam Seifu

JUNE, 2021

ADDIS ABABA, ETHIOPIA

COST MANAGEMENT PRACTICES IN MANUFACTURING COMPANIES

(IN CASE OF FAFA FOOD COMPLEX S.CO.)

By

Biniam Seifu

ADVISOR

MOHAMMED SEID (ASS. PRO.)

A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES IN PARTIAL

FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF

BUSINESS ADMINSTRATION IN ACCOUNTING AND FINANCE

JUNE 2021

ADDIS ABABA, ETHIOPA

SAINT MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FUCULTY OF BUSINESS

COST MANAGEMENT PRACTICES IN MANUFACTURING COMPANIES

(IN CASE OF FAFA FOOD COMPLEX S.CO.)

By

Biniam Seifu

BOARD OF EXAMINERS APPROVAL SHEET

1. ______________________	______________
Dean, Graduate Studies	Signature
2. ______________________	______________
Advisor	Signature
3. ______________________	______________
External Examiner	Signature
4. ______________________	______________
Internal Examiner	Signature

DECLARATION

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

BINIAM SEIFU   Signature

Saint Mary University, Addis Ababa, Ethiopia, June 2021

ENDORSEMENT

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

Mohammed Seid (Ass.Prof.).

______________________________ ______________________________

Advisor Signature

Saint Mary University, Addis Ababa, Ethiopia, June 2021

ACKNOWLEDGEMENTS

First and foremost, I really want to thank with a heart full of praises and adorations to the Almighty God, the provider of knowledge, for enabling me to complete my Master degree program in the right spirit and for the unlimited support and protection in all aspects of my life.

Most importantly, I am deeply indebted to my research Advisor Mohammed Seid (Ass.Prof) for his essential guidelines and unwavering patent assistance in doing and finalizing the thesis. I have benefited greatly and have retained the knowledge of accounting and research that my supervisor readily shared with me.

Finally I want to give my deepest gratitude to the employees of FAFA FOOD S.Co specially the Finance manager Ato Zerihun . who gave in-depth interview and provide invaluable documents for the conduct of my thesis.

Table of Contents

ACKNOWLEDGEMENTS i

Table of Contents ii

LIST OF ACRONYMS vi

ABSTRACT vii

CHAPTER ONE 1

1. INTRODUCTION 1

1.1 Background of the Study 1

1.2 Statement of Problem 4

1.2.1 Research Questions 5

1.3 Research Objectives 6

1.3.1 General Objective 6

1.3.2. Specific objective: 6

1.4 Scope of the Study 6

1.5 significance of the study 7

1.6. Organization of the paper 7

1.7 Limitations of the Study 8

CHAPTER TWO 9

2. LITRATURE REVIEW 9

2.1. Theoretical literature 9

2.1.1 Cost Definitions 9

2.1.2 Cost units 10

2.1.3 Cost center 10

2.1.4. Elements of Cost 10

2.1.4.1 Direct Material Cost: 11

2.1.4.2Direct Labor Cost 11

2.1.4.3 Manufacturing Overhead Costs 11

2.1.5 The Behavior of Cost, Revenue and Profitability........ 11

2.1.6 Controllable and Non-Controllable Costs 12

2.1.7 Cost Management Practice 13

2.1.8 Cost Control........ 15

2.1.9 Cost Reduction 16

2.1.10 Cost Management Strategies 17

2.1.10.1 Cost driver analysis: 17

2.1.10.2 Strategic Positioning analysis 17

2.1.10.3 Value Chain Analysis 18

2.1.11. The Relationship between Cost Control and Cost Reduction........ 18

2.1.12 Management Support........ 19

2.1.14 Responsibility Accounting and Cost Control 20

2.1.15 Cost Control and Reduction Tools........ 20

2.1.15.1Budgetary Control 21

2.1.15.2 Standard Costing........ 22

2.1.15.3Target Costing........ 24

2.1.15.4 Quality Control 26

2.1.16 Cost behavior. 26

2.1.16.1Costing Method 27

2.1.16.2 Traditional Costing Method........ 27

2.1.16.3 Traditional Cost Accounting Systems (Volume-Based Costing) 27

2.1.17 Activity-Based Costing Benefits 31
2.1.17.1 Activity Based Costing vs Traditional Costing 31
2.2 Empirical Evidence..... 31
2.3 Literature Summary and Research Gap 37
CHAPTER THREE 39
3 METHODOLOGIES OF THE STUDY 39
3.1Research Design..... 39
3.2 Research Approaches 40
3.3 Research sources and Instruments..... 40
3.4 Data Analysis Techniques 41
CHAPTER FOUR..... 42
4. DATA ANALYSIS AND PRESENTATION..... 42
4.1 INTRODUCTION..... 42
4.2 Management support to apply new cost management techniques 42
4.2.1 Setting Standard cost 43
4.2.2 Budgeting..... 44
4.3 The cost system that company applies and drivers of its application 45
4.3.1 Raw Material controlling and Recording..... 45
4.3.2 Purchase 46
4.3.3 Receiving..... 47
4.3.4 Costing of a Product 49
4.3.5 Cost analyzing base of the company..... 49
4.3.6 Treatment of selling & Administration cost 49
4.3.7 Analyzing of packing costs..... 50

4.3.8 Costs included in the ending work in process 50
4.3.9 Calculating of finished goods 51
4.3.10 Allocation of Service Department Cost 51
4.3.11 Inventory valuation and the type of cost flow assumption in FAFA. 51
4.3.12 Work in process 51
4.3.13 Appropriateness of costing method of FAFA Food S.Co 52
4.3.14 Cost driver 52
4.4 Frequency of standard cost and cost budget reviews 53
4.5. Cost control tools 53
4.5.1 Standard costing 54
4.5.2 Budgetary Control 54
4.5.3 Quality Control 55
CHAPTER FIVE 56
5. SUMMARIES, CONCLUSION AND RECOMMANDATION 56
5.1. SUMMARY OF FINDINGS 56
5.2 Conclusion 58
5.3 Recommendation 59
REFERENCES 61
APPENDEX I 67

LIST OF ACRONYMS

AACCSA	Addis Ababa Chamber of Commerce and Sectorial Associations
ABC	Activity Based Costing
ABCM	Activity Based Cost Management
ACCA:	Association of Certified Chartered Accountants
CIMA:	Chartered Institute of Management Accountants
CMAP	Cost and Management Accounting Practice
COGM	Cost of Goods Manufactured
DAB DRT	DAB- Development Research and Training
GAAP	Generally Accepted Accounting Practices
S.Co :	Share Company

ABSTRACT

The purpose of this study is to assess and examine the cost management practice utilized by FAFA Food S.Co. This study employed a descriptive case study research design. The study relied on primary and secondary data. The primary data collected using interview with Finance Manager and cost and budget accountant of FAFA Food S.Co. The secondary data collected from documents and reports of the company. Data collected was analyzed using qualitative data analysis approaches. The study found out that the importance of top management support for application of cost management practice and the initiation of management to implement new cost management techniques to improve and enhance company performance. Also assess FAFA FOOD S.Co costing system, cost control tool, cost drivers and the frequency of reviewing its standard cost. The result of data analyzed showed that the FAFA Management has not shown any initiation to apply a new cost management techniques, they use traditional cost system and yet not familiarized with the new cost accounting practices such as activity based costing, This study recommends that FAFA S.Co top managements give support to implement a new and up to date cost management techniques in their overall manufacturing process, change costing system of the product from traditional costing to Activity based costing .

key words: ***Cost management; Cost control; Manufacturing product cost***

CHAPTER ONE

1. INTRODUCTION

This chapter provides a general introduction to the paper and includes seven sections. The first section is background of the study it briefly explains the importance of cost management systems. The second section statement of the problem it explains the problem statement of the research. The third and fourth sections present the research objectives and Scope of the study, respectively. The last three sections discuss limitation of the study, organization of the paper, and finally the Significance of the Study.

1.1 Background of the Study

Cost management practices are used as a tool for the managers in making decision and cost control and reduction purpose by gathering cost data information. Companies commonly strive to improve their performance in this globalized competitive economy (Ghanshyam and Radhe, 2016).Cost management is composed of three processes: estimation, budgeting and control (Moen and Norman, 2006).

For every business success the company management needs to know its cost clearly, manage properly and allocate costs appropriately by using the cost system that related with the company business nature. The need for knowing the cost information helps to make a decision, such as setting of sales prices, planning production and staffing schedules, ordering raw materials, and helping in preparing budget and setting of cost standard for the company product. To undertake these management action companies must maintain effective cost data gathering system and manage that data by applying a good cost management practice. An organization will continue in success with clear and detailed understanding of all elements that pulls profit, as well as minimizes costs (Adeleke ,2014)

The prime goal of any business is obtaining of a good profit, for the sake of these the companies managements, especially in manufacturing sector are need to increase its sales by increasing production varieties, volumes and give consideration for production cost. For any firm to earn acceptable profit, Effective cost management should be needed because a business with sound and acceptable cost structure has a positive chance of attaining its profit target (Oyerogba, Olaleye and Solomon, 2014).

In leading of a current business competition firms are focus on cost management practice because it is a basic component of successful business strategies. Customers are need to obtain best quality and durable products in affordable price in the market. To satisfy these customer need and stable on the market the company must work on cost deeply. Caroline (2014) points out that cost management facilitates to determine accurately estimated cost and can help to predict cost amount in the future. Therefore, companies require a deep consideration of a firm's cost structure to manage cost.

In the current economic context, any enterprise that wants to achieve sustainability market should be concerned about control and reducing costs. The enterprise's competitive advantage depends on the ability to minimize costs relative to its direct competitors, in order to obtain higher profit margins. Akeem (2017) suggested that for an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit. In order to make cost control as a success, there is need for organization to apply cost control and cost reduction scheme in their operations. A sound Cost control system is formed on the back of strong cost consciousness (Kinney and Raiborn ,2011).

To undertake effective cost management practice must be supported by cost management strategies. The most important managerial tools are cost management strategies (Zengin and Ada, 2010), and cost management strategies are considered as critical factors to increase revenue for the success of manufacturing companies (Kumar and Shafabi, 2011).

In Ethiopia context Export trade is one and the main source of income especially generating of foreign currency. The manufacturing sector makes an important contribution to the Ethiopian economy and employs about 173 thousand people in 2012/2013(AACCSA and DAB DRT ,2014).In Ethiopia Manufacturing Sectors are Categorized in to six They are , food and beverage products, textile and apparel products, leather and leather products, wood and pulp products, chemical and chemical products, rubber and plastic products, other non-metallic minerals products and metal and engineering products industry (AACCSA and DAB DRT ,2014).The top two manufacturing sub-sector; food and beverage and metal and engineering industries account for 51% of the sector's GDP and the food and beverage sector alone accounts 38% of the employment in the sector, the sector contribution to the GDP in 2012/2013 is 4.8% (AACCSA and DAB DRT ,2014).

1.2 Statement of Problem

Cost management is a big issue in achieving of firm's financial performance. The main problem of Ethiopian manufacturing industries is awareness on cost management practice (Biruk ,2009). If initially the firm having a good experience in cost management, they have ability to control and manage its cost properly and reaches on the target profit. The investors are needed to maximize a company profit to earn lovely dividend and also mangers need to assure and satisfy their need of profit. The main concern of owners is a required rate of return on their share (Oyerogba et al.,2014). For these reason companies must exercise a good cost management practice. But most manufacturing factories in Ethiopia have a challenge in applying and exercise cost management practice, because of lack of awareness of cost management (Biruk,2009).

In maximization of profit, cost control and reduction of cost have a significant factor. Any type of organization that is successful in control and reduction of cost, without reducing its quality can sell its products at lower price than its competitors. Having price competitive advantage, the company can enhance its market share and become a market leader (Locky, 2002, as cited in Akeem, 2017) One factor of decreasing the competitiveness of Ethiopian manufacturing industries is their manufacturing cost management system (Biruk ,2009)

In current market there are identical and substitute food products are available, that comes from abroad or domestic companies. To win on this market and have a good market share the companies must sold more products with affordable and competitive price that related with other companies. When FAFA food S.Co control and manage its product costs especially indirect and overhead costs get a list production cost then it can compete and sold the product in the market at a competitive price and affordable price without reducing quality. To achieve in the market and control these costs the company must apply a sound cost management system.

Different researchers conducted a study on cost management practice in manufacturing firm

Caroline,(2012)Elyazid,(2016);Adeleke,(2014);Kariyawasam,(2018);Oyerogba,(2014);Olalekani&Tajudeen,(2015);Yohannes,(2018);Asefash,(2018);Endale,(2015). The cost management practice in manufacturing firms was not extensively studied especially in food manufacturing firms.

Cost management practice on beverage industry was examined by (Asefash,2018) focused on cost control and reduction on the beverage industry particularly in BGI . But this study attempts to assess cost management practices of Food factory.

Increasing and un stability of input costs are the critical problem of Ethiopian manufacturing firms. In most manufacturing industries input and overhead costs are not clearly identified, traced and mange, it affects the company profit directly. one factor of decreasing the competitiveness of Ethiopian manufacturing industries is their manufacturing cost management system (Biruk ,2009). He also noted that cost management system in Ethiopian manufacturing industries should not be designed to help company's' operations and strategy rather it provides pretended targets for managerial attention.

1.2.1 Research Questions

More specifically, the following research questions need to be addressed:

- How Company Managements Support the application of new Cost management techniques to enhance and improve the current practice?
- What cost system the company does applies and drivers of its application?
- How frequently the standard cost and cost budget reviews and what are the possible causes of review?
- What are the cost control tools, practice and their soundness in the company?

1.3 Research Objectives

1.3.1 General Objective

The main objective of this study is to assess the cost management practices of FAFA Food Complex S.Co

1.3.2. Specific objective

In line with general objective of the study, the following specific objective are specified as follow:

- To examine how company managements support the application of new Cost management techniques to enhance and improve the current practice.
- To identify type of cost system the company does applies and drivers of its application;
- To Assess how frequently the standard cost and cost budget reviews and the possible causes of review
- To identify the cost control tools, practice and their soundness in the company.

1.4 Scope of the Study

The study is conducted in Addis Ababa Ethiopia, and limited in concern of food industry sector. The reason of selecting this industry sector is,it has more transaction with purchasing , production ,selling ,employment and budgeting ; furthermore it has a direct relationship with cost and costing system. The researcher from these industry sector select FAFA Food S.Co for the purpose of observing how they managed its costs , what costing system they apply ,how to use the budget, how to control its costs and how they compete in the market . Also FAFA Food S.Co is the one famous and it has a long experience in the food manufacturing sector. Because of that the researcher believe that FAFA has best experience in the sector that represent the others.

The targeted population of this study covered departments of FAFA Food S.Co. This study is limited to Assessing cost management practice in FAFA Food S.Co. And as such it does not extend to other sectors of the business and firms. Participants will be drawn from FAFA Food S.Co. departments which are finance, production and processing, , and quality control. Interviews and, searching of financial and Production document are used as research instruments for the study. This research covers the period from 2014 up to 2019 financial year.

1.5 significance of the study

A research in the area of cost management practice of manufacturing companies is relevant for several reasons. First the study give understanding for company management to have a good experience in cost management practice for planning, controlling and managing its costs in different stages, it helps managers to have ability to get accurate cost information for making proper decision , also to enhance the company performance and reach on their target profit and give support for the nations by paying its tax obligation and having a good image to other stakeholders like banks and creditors in order to know the Performance of the company. The findings of the research are show areas that problems are occur and re call company managements to give more attention and build initiation to exercise the practice and give more concentration for its application. The recommendation of the research can show the way to solve the problems, give support, to take corrective measure and to set newly cost management techniques that help to improve and enhance company Performance.

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

1.6. Organization of the paper

This study is organized in five chapters, chapter one discussed the introduction part, chapter two contains conceptual and theoretical framework of management accounting, chapter three discussed about the research methodology adopted in this study, chapter four discussed about the data analysis and interpretation of the research output, the final chapter (chapter five) presents summary of finding, conclusion, recommendation and farther research suggestions.

1.7 Limitations of the Study

This study is limited to Assessing cost management practice in FAFA Food share co and the findings are only from the food manufacturing factories perspective, as such it does not extend to other sectors of the business and firms. the other limitation that faces the researcher lack of research’s that are done previously on these sectors.

CHAPTER TWO

2. LITRATURE REVIEW

This section of the paper presents the review of related literature in order to Evaluating and understanding the basis for the application of cost management practices in reducing and controlling manufacturing costs. The collection of sub topics needs to the expression of the general theory relating to cost, cost reduction and control techniques and tools of manufacturing companies. The review enclosed previously stated theoretical literature, empirical research done indifferent countries on this area.

2.1. Theoretical literature

Cost management practices are apprehensive with the examination and the data used in order to support managers in making decisions and help for managerial cost control. Shank and Govindarajan (1989, as cited in Ghanshyam & Radhe, 2016) specified that it is a means to help a firm in achieving its objectives, but not an end in itself. A cost management information system is not bound by externally imposed criteria that define inputs and processes. Instead, the criteria that govern the inputs and processes are set by people within the company. The cost management system provides information for three broad objectives i.e Costing of products, services, and other objects of interest to management; Planning and control; and Decision making.

Cost management practices are used as a tool for the managers in making decision and cost control and reduction purpose by gathering cost data information. Companies commonly strive to improve their performance in this globalized competitive economy (Ghanshyam and Radhe, 2016). On cost management and control strategies, research theories have been formulated.

2.1.1 Cost Definitions

The term "cost" was defined in previous authors like "cost" as an economic resource that has a value (Okunbor ,2013). cost as the monetary value that a company has spent in order to produce a unit. It is the price for incurring expenditure on an activity (Oluwagbemiga et .al, 2014). Cost as an amount of expenditure on a defined activity

(Weetman ,2010). Cost is the amount of money that an organization spent on the creation or production of goods or service: (E-conomic. 2014.). It does not include the mark-up that set for profit. Cost should be used to generate the profit. Cost can be mentioned also as the total expenses of the company that have to be paid to make the production or provide the services Direct costs primarily comprise direct materials and labor, representing those easily and accurately identified with a particular cost object. Therefore, indirect costs cannot be determined specifically and exclusively with a given cost object (Drury, 2012; Hansen & Mowen, 2015).

2.1.2 Cost units

The Chartered Institute of Management Accountants, London, defines a unit of cost as “a unit of quantity of product, service or time in relation to which costs may be ascertained or expressed”.

2.1.3 Cost center

Cost center is the smallest organizational subunit for which separate cost collection is attempted. Thus, cost center refers to one of the convenient units into which the whole factory organization has been appropriately divided for costing purposes. Each such unit consists of a department or a sub-department or item of equipment or, machinery or a person or a group of persons. According to Chartered Institute of Management Accountants, London, cost center means “a location, person or item of equipment (or group of these) for which costs may be ascertained and used for the purpose of cost control” furthermore explained the main cost centers as the places where manufacturing takes place and actual labor costs are realized (Bozkurt et al. 2014).

2.1.4. Elements of Cost

Manufacturing firms are classified their cost in to two broad categories these are Manufacturing costs and non- manufacturing costs. Material, Labor and manufacturing overhead costs are categorized under manufacturing costs. Selling, administration and distribution costs also classified as a non-manufacturing costs.

2.1.4.1 Direct Material Cost:

Direct manufacturing material costs include the acquisition of materials with their related costs that can be directly traced (Horngren, Datar and Rajan, 2012). All costs which are incurred to obtain direct materials are known as direct material costs. Some examples of direct materials are Milk is row material for making Dairy products, Wheat is for making Spaghetti and Macaroni, etc.

2.1.4.2 Direct Labor Cost

Direct manufacturing labor costs include the compensation of all manufacturing labor that can be traced to the cost object that is work in process and then finished goods in an economically feasible way (Horngren et al., 2012). For conversion of raw material into finished goods, human resource is needed, and such human resource is termed as labor. Labor cost is the main element of cost in a product or service. Direct labor cost is easily traceable to specific products. Direct labor costs are specially and conveniently traceable to specific products. Direct labor varies directly with the volume of output.

2.1.4.3 Manufacturing Overhead Costs

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

2.1.5 The Behavior of Cost, Revenue and Profitability

Cost behavior is associated with knowing that how costs change with the changes of organization level of activities. Cost behavior is the study of the ways in which costs fluctuate or do not fluctuate with the level of activity in the organization (Asaolu and

Nassar, 2007). The level of activity was defined as the amount of work done or the number of events that have occurred.

In accounting costs are a monetary value that a company has spent in order to produce, acquire and accomplish anything. Costs are also defined as the amount spending in order to generate revenue. The difference between revenue and costs is profit or loss. Therefore, revenue and costs have linear relationship. Costs change to changes in activity level and the term fixed and variable have been used in management accounting. Regardless of changes in production, fixed costs remain the same within a given period of time and range of activity. Per unit fixed cost varies with the change in the volume of production. If the production increases, fixed cost per unit decreases and as there is decrease in production, the fixed cost per unit increases. Short term variable costs vary in a direct proportion to the volume of activity that means increasing the level of activity is increasing the same proportion to the total variable costs. According to Fischer and Schmitz (1998, as cited in Oyerogba et al., 2014) increasing the variable cost lead to increase in profit.

Adeniji (2011) conclude that total variable costs are linear and the unit variable cost is fixed. Hornren et al. (2012), explained that fixed costs remain constant and unchanged in total for a given time period in in spite of wide changes in related level of total activity or volume. Moreover, they further explained that costs as variable or fixed with respect to a specific cost object and for a given time period. This argument continuing, Adeniji (2011) described that in the long run, all costs are variable. Through such a long period of time, reduction in demand will be accompanied by reductions in almost all categories of costs. For example, some manufacturing machinery may not be replaced and buildings may be sold. Likewise, enlargement in the activity will finally cause all categories of costs being incurred by the organization. Step fixed costs are fixed with in a specific level of an activity for a given time period (Olabisi et al.,2012, as cited in Oyerogba et al., 2014

2.1.6 Controllable and Non-Controllable Costs

Costs can be categorized as controllable and uncontrollable costs. Controllablity is the extent of power that a specific manager has over costs, revenues or other related things for which he is accountable (Horngren, et.al, 2012). Controllable costs are any costs that are subjected to influenced by the responsible center manager in a given time period. They further stated that the manager of the responsibility Center should categorize costs and revenue assigned to responsibility centers according to whether or not they are controllable or non-controllable. Drury (2012) stated that a responsibility center defined as a division of an organization where a specific manager is held accountable for the division's performance. The establishment of responsibility center is an essential part of management accounting control system. It is significant that to differentiate among the various forms of responsibility center. Responsibility centers can be cost or expense centers, revenue centers, profit center and investment centers. A cost or expense center is where the manager is accountable for all costs under his control. Revenue center is a responsibility center where the manager is mainly responsible for financial outputs in the form of creating sales revenues. Profit center is a responsibility center where a manager is accountable for both production and sales whereas investment center is a place where a manager is accountable for cost, revenue and capital investment decision.

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

2.1.7 Cost Management Practice

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

The revenue of the firm influenced by its costs and expenses. The cost information that is accumulated and presented is therefore important for pricing decisions. Whether the price of the product set by overall market supply and demand forces they have little influence over the selling price of the products. Organization is usually required to assume several approaches and practices in order to control than decrease cost. Cost control is a technique of determining the usefulness or the activities taken by the administration of the business. Several production activities increase cost and the need to have cost in check arises because at the time of comparing production standards with actual, variances may be happened. These variances can only be reduced or eradicated through effective cost control. Since profitability is the main concern of any business, there will be the need to incur reasonable costs and the administration is ensuring careful and efficient use of resources in order to attain the set standard or target.

In other Authoress definition Cost Management Practice is the process of planning and controlling the allocated budget of a business .it is a form of management accounting that helps the business or companies to use and spent their expenditure appropriately based on the allocated budget and to regulate the chance of expenditures are goes to out of the required budget. The most important three management accounting practices are budgeting, planning and control, and cost-volume-profit analysis.

There are two main types of costing method one is Activity based costing (ABC) and the second is inter organizational cost management (Harries & Durden 2012). Due to the dynamic change in the business environment the use of activity-based costing is the reason to arise quality management tools are in use. Initially ABC concept are appeared in 1980 in the business environment and used this concept as a way to control costs in an efficient way in 1990. But the business companies are not rapidly used ABC in the world (Abdel-Kader & Luther,2008).

Know a day's two popular costing methods are the target costing and kaizen approach. these techniques are used to reduce the costs of the product during processes and product design. The result of these is increasing firm's performance and reach the target According to Abdel-Kader and Luther (2008) the main tools for costing system include Fixed and variable costs, overhead rates on the basis of plant and department, learning curve, cost of quality, target costing& activity-based costing

Target costing and activity base costing are supported by different studies for they are the two main techniques for organizations to create benefits for the firms as a whole. When use these practices decision making for management becomes easy and more accurate in an organization (Islam and Kantor, 2005;)

2.1.8 Cost Control

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

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

Cost control and costing systems are identical with common attributes (Lockyer, 2000). Costing system includes an organization’s control, plans and structures which has three levels. Which 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 operational phase is the part of the association in which the technology is applied row materials inputs transformed to finished goods. The achievements and failure in this regard depends on the set standards. If the set standard unclearly defined, the result will be failure, and if it correctly defined, the operation will bring out best outcome. The feedback phase is a phase that provides information for decision that adjusts the system. Whether or not performance is on the correct target and whether objective is being achieved, the system is monitored as plans are implemented or not. To be efficient, actual performance is measured against standard and deviations investigated.

2.1.9 Cost Reduction

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

2.1.10 Cost Management Strategies

Traditional cost systems were based on controlling costs and quality and balancing them temporary, and also focus on internal efficiency. On the contrary, cost management is a process of quality planning and cost decreasing that manages the costs before their occurrence. A well planned cost management system will provide improvements in quality, cost/price and functionality of a product. Manufacturing companies use modern cost management techniques in their daily operations which have a great impact on their financial performance.

Although cost management has been researched on before, few of prior research studied cost management of three dimensions. The present research fills this niche, therefore the purpose of this research is to study cost management strategy of three dimensions which are cost containment, cost avoidance, and cost reduction. Cost containment focuses on constraining future fixed cost or unit variable cost increases, cost avoidance refers to the eliminated activities that generate costs of non-added values and cost reduction refers to an attempt to attain lower current fixed costs and variable costs associated with an essential activity (Groth and Kinnery, 1994). The three-dimensional cost management strategies are applied in three areas which are: managing cost of stock, cost of labor and cost of sales and distribution.

According to The Institute of Cost Accountants of India (2014) Cos management has three pillars or components of strategic cost management,

2.1.10.1 Cost driver analysis:

Cost driver analysis is concerned with determining what the actual drivers of activity costs are within your operations. The most popular type of analysis for this is activity-based costing (A BC) This has a bearing on strategic cost management since cost drivers can actually be determined by both structural cost drivers and executional cost drivers

2.1.10.2 Strategic Positioning analysis

Strategic positioning analysis is an approach what future environments might be like in your internal corporate structure as well as your external environment and determining how can use the choice of business strategies to get from your current situation to these desirable goals.

2.1.10.3 Value Chain Analysis

Value chain analysis is an approach used to determine the series of activities involved in creating and building value within your operations. It requires a systematic approach to examining each different element in your primary activities as well as support activities.

2.1.11. The Relationship between Cost Control and Cost Reduction

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

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

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

2.1.12 Management Support

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

2.1.14 Responsibility Accounting and Cost Control

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

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

2.1.15 Cost Control and Reduction Tools

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

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

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

b) It helps to reduce the price of products which are benefited by customers; c) It makes competitive in the market; d) It enhances the profit earning potential of the business; and e) It enhances the goodwill of the business.

2.1.15.1Budgetary Control

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

2.1.15.2 Standard Costing

In manufacturing companies, the procedures often are of a repetitive nature and therefore standard costing is pertinent in these kinds of companies. Control activates by the use of different budgets. The methods of standard costing are used in order to make a solution for different limitation of historical costing. Historical costing which the refers to ascertainment of costs after they have been incurred provides the management with an account of what has been happened. "Standard costing methods involves the preparation and use of standard costs, their comparison with actual costs and analysis of the deviations to their causes so as to provide corrective actions (Sikka, 2003)." Standard costing is a financial control system that enables the deviations from the budget to be analyzed more effectively (Drury, 2012). He further stated that standard costs are preset costs; they are target costs that should be incurred under efficient operating circumstances. However, it is not the same as budget costs because budget relates to the whole activity or operation whereas standard presents the same information on per unit basis. A standard therefore offers cost expectations per unit of activity and a budget provides the cost expectation for the total activity. Mainly, standard costing is a method of cost control in which cost data for activity are presented based on the formal level of operation (Larry and Crosphopher, 2009). The pre-determined standards compared with the efficiency and actual cost incurred and if deviation or variance happen is ascertained, an analysis of deviation is made with reference to their cause with a view to fix the responsibility of the specific executives. A report on such investigation is submitted to the management to assist to take corrective measures in order to ensure that actual costs are consistence with standard costs in future. A standard cost is a carefully determined cost of a unit of output (Horgren, 2012). According to Drury (2012), in the application of standard costing system, the standard costs for the actual output for a specific period are traced out by the managers of responsibility centers who are accountable for the operations. When it comes to the actual cost for the same period the costs are charged to the responsibility center. Therefore, the actual and the standard costs are compared and the deviation between them reported. According to Akenbor and Agwor (2015), standard costing is an integral part of management accounting control technique, which involves the process of estimating the total cost of production per unit. It compares the standard cost of each product or service with actual cost to determine the efficiency of operation. Standard costing is a management decision tool that allows better cost control and optimal resource utilization (Akenbor and Agwor, 2015).

Advantages of Standard Costing

Standard costing has the following benefits:

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

Limitations of Standard Costing

- Standard costing is quite difficult to apply in practice.
- Regularly, standards became static over the period of time and do not keep pace with changes in conditions.

- If the predetermined standards are higher than reasonable, they act as discouraging issue.
- Adverse attitude of the operating manager against the standards set.
- Difficulty of detecting specific needs of consumers.

2.1.15.3Target Costing

Target costing is a management tool for reducing the overall cost of an output through its product life cycle (Jalaee, 2012). Target costing creates the relationship between cost, price and profit.

Helms, Ettkin, Baxter and Gordon (2005) stated that target costing is not like cost reduction techniques or control outline, but it is a part of total strategic profit management system including value analysis and value engineering. It begins with a targeted sales price of a product. This price is set on the consideration of what customer willing to pay for that product. It is different from traditional pricing approach which centered on developing a product, then determining the expected cost based on the expected volume and the setting a selling price. However, in target costing approach the company determine a selling price that the customer willing to pay and the desired profit margin deducted from selling price and the maximum target cost known. The company therefore ensure that the product can produced with this targeted amount.

According to Idowu (2014), a target cost is a product cost estimate derived by subtracting a desired profit margin from a competitive market price. Target costing is a cost management tool aimed at reducing the overall cost of a product over its entire life cycle, with the help of the production, engineering, research and development, marketing and accounting department. Management requires this pricing technique to meet both the demand of customers as well as company profit goals (Idowu, 2014).

Jalaee (2012) stated that target costing is a mechanism that exploiting cost information and it aims at on the better price leader and it prevents time wastage on the discussion regarding design and re-engineering of the product. It is based on examining all elements of costs related to possessing the product through all stages of its life cycle. These elements include the purchase price, operating costs, operating supplies and repair and maintenance costs. The objective of target costing system is to reduce the cost of the life cycle of the product.

Target costing does not end at the design stage; it is applied throughout the life cycle of the product as news cost effective ways are implemented. The target cost is gradually reduced and these reductions are incorporated into the budgetary process. Thus, cost control and reduction must be actively sought continuously over the life of the product. (Tobi et al, 2015)

Cost Management and Target costing

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

Value analysis and value engineering in target costing

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

2.1.15.4 Quality Control

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

Most Ethiopian Brewery industries spend most of their time in identifying the defects of the products than preventing the defects. As a result of this the quality control activities are inspection-based than preventive-based. Inspection is not a value-adding process, but a waste of human resources and a reason of spending extra costs. If quality ensured, no need to implement inspections. Although, improving inspection can eliminate defects in delivered products, defect products cannot reduce only by making such improvements. In the production process, if defects shown regularly, the information should have sent back to the production stage for correcting the process. Therefore, defect occurring prevented in early stage.

This reduces inspection costs and wastage. Reducing inspection cost means reducing labor costs and preventing wastage means reducing material cost. Stan and klein (2012) specified that industrial companies must be responsible to correct, mitigate or eliminate the losses caused by in the product life cycle from design to implementation, use, recycling and this reduced quality related costs.

2.1.16 Cost behavior.

Costs may stay the same or may change proportionately in response to a change in activity. Knowing how a cost reacts to a change in the level of activity makes it easier to create a budget, prepare a forecast, determine how much profit a new product will generate, and determine which of two alternatives should be selected. Cost behavior is the study of the ways in which costs fluctuate or do not fluctuate with the level of activity in the organization (Asaolu and Nassar, 2007) the understanding of cost behavior is a key part in cost accounting.Banker and Byzalov (2014)Cost behavior is the general term for describing how cost changes when the level of output changes. A cost that does not change as output changes is a fixed cost. A variable cost, on the other hand, changes in proportion to changes in output. Output is the result of activities and can therefore be measured by activity drivers. Cost behavior is an indicator of how a cost will change in total when there is a change in some activity. In cost accounting and managerial accounting, three types of cost behavior are usually discussed: Variable cost, Fixed cost and Mixed or semi variable costs.

2.1.16.1Costing Method

Currently there are two types of costing method These are Activity Based Costing and Traditional Costing methods.

2.1.16.2 Traditional Costing Method

Traditional costing systems apply indirect costs to products based on a predetermined overhead rate. Unlike ABC, traditional costing systems treat overhead costs as a single pool of indirect costs. Traditional costing is optimal when indirect costs are low compared to direct costs. There are several steps in the traditional costing process, first Identify indirect costs, then estimate indirect costs for the appropriate period (month, quarter, year) next Choose a cost-driver with a causal link to the cost (labor hours, machine hours), Estimate an amount for the cost-driver for the appropriate period (labor hours per quarter, etc.) and Compute the predetermined overhead rate finally Apply overhead to products using the predetermined overhead rate.

2.1.16.3 Traditional Cost Accounting Systems (Volume-Based Costing)

The traditional method of cost accounting refers to the allocation of manufacturing overhead costs to the products manufactured. The traditional method (also known as the conventional method or volume-based cost accounting) assigns or allocates the factory's indirect costs to the items manufactured on the basis of volumes such as the number of units produced, the direct labor hours, or the production machine hours. The traditional costing is best used when the overhead of a company is low compared to the direct costs of production. It gives reasonably accurate cost figures when the production volume is large, and changes in overhead costs do not create a substantial difference when calculating the costs of production (Cooper and Kaplan, 1991). However, traditional costing methods are inexpensive to implement.

In a manufacturing setting, traditional cost accounting systems typically have a single plant-wide overhead cost rate that is measured through metrics such as machine-hours or labor-hours, etc. (Peacock and Juras, 2010). The total overheads are divided by these metrics such as machine-hours that generates a single plant-wide overhead rate (Cooper and Kaplan, 1992). Traditional Volume-Based Costing or VBC is more suitable for generating reports for external viewers, such cost of goods sold, etc. In fact, the GAAP recognizes the traditional accounting system for generating financial statements such as income statements, etc. (Perkins and Stovall, 2011). However, the reality is that the traditional cost accounting approach tends to present a distorted view of cost distribution (Afonso and Santana, 2016).

Nevertheless, activities such as processing sales orders, in fact, do not vary in relation to the number of units sold, instead, are driven by the number of times customers place orders. Therefore, if one set of customers place orders for small quantities of goods but frequently, the cost of order processing for such customers will be more than that for customers who order larger quantities but less frequently. However, the traditional approach based on volume will assign higher-order processing costs to customers that place larger volume of orders although they are not ordering as frequently, while those that order in smaller amounts but a greater number of times will be shown to generate lower order processing costs. Therefore, the traditional cost accounting approach tends to improperly allocate costs without regard to the nature of the activity, thus distorting cost figures (Everaert et al., 2008).

If a manufacturer wants to know the true cost to produce specific products for specific customers, the traditional method of cost accounting is inadequate (Jones and McCue, 2017). As a solution to the shortcomings of the VBC, new systems such as the ABC were developed. Instead of just one cost driver such as machine hours, ABC uses many cost drivers to allocate a manufacturer's indirect costs. A few of the cost drivers that would be used under ABC include the number of machine setups, the quantity of material purchased or used, the number of engineering change orders, the number of machine-hours, and so on. The next section presents an elaborate discussion on the ABC system.

2.1.16.4 Activity-Based Costing (ABC)

ABC is a method of assigning costs to products or services based on the resources that they consume with the aim to change the way in which costs are counted (The Economist, 1998). ABC is an alternative to traditional accounting in which a business's overheads (indirect costs such as indirect overheads and marketing) are allocated in proportion to an activity's direct costs. This was always a challenge with the traditional costing approach because two activities that absorb the same direct costs can use very different amounts of overhead. For instance, a mass-produced industrial product can use the same amount of labor and materials as a customized product. But the customized product uses far more of the company engineers' time (an overhead) than does the mass-produced one. ABC identifies the real nature of cost behavior and helps in reducing costs and identifying activities that do not add value to the product. With ABC, managers are able to control many fixed overhead costs by exercising more control over the activities that have caused these fixed overhead costs. This is possible since the behavior of many fixed overhead costs in relation to activities now become more visible and clearer.

In the earlier period, the application of ABC system was more common in the manufacturing environment where the identification of activities associated with the products was still less complex and, in some cases, the activities were directly related to the production of units. However, in later times, the service sector adopted the new system as it provided a mechanism to identify the cost of each activity involved in producing and delivering a particular service, thus providing a more rationale mechanism to decision-makers for critical issues such as pricing strategies (Relich and Pewlewski, 2018). The ABC system achieves improved accuracy in cost estimation by identifying multiple cost-drivers to trace the cost of activities to the resources consumed in producing the products. Typically, in a manufacturing environment, the number of activities, are vast in numbers and hence it is sensible to cluster them together under relevant cost-drivers for a product or service (Pember and Lemon, 2012). Therefore, implementing the ABC system entails two important decisions; a number of cost drivers and which cost drivers to assign to which activity (Babad and Balachandran 1993).

ABC system recognizes that although some overheads increase in proportion to the volume of products produced, the rest of the overheads are not directly proportional to volume. Allocation of costs under the ABC system, may be assigned based on the following considerations: (a) assigned on unit-level basis that assumes that inputs vary in proportion to the number of units produced, (b) assigned on batch-level basis, that assume that inputs vary in proportion to the number of batches produced, (c) assigned on product-level basis, which assume that inputs are necessary to produce each different type of product, and (d) assigned on facility-levels basis that sustains a facility's general manufacturing process (Gunasekaran and Sarhadi, 1998).

The fundamental premise of ABC is that activities are the real cause of all overhead costs, and hence the approach assigns costs to products (or product lines) that are actually demanding the activities necessary to produce them (Hansen and Mowen, 2000). Thereafter, the share of the cost of goods and services of such activities can be computed depending on the number of activity-drivers consumed by the goods or services (Kaplan et al., 2015). The method starts by breaking down the processes into cost-pools and then assigning each cost from each cost-pool to cost-objectives (i.e., products, product lines, services, service areas or departments) based on activity cost-drivers (Onat and Anitsal, 2014; White, 2009; Kont, 2012).

Although ABC has been widely adopted by both goods and service-producing organizations, the system has many drawbacks mainly due to the complexity involved in implementing the system (Kaplan, 2006; Lima, 2011). The cost-pools and cost-drivers need to be determined through various methods including interviews and surveys among the employees of the organization in different activities, to identify details about the cost-pools and the cost-drivers. The complexity often leads to misallocation of costs partly due to overstated time allocations by employees (Kaplan et al., 2013). Furthermore, if the company make changes in their production systems or any part of the value chain, then the information in the cost-pools have to be updated which often require re-interviews and fresh surveys (Ng and Ritter, 2016).

2.1.17 Activity-Based Costing Benefits

Activity based costing systems are more accurate than traditional costing systems. This is because they provide a more precise breakdown of indirect costs. However, ABC systems are more complex and more costly to implement. The leap from traditional costing to activity-based costing is difficult.

2.1.17.1 Activity Based Costing vs Traditional Costing

In the field of accounting, activity-based costing and traditional costing are two different methods for allocating indirect (overhead) costs to products.

Both methods estimate overhead costs related to production and then assign these costs to products based on a cost-driver rate. The differences are in the accuracy and complexity of the two methods. Traditional costing is more simplistic and less accurate than ABC, and typically assigns overhead costs to products based on an arbitrary average rate. ABC is more complex and more accurate than traditional costing. This method first assigns indirect costs to activities and then assigns the costs to products based on the products' usage of the activities.

2.2 Empirical Evidence

Kariyawasam (2018) studied the cost management and account management practices of public quoted manufacturing companies in Sri Lanka. Research method used in this study was an applied research method, whilst the research strategy employed was a survey research strategy. Sample for the study consisted of 70 public quoted manufacturing companies in Sri Lanka. Findings from the study revealed that the main costing method used by public quoted manufacturing companies in

Sri Lanka is activity-based costing, followed by process costing and job costing. Findings from the study also revealed that cost information is mainly used by public quoted manufacturing companies for pricing related decisions, followed by customer profitability related decisions, and performance measurement; that the increasing interest and use of cost accounting in these companies is on account of the decline in firm profitability, increasing cost, intense competition, and high customer and supplier bargaining power; and that these manufacturing companies give high importance to traditional management accounting practices such as planning and control, budgeting, target costing, and cost-volume-profit analysis.

Novak et.al (2017) conducted study to analyze overhead cost behavior on decision making approach. The study reveals that cost management is one of the most significant issues in company performance and company financial management which any enterprise has to solve as in the periods of declines of sales revenues, as well as during their growth. In this study they designed and tested several regression models that could be suitable for cost behavior prediction and subsequent decision-making based on these predictions. They used multiple linear regression models with a point estimate and with interval estimate of the model parameters. Comparison of regression models of cost behavior and their reliability was carried out due to the quality of the data collected for the case of basic and adjusted data. The overheads were divided into several groups of relevant costs and their dependences were examined on different factors other than only the production volume using the correlation matrix. From the results of the transformed model, they believe that asymmetric cost behavior is affected by asymmetric behavior of the chosen factors. As the final one was intended, the model representing the change in costs in time shifting about one-month period. This model can be used for examining costs in time shift by a short period (e.g., months) and thus it is possible to prove cost asymmetric behavior called "sticky costs". They used the model adjusted in accordance with Anderson et al. (2003) and they kept the model clearly transformed and assembled so that there remained only those variables that had a statistically significant effect on the dependent variable. The limitations of these models were also defined. Finally, graphical analyses of deviations were performed to find similarities in cost through cost centers and through the examined periods.

Alahdal et al (2016), conducted a study aimed to explain the role of cost accounting systems in the process of pricing decision-making in Yemeni industrial companies of Taiz City. The researcher has used both descriptive and analytical methods which suit the nature of the present study which is mostly based on field work and the theoretical underpinnings. A group of previous studies related to the subject of the study have been utilized in the construction of study tools (questionnaires) which have been distributed in the industrial companies in the Taiz city, Yemen. The study targeted accounting costs, accountants, auditors and managers of financial departments in industrial companies. Data analysis through the Statistical Package for Social Sciences (SPSS)

was the use of scientific statistical methods, frequencies and percentages, SMA, Standard deviation, t-test, Cronbach's alpha test. The results indicated that the cost of the accounting system applied in industrial companies provides quality accounting information; there is an

impact of this information on the pricing decision-making; there are areas in which pricing decisions much depend on the information provided by the cost accounting systems. This study can contribute to the literature by providing an analysis of the role of cost information in pricing decisions within industrial companies in the Taiz city, Yemen.

Ghanshyam P. S. and RadheShyam P. (2016) was conducted a study on cost management practice on and firm’s performance in Nepal Oil Corporation. This study found the relationship between cost management practices and firm’s performance in Nepal Oil Corporation using data from 2004 to 2014. The study relied on secondary data extracted from the audited financial statement of the Nepal Oil Corporation. Independent variables include direct material cost, direct labor cost, selling and distribution overhead cost and office and administrative overhead cost while profitability (Return on assets) was taken as dependent variable representing the firm’s performance. Correlation and regression analyses were employed to test the hypothesized relationships between the cost management and profitability. The results found a strong support for hypothesized with the direct relationships between cost management and performance measure.

Alahdal et al (2016), conducted a study aimed to explain the role of cost accounting systems in the process of pricing decision-making in Yemeni industrial companies of Taiz City. The researcher has used both descriptive and analytical methods which suit the nature of the present study which is mostly based on field work and the theoretical underpinnings. A group of previous studies related to the subject of the study have been utilized in the construction of study tools (questionnaires) which have been distributed in the industrial companies in the Taiz city, Yemen. The study targeted accounting costs, accountants, auditors and managers of financial departments in industrial companies. Data analysis through the Statistical Package for Social Sciences (SPSS) was the use of scientific statistical methods, frequencies and percentages, SMA, Standard deviation, t-test, Cronbach's alpha test. The results indicated that the cost of the accounting system applied in industrial companies provides quality accounting information; there is an impact of this information on the pricing decision-making; there are areas in which pricing decisions much depend on the information provided by the cost accounting systems. This study can contribute to the literature by providing an analysis of the role of cost information in pricing decisions within industrial companies in the Taiz city, Yemen.

Rao et al (2015) carried out an empirical study to explore cost and management accounting practices utilized by manufacturing companies operating in AP, India. The sample of the study consists of 61 companies, containing both small and medium-sized enterprises, and large companies. The major findings of the study are as follows: the most widely used product costing method is job costing; the complexity in production poses as the highest ranking difficulty in product costing; the most widely used three overhead allocation bases are prime costs, units produced, and direct labor cost; pricing decisions is the most important area where costing information is used; overall mean of the ratio of overhead to total cost is 34.15 percent for all industries; and the most important three management accounting practices are budgeting, planning and control, and cost-volume-profit analysis. Furthermore, decreasing profitability, increasing costs and competition, and economic crises are the factors, which increase the perceived importance of cost accounting. The findings indicate that companies perceive traditional management accounting tools still important. However, new management accounting practices such as strategic planning, and profitability analysis are perceived less important than traditional ones. Therefore, companies need to improve themselves in this aspect.

Sevim and Korkmaz(2014) in their study of cost management practice in the hospitality Industry in the case of the Turkish hospitality industry by taking into consideration that hospitality organizations amongst the key elements of the hospitality industry. Nowadays hospitality organizations should manage financial resources at optimum level to survive and for reaching their goals. From this point of view, it is clear that managers need cost management tools to make the right decisions. The research findings show that less than half of the respondent hotels utilizing contemporary cost management systems. Amongst these hotels utilizing level of the systems are considerably low. Furthermore, activity-based budgeting, life cycle costing, back flush costing and transfer pricing are not utilized by any respondent hotel companies.

The respondents of the study that utilizing contemporary cost management systems thought that by using these systems their hotels benefit from several issues. These issues are; profitability, productivity, sustainability, budgeting, calculating goods/services cost accurately, pricing, evaluating process and activities, performance evaluation and competitiveness. The findings of this study have several theoretical and practical implications. Hotel enterprises could utilize cost management systems in order to survive and to reach their goals.

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

determined that the relationship between cost management and profitability is statistically significant. The study recommended that every business and institution must frequently lookout its cost in order to continue buoyant in business.

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

Oyerogbaet al. (2014) on their study Cost management Practices and Firm's Performance of manufacturing organizations. The study investigates the relationship that exists between cost management practices and firm's performance in the manufacturing organizations using data from 40manufacturing companies" four hypothesis was formulated for the study. The study relied on secondary data extracted from the audited financial statement. Direct Material cost, direct labor cost, production overhead cost and administrative overhead cost were taken as independent variable while profitability (Operating profit) was taken as dependent variable representing the firm's performance. The study concluded that a positive significant relationship exists between cost Management practice and firm's performance in the manufacturing organizations (2003) studies, but inconsistent with respect to individual techniques. It was found that firms in Australia adopted ABC, and cost of quality techniques and also that big firm were more likely to use modern accounting techniques.

Andersch et al (2011) have conducted a survey about the costing system in North America hardwood dimension and component manufacturers to understand the product costing practices of the companies. In this study, companies when bidding for jobs, need to be able to price products competitively while also assuring that the necessary profitability can be achieved. These goals, competitive pricing and profitability, cannot be reliably achieved unless industry participants possess a full understanding of their company's cost structure. Competitors blame companies without detailed knowledge of their company's cost structure for submitting bids that are priced unreasonably low, thereby making it harder to achieve the necessary profitability. To better understand the product costing practices of North American hardwood dimension and component manufacturers, a mail survey was conducted. A total of 495 companies were contacted and 74 valid responses were obtained for a response rate of 16%. Most respondents gather primarily financial information from their current costing system. Respondents use the financial information to create financial reports, tax reports, inventory valuation, and to calculate the cost of their product. A majority of respondents (74%) reported using a traditional cost accounting system, 13% an activity-based cost accounting system, 4% a lean accounting system, and 9% of respondents indicated using a proprietary system.

2.3 Literature Summary and Research Gap

Different considerable researches are done and published by different researchers in the area of the effect of cost management practice on firm's performance. Oyerogba, Olaleye and Solomon (2014), the relationship that exists between cost management practices and firm's performance in the manufacturing companies; Adeleke, (2014) the relationship between cost management techniques and performance of Nigerian banks; Caroline,W. (2014), the effects of cost management on the financial performance of manufacturing companies ; Olalekani and Tajudeen (2015), cost control and its impact on the survival of Nigeria firms as a case study on Nigeria bottling company plc; Azeez and Adelabu (2015), to examine the nature of relationship between cost management and profitability: Sevim and Korkmaz (2014) in their study of cost management practice in the hospitality Industry in the case of the Turkish hospitality industry: Rao et al (2015) carried out an empirical study to explore cost and management accounting practices utilized by manufacturing companies operating in AP, India. However, cost management practice and its effect on firm's profitability is still a debatable issue and there is no consensus among researchers. In addition to this; he studies were conducted in the area of cost management practice in Ethiopia manufacturing firms. but they rely on the instruments of cost management practice tools implication on the cost management practice not they shown application of cost management practice effect or advantage in this sector.

In 2018 cost management practice on beverage industry was examine by (Asefash,2018). She focuses on cost control and reduction on the beverage industry particularly in BGI.also in 2018assesment of manufacturing product costing techniques examined by (Yenenesh belayneh,2018) she also focused on the costing techniques not assess the effect of cost management practice.

Thus, the main objectives of this study is examining and evaluating cost management practice in food manufacturing companies. The study also tries to reconcile the different opinions of these studies, contribute some points to the existing knowledge and also will contributes its own share to fill this gap.

CHAPTER THREE

3 METHODOLOGIES OF THE STUDY

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

3.1 Research Design

The main purpose of this study is to describe cost management practice of FAFA food share co in light of the theoretical framework and hence it can be said that it has a descriptive nature. There are three types of case studies, depending up on the purpose (Yin,2003) They are explanatory case studies, exploratory case studies and descriptive case studies. Exploratory studies, it is preliminary study of an un familiar problem about which the researcher as little or no knowledge and its focused on pre-determined objectives, Explanatory (causal) Research, is involved in explaining why something happens and assessing causal relationship between variables. It describes a particular phenomenon, focusing up on the issue of what is happening or how much of it has happened rather than why it happening. Descriptive study is used to describe phenomena related with a subject (Cooper and Schindler, 2014). The major purpose of descriptive research is describing, recording, analyzing and reporting condition that exists (Kothari, 2004). This research Would also try to give details on the cost management practice in FAFA by describing all facts of cost management process in the manufacturing firms. Descriptive fits for this research design because it helps to answer the research question, describe the phenomenon and it is suitable to accurately describe components of a given process, cost management practice in this case. Descriptive research design basically gives answer to the question of 'what is the case or situation here?' (Punch, 2006). Descriptive research paints a picture of the specific details of a situation, social setting, or relationship. By giving answers to who, what, when, where, and how questions.

3.2 Research Approaches

For investigative study there are three common approaches to business and social research namely, quantitative, qualitative and mixed methods approach Creswell (2003, p.13). Quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2009). And, qualitative research approach is a means for exploring and understanding the meaning individuals or groups describe to a social or human problem with intent of developing a theory or pattern inductively (Creswell, 2009). The last one is, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to understand the problem (Creswell, 2003).

Descriptive research design involves both quantitative and qualitative data. Quantitative approach involves numerical data subjected quantitative analysis whereas qualitative approach involves data in textual form that concerned with subjective valuation of attitudes, thoughts and behavior (Kothari, 2004). 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 (Schweitzer ,2009). In this study qualitative 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 only quantitative research approaches.

3.3 Research sources and Instruments

In this study both primary and secondary data are collected. Primary data are those which are collected afresh and for the first time, and happen to be original in character (Kohtati, 2004). Secondary sources are those which are made available or have been collected for other research purposes. It refers to data that are already available i.e. data which have already been collected and analyzed by someone else (Kohtari, 2004).

As sources of primary data, interviews were conducted

Interview

This method of data collection is preferably used because it increases the precision of the data gathered. This is because the unstructured conversation usually makes the researcher and the respondent to be friendly and hence, willing to express their views on the research problem under study.

The Finance manager and cost and budget department head are selected for interview because, they are small in number and their position is important in describing the practice and problems of performance cost management practice in the company. In addition to that they knew the strength, challenges, weaknesses and opportunities of the Company.

Observation

This method of data collection includes physical presence and full participation in the company activities. Through this instrument the researcher concentrated in observing the employees in performing their duties, the way they are working and how they practice the cost management techniques.

source of secondary data of this research is plan to gather from the FAFA Strategic plan, budget preparation guideline, product cost recipe, financial reports, budget variance report and other related written documents that support the research. The data will be gathered from these sources are vital for the research to draw up a good recommendation that help the factory to reach its target. In this study plan to review a five years data because Walliman (2011) stated that secondary data can used associating with primary data that may have collected. And to get a recent data or recent tangible evidence about the factory practice related to current business world.

3.4 Data Analysis Techniques

Data analysis is the process of resolving data into its components to disclose its characteristic elements and structure for accuracy (Mugenda, 2003). The researcher used qualitative data analysis techniques. Data collected via interview is presented in a narrative form and discussed in a narrative way qualitatively.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

This chapter is the Forth chapter of the study and deals with presentation, analysis & interpretation of data obtained from face-to-face interview held with Finance manager And Cost and budget head & secondary sources from FAFA Food S.Co documents like financial manual, annual financial statement, cost analysis format, master budget and strategic plan of the company. And Use Descriptive analysis method for answering the objective of the study and to assess the Cost Management practices of FAFA Foods Complex S.Co.

4.2 Management support to apply new cost management techniques

The study aimed to examine top management Support to apply new cost management techniques at FAFA Food S. Co. To get real and depth data for preparing this analysis the researcher searches a document, over sees practical process of the practice and make interview with responsible bodies.

Cost management is composed of three processes: estimation, budgeting and control (Moen and Norman, 2006). A number of conventional techniques, such as bench-marking and expert criteria are available and have been used for cost estimation and budgeting for many years (Turney, and Govindarajan et al., 2008).

According to interview and searching documents, FAFA Food S.Co top management support and involves in establishing standards, budget preparation, applying cost control tools and techniques After that they , measure performance against the set standards and take corrective action for deviations raised from standards and plans. To do these, they apply cost estimation tool i.e Standard costing practice and modify the loop hole by implementing a new cost management technique. Literatures are indicated that the existence of positive relationship between cost management practice and profitability. This situation supports the studies conducted by Oyadonghan and Ramond (2014) who stated that there is a positive relationship between cost management and profitability.

Siyanbola and Raji (2013) founds that cost control has a positive effect on business profitability.

4.2.1 Setting Standard cost

A standard cost is an expected cost that a company usually establishes at the beginning of a fiscal year for prices paid and amounts used. The standard cost is an expected amount paid for materials costs or labor rates. A standard cost is a predetermined calculation of how much costs should be under specific working conditions (https://opentextbc.ca)

Based on interview held with Finance manager, Cost accountant and review of finance manual and guideline shows FAFA Food S.Co standard unit product cost set. The researcher found that the new standards are set based on standard unit product cost. This was done by examining the actual purchase price and actual material usage. When the new products introduced in the operation, a new standard cost is calculated on this particular product based on the actual purchase price of materials. However, for labor and overhead costs, old products standard costs are used.

According to FAFA Food S.Co prepared standard cost for direct material called recipe.

These recipe or standard consumption quantity is prepared by production and quality control department for each product type per batch. For one batch there is a given set of quantity of output or finished goods. It holds the type of ingredients that need to produce a specific product with the specified amount, the specified material costs are filled by cost accounting department based on the last purchased price. The Company uses and impurity rate 20% for local purchase cereals like maize and wheat these rates are a base for calculating the raw material cost without impure or dusts and other un necessary material.

They use the pricing formula = For extraction rate 80 % and impurity rate 20%

Purchase price is 720 birr per quintal

To set net usable amount the use the formula $\frac{720 \text{ X } 1.20 = 1080 \text{ birr per quintal}}{0.80}$

If the use 10 % impurity rate $\frac{720 \text{ X } 1.1}{0.9}$ = 880 birr per quintal

And 10 % impurity rate is applicable because the factory has a quality and inspection department

Based on these recipes prepare the raw material needed for one batch. From the batch standard raw material consumption quantity can derive the standard material consumption quantity for single finished goods then get the cost of single finished goods by multiplying the quantity of raw material to produce single finished goods with the monthly beginning raw material unit cost. Furthermore, use this standard cost as a base for preparation of a budget.

4.2.2 Budgeting

In all types of businesses, budgets play identical role.. Adebayo et al. (2014) defined budgeting is one of the mechanisms for controlling costs in manufacturing organization. Budgeting is a plan and a control tool and has a significant impact on firm's performance (Bedilu, 2015) FAFA Food S.Co set its budget at the beginning of its fiscal Year after Standard cost preparation.

The base for prepare a Cost budget use a standard cost. Also refer last fiscal year accomplishment report and evaluate and compare with variance.

In FAFA Food S.Co budget are prepared by cost and budget department with participation of other department representative and approved by finance manager and submit to general manager for final approval .At the time of budget preparation other line staffs are not participated these un participated line staffs have no any knowledge about the budget objective and it has an effect on the applicability of the budget, to support these Horngren et al. (2012) stated that without budget it is difficult for managers and their employees to understand whether they are on target for their development and expenditure goals. Furthermore, FAFA used budget for purchase control tool and base for estimation of future costs.

Generally ,based on Document review and interview held With Finance Manager and Head of cost and budget accountant FAFA Food S.Co currently apply a management controlling tool standard cost and budget for its product cost controlling techniques it is one of the required cost management practices or techniques but the researcher not found any evidence that shows the top management support or make initiation to apply a new cost management technique to improve the current cost management practice and to enhance and improve current performance

4.3 The cost system that company applies and drivers of its application

According to Institute of charted Accountant in India, process costing is a method of costing used in industries where the material has to pass through two or more processes for being converted in to a final product .it is defined as "a method of cost accounting where by cost are charged to process or operation and average over unit produced." A process costing system accumulates costs and assigns them at the end of an accounting period. The cost of a unit of product under process costing method consists of direct materials, direct labor and both variable and fixed overhead. And this costing allocates a portion of fixed manufacturing overhead.

FAFA Food S.Co uses process cost accounting System for costing its produced products. Based on discussion and observation processing steps, the researcher understand the reason of Choice and use these systems are, FAFA Food S.Co production cycle is based on batch for each product and it passes two and above steps to get a final products with regard to the type of product. Under batch costing only produce the same products and this method is widely used in mass production industries. In FAFA Production cycle the raw material passes through a number of processes up to a completion stage. The finished product of one process passed through a number of processes for the next process.

FAFA use traditional costing system to apply indirect cost to its products based on predetermined overhead rate. Based on the interview and review of documents FAFA Food S.Co first accumulate indirect overheads In cost pool and estimate the indirect costs for the period then allocate to products based on its cost driver.

4.3.1 Raw Material controlling and Recording

Interview result Showed that, FAFA Food S.Co to appropriately transfers and recorded raw material costs to production department by using different inventory controlling or management formats and it helps to allocate a real raw material cost to products. The controlling is started from purchase and the researcher observe that how they purchase raw material and way of circulation of raw material and uses of supportive formats as shown below because purchase is the initial stage of the process and it supported by the researcher.

It is the preliminary step in active manufacturing operations and production activities, sourcing raw materials, equipment, accessories, and auxiliary materials for manufacturing activities (García-Rodríguez et al., 2013)

4.3.2 Purchase

Purchasing describes the process of buying. It is the learning of the requirement, identifying and selecting a supplier, negotiation price. Purchasing is an element of the wider function of procurement and it includes many activities such as ordering, expediting, receipt and payment. Purchasing is responsible for obtaining the materials, parts, supplies and services needed to produce of a product or provide a service

However, FAFA food Sco uses different Types of inputs to produce its products, it uses like different cereals, Vitamins, Fruity powder, skimmed minerals, milk powders and so. The company obtain these ingredients by purchases from domestic and foreign markets. The company Purchased the raw material more than two times with in the year the reason of these is the season of the materials available on the market and receiving of special order of the products. the advantage of the first reason is any material in its season are widely available in the market by best negotiable price and required quality and the company gets the advantage of less price and pure quality products. The other reason is order of the product it means some its products are in bulk beyond its expectation and it make un program purchase. these special orders are like relief products and baby nutrition foods for drought.

FAFA purchase Vitamins, Minerals and milk powders from foreign countries and from domestic market cereals packing materials and other materials that are in puts for its production. To see the purchase way of the company, on the financial manual of the co states that for purchase any material that have a cost of more than 15,000.00 must be collect a minimum of three Performa from different suppliers, based on these rules the co notify international auction for domestic and foreign suppliers. After collecting the proforma submit to auction committee and the committee first compare the price, the capacity of the company to deliver the material after that collect the sample and transfer the sample to its Owen laboratory to test the sample are fulfill the required quality and chemists are test and assure the material are full fill the required quality of the sample it also used to minimize wastage and used the full purchased amount. Most firms' supply chain strategy prioritizes cost reduction, quality improvement, and increased customer responsiveness (Govindan, Azevedo, Carvalho, & Cruz-Machado, 2015). After fulfilling the above requirements, the purchase will under be taking. And the receiving process began.

4.3.3 Receiving

A receiving procedure is needed to properly inspect all incoming goods, mark them with tags, and record them as having been received. If this is not done correctly, a business will find that its inventory records are inaccurate. When these records are inaccurate, it is impossible to fulfill customer orders or run manufacturing operations in an efficient manner.

The company to manage its costs from initial stage start from purchasing and continue to its receiving process .to help these process to undertake properly uses different inventory management vouchers and on these stages use good receiving voucher.

Goods Receiving Vouchers – These vouchers prepare by raw material stores at the time of received purchased raw materials with four copies. This voucher holds from who received the material, the quantity received, unit cost and total cost. The copies are distributed to respected departments after the receiving process are completed fully. The cost accounting department received one copies and used as a source document to record as cost of raw material purchased.

Sample list of materials recorded in these vouchers are Maize, Soya Bean, Vitamins, sugar, iodized Salt, wrapping film, Vina veil Glue, carton etc.

When raw materials are purchased or received the raw materials inventory are increased so the accounting department passed the entry are debited raw material inventory and credit account payable or cash. The Purchase price will be the cost for raw material which is locally purchased.

For imported raw material the costs will be the lump sum of the invoice value, insurance, freight, transit cost and customs tax. For imported raw material Firstly open a GIT account and recorded all costs incurred until the materials are in use, when all costs are completed, the total amount are transfer to raw material inventory account and closed the GIT account by passing the entry raw material inventory debited and Goods in transit Or GIT account Credited.

The material Store received Raw-material and transferred to production department by using material request format as a source document.

Material Request Voucher –These vouchers are prepared and fill by production department and sent to raw material store to request the needed materials are to ready and deliver to Production department. The raw material store receives these signed vouchers and prepared the material and also the issue voucher.

Store Issued Voucher –These vouchers are prepared by raw material store; the raw material store receives the request voucher and prepared the requested material, then send the material to production department. And signed the vouchers by Responsible person.

After that the copy of raw material issue voucher will come to cost accounts section. these Section considered that the issued amounts that sent in to production line just like the work in process which means once raw material issued from store to production center they record as debit work in process inventory and credit raw material inventory.

Store Return Voucher - These vouchers are prepared by production clerk when they return raw material from production center to raw material store. when there is excess raw material in production area the production department prepare and fill the material return voucher and send the raw material store. The copy of raw material return voucher will come to cost accounts section. The record reversal entry by debit raw material inventory and credit work in process inventory.

Finished Goods Transfer Voucher - These vouchers are prepared by production clerk when products are finished their production stage and ready for use and available in the production center and they transferred to Finished Goods Store. The vouchers hold only the name and quantity of finished Good transferred. The cost accounting department used this as decrease in work in process and increase Finished Goods inventory. And the entry is debiting finished goods inventory and crediting work in process.

Finished Goods Delivery Voucher – This voucher prepares by finished goods store, when finished goods are ready for sale, they prepare the voucher and deliver finished goods for sales. This voucher holds only the name and quantity delivered for sales. The cost accountant used this to calculate the cost of goods sold and basis for sales.

The researcher after observing FAFA Food S.Co follow up of the above raw material circulation with in the respected department next seen costing process of product.

4.3.4 Costing of a Product

FAFA Food S.Co cost its product by Calculate the total units completed during the period and considering units comes from beginning work in process and semi processed as ending work in process, and then calculates total equivalent units of output which is units completed this period and units in ending work in process. Total Cost for equivalent units which is cost of raw material consumption for beginning work in process plus current add consumption of raw material cost Assigning Total costs to the total equivalent units to get unit cost per equivalent units for each product.

Cost of Goods Manufactured in a month – total quantity of actual unit produced for each product multiplied by unit cost per equivalent units of that product

4.3.5 Cost analyzing base of the company.

FAFA Food S.Co analyzes its costs by product base; This base of costs are a result of three cost elements, direct material cost, direct labor and manufacturing overhead cost. These cost elements are included in the product cost but administrative overhead and selling and distribution costs are not included in the product costs and evaluated as period costs by the company.

4.3.6 Treatment of selling & Administration cost

Based on interview result and review of cost report summary FAFA Food S. Co selling and distribution costs incurred for ready products to customers. The cost included like depreciation of sales department, sales persons salary and wages, sales promotion and

Advertising, delivery of the goods to customers and other sailing and distribution costs. These costs are occurred after sales services or processes because of that treated as period expense not a production cost and it reported on income statement as selling and distribution expense.

4.3.7 Analyzing of packing costs

Most of FAFA Food S.Co products are packed two times after production until ready to customers the first package was done in production departments when they are completed its product cycle and measure by gram and packed by foil and packet the products are like cerifam , cerilac and cornflaks after that they transfer to finished goods store finally these packets are count 12 packets each for one package and again packed by cartons to ready for sale .And the packing costs are calculate and report by the sum of both the first and the second packing, the researcher believe that the costs of packaging is spilt in to the primary packaging and secondary packaging and treat these costs the primary packaging packets are assign to product cost because packed the product when they are completed its product cycle with in the production area and the secondary packaging are done in the finished goods store that products ready for sale and give protection ,this cost assign to sailing and administrative expense because the secondary packaging is used after production .

4.3.8 Costs included in the ending work in process

FAFA Food S.co Company uses percentage completed material to estimate ending work in process unites cost. Costing of Finished goods units are done by costing system of FAFA Food S.Co stated on 4.3.2 but there is some units are remain in the production area floor these products are not complete its production cycle and difficult to assign labor and overhead costs amount they consume FAFA Food S.Co cost these products based on the percentage of completion of the product by material consumed base It doesn't take into consideration the labor and overhead cost and this might affect the inventory cost and the cost of goods sold of the company

4.3.9 Calculating of finished goods

FAFA starting from Calculate the total raw material transfers to production department with in the period plus the beginning of work in process that ending working process of the last period then obtain total raw material available for production with in the period then added Direct labor hour, production employee benefits, indirect labor hour, Depreciation factory Machinery and building, Heat light and Water, Factory supplies, Packing materials fuel and other related costs then obtain Cost of goods in process during the Period and less goods in process and raw material inventory in the production area then obtain total cost of goods of manufactured then plus finished good beginning inventory then obtain cost of goods available for sale less finished goods inventory . Finally obtain total cost of finished goods with in the period.

4.3.10 Allocation of Service Department Cost

FAFA Food S.Co does not allocate service department costs to other departments. It records the cost as administrative expenses. But based on the literature, it is essential to establish control over service department costs and to devise effective means for charging the cost to departments receiving the services. The costs of the service department delivered traceable to benefiting departments are classified as direct department costs. However, because the service department activity is a service function, its costs ultimately shall be allocated to departments receiving the service.

4.3.11 Inventory valuation and the type of cost flow assumption in FAFA.

FAFA Food Share co uses moving average cost valuation method for both raw material and finished goods inventory. Because it applies a process costing system and also purchased its raw material in different price in different interval also the local government is obliged or set as a requirement companies are value its raw material and finished goods inventory by the moving average method for its tax purpose.

4.3.12 Work in process

According to Merriam-Webster dictionary, Work-in-process (WIP) refers to a component of a company's inventory that is partially completed. The value of that partially completed inventory is sometimes also called goods in process on the balance sheet (particularly if the company is manufacturing tangible items rather than providing services)."

In FAFA Food S.Co Work in process are recognized at the end of every month by counting the semi processed goods in the production center based on type. This semi processed finished goods can be Cerifam, famex Cerelac and different types of corn flakes that are produced but not wrap and packed (which they have the cost of ingredient and labor but not included cost of wrapping, packing or carton and packing labor costs). to calculate and assign a cost to its WIPFAFA Food S.Co use a formula i.e the beginning work in process amount, plus manufacturing costs minus the cost of manufactured goods.

4.3.13 Appropriateness of costing method of FAFA Food S.Co

Based on the answer with the interviewers they don't believe that it is an appropriate costing method because it is not giving the accurate cost in the production system, because it allocates costs equally for all product type not considering the amount consume of cost elements and these costing system does not use direct allocation to apply business costs to individual goods.

4.3.14 Cost driver

A cost driver is the unit of an activity that causes the change in activity's cost.In traditional costing the cost driver to allocate indirect cost to cost objects was volume of output. FAFA Food S.Co use a labor hour as a cost driver to allocate in direct labors cost and use output volume or product to allocate overhead costs to each output . Based on the information gathered from interviews and the company cost of goods sold Statement, in direct labors costs like maintenance, quality control and inspection, supervision works and other supportive staffs that not directly involved in the production process wages and over heads Such as Depreciation factory Machinery and building, Heat light and Water, Factory supplies, packing materials fuel are accumulated in each cost pool.

To allocate these labor costs and overheads first the costs are accumulated in each separate cost pool and distributed to products by dividing the total number of units produced, not measured by machine hours ,For Example indirect labor cost are employees that involves or participate indirectly for supporting purpose of the production process these labor costs are measured by regular working hours and accumulated in one cost pool and the Total are allocated as indirect labor cost to each product by dividing to the number of out pout produced in the period and for overheads like Heat light and Water the total bill amount are also divided by the total output produced and allocate to each output in the period. -

4.4 Frequency of standard cost and cost budget reviews

According to CIMA Official Terminology, 2005 Standard cost is 'The planned unit cost of the product, component or service produced in a period. The standard cost may be determined on a number of bases. The main use of standard costs is in performance measurement, control, stock valuation and in the establishment of selling prices.' This is generally best suited to organizations with repetitive activities.

FAFA Food S.Co are reviewing its standard cost (Recipe) with in quarterly bases the reason for review of these costs are price fluctuation of purchased ingredients or raw materials and packing materials it leads by purchased price. But for the Relief products prepare a standard cost when they receive the order.

According to discussion and examining cost budget FAFA Food S.Co Cost budget are prepared after collection of each cost element of standard cost data from company's Accounting information record. Based on the collected cost data standard cost is set and manufacturing cost budget prepare. For Setting standard and cost budget preparation FAFA Food SCo uses historical records. The time period of reviewing cost budget is the same as standard setting time line.

4.5. Cost control tools

Cost control relies heavily on the existence of a sound and effective cost control system and cost reduction also operates effectively where there is an efficient cost control system (Kinney and Raiborn, 2011). According to documents review FAFA Food S.Co use a standard costing and budgeted cost plan for control purpose.

4.5.1 Standard costing

Standard costing acceptable by many companies in the world wide it is supported by research conducted by Ask and Axe (1997, as cited in Moran and Izah,2012) revealed that about 73 percent of companies in the manufacturing industry operated standard costing system.

Based on the researcher examining of FAFA food share company cost control mechanisms searching of documents and interview held FAFA Food S.Co use a standard costing, as a cost control tool. for setting of standard costing representative of Production department, quality control department and Cost and budget department are involved in setting process, by collaboration of these departments the standard costs of a FAFA products are set. FAFA Food S.Co. uses this report as a controlling tool for its cost and it also use as a source documents for budget preparation. also, it helps a company management to have correct cost information to give a proper decision and to predict for future cost the uses are supported by CIMA (2005) that states the main uses of standard costing are for performance measurement, control and creation of selling price.

That standard cost or recipe document holds each ingredient with in the required amount that needs for producing the final product .and based on these recipes the production department request the material received and process the product by calculated the batch number of raw materials needs for the planed amount to produce. These recipe helps the production department to use the requested amounts properly by keeping its cost percentage.

4.5.2 Budgetary Control

Budgetary control is a system whereby the budgets are used as a tool for planning and controlling. The efficient use of resource to accomplish formerly set objectives contained with plan is called budgetary control (Lucy,1996 as cited in Akeem, 2014).

It helps the managers to plan and control resources in systematic way to achieve their financial objectives.

FAFA Food S.Co Prepare and use budgetary control for effectively control of costs .This is supported study conducted by Olalekani and Tajudeen (2015) that stated budgetary control is an effective cost control tool, FAFA use budgetary control to enhance profit, To estimate future costs , to measure performance and help for decision making. FAFA prepare a variance analysis report to planed budget report reconciled with the actual usage after the result the management take a corrective action for the next production period. and these tools are helping the company assures the soundness of the system

4.5.3 Quality Control

Manufacturing firms incur cost related with raw material quality. At the time of purchase usually raw material have defects luck pureness, as a result they have wastage, because of that the company face to waste avoidance cost and inspection costs. Defect products, wastage and inspection cost increases product cost, material cost and labor cost respectively. To Prevent these companies, need to have quality control department. Quality control reduces the cost of inspection, decreases defects, increases productivity and enhance market share. Stan and Klein (2012) stated that quality measures and reduces quality related costs.

FAFA Food S.Co Have a quality control department these department are well organized and have fully Equipped testing laboratory. Before purchase any raw material first collects the sample from supplier and check the quality within its laboratory and select a required raw material that full fill the needed criteria. These helps the company initial to prevent quality related cost. Quality control aims at investigating the root cause for defects identified by inspection and take corrective action to overcome the defects for future production.

And also have an extraction and impurity rate for cereal raw material to adjust the cost of material. For the result of these department FAFA Also reduce its waste rejection cost.

CHAPTER FIVE

5. SUMMARIES, CONCLUSION AND RECOMMANDATION

5.1. SUMMARY OF FINDINGS

The main objective of this study is to assess the cost management practices of Food Manufacturing Companies. The specific objectives of the study include examine how company managements support the application of new Cost management techniques to enhance and improve the current practice; identify type of cost system the company does applies and drivers of its application; Assess how frequently the standard cost and cost budget reviews and the possible causes of review: and identify the cost control tools, practice and their soundness in the company. The study was conducted by using primary and secondary data. For sake of these study primary data were collected only through interview with the finance manager and cost and budget Head of FAFA Food S.Co, secondary data were gathered from the financial statement, cost sheets, inventory formats brochures, strategic and financial plan and budget master of FAFA Food S.Co.

The study result indicated that the Appling of sound cost management practice in manufacturing firms have a great support for the management of the company. To assure the application of these sound cost management practice need a management to give more attention and focus for all cost practice of the manufacturing process. And need to apply new cost techniques related with its produced products and the global technology because it has its draw back on the competition in the market, most markets are led by price. The final objectives of the management of manufacturing firms are maximization of its profit. From the result of the study obtain the below listed findings

For examining how top managements support in the application of cost management techniques to improve the performance of their company, different interview questions raised and discuss with the finance manager and cost accountant of the company. The study result showed that the current management are not support and initiate for apply of new cost management techniques to enhance and improve the performance of the company. They have a standard costing report, Variance analysis report and budgetary control report that set previously. Moreover, the way and techniques are in old fashion not modernized. For example, on standard cost or recipe setting there is an estimation of extraction rate 80 % and impurity rate are 20 % it means from 1 quintal

80 kgs are pure and 20 kgs are defects or waste. To prevent these FAFA Food S.Co has it's laboratory and inspection team, they work aggressively because of that tendency of receiving impure products are less but they set 20 % impurity rate by the result of these the raw material cost are boost because they valued 1 quintal price per 80 kg.

The research also indicated that concerned department representative are participate on standard costs and budget preparation but other line staffs have no involvement because of that they have no clue about application of the setting budget and how to use it. But luck budgetary control awareness has its own draw back on the practical usage of material and supplies within the company over all operation and it has an effect on the performance of the company.

The result of the study identifies FAFA Food S.Co apply a process cost accounting and for allocation of overhead costs uses a traditional costing system. According to research result and other literatures and researches this costing system are not good because it is more simplistic but less accurate than other system for instance ABC.

From examining how frequently standard cost and budget reviewed to communicate control measures in decision making, it was founding that FAFA Food S.Co reviews standard costs and budget in semiannually if there are management needs some times in quarterly base to realize any problem on the process and implementation as well as any deviation from the set targets. Reviewing regularly cost control tools and techniques is helpful in order to correct any deviation happened. But the semiannually frequency is not appropriate at least review regularly in a quarterly base without especial need of management.

For identifying of cost control tools In FAFA Food S.Co the study identifies that FAFA Food S.Co uses standard cost control, budgetary control and quality control as a cost controlling tool.

According to the study result FAFA Food S.Co uses standard costs to set its product cost, uses as a base for setting of a budget, budgetary control to measure performance that a related with the actual consumption, improve profitability, and to estimate future costs that helps manager for decision making and quality control techniques to preclude defect and impure products, minimize amount of wastages reduce inspection costs and a waste rejection costs.

5.2 Conclusion

The purpose of this research is examining the application of cost management practice in manufacturing firms to enhance company performance. In manufacturing companies, the major cost elements are direct material cost, direct labor cost, manufacturing overhead costs which are grouped under manufacturing costs. Under this study, support of FAFA Food S.Co. Managements can be seen from the view point of proper utilization of material, labor and other economic resources and supervision of costs incurred in the course of production.

Implementing of effective Cost management practices requires top management support, and application of different cost control tools and techniques. Without top management support cost management practices cannot be set up. The results of the study indicate that FAFA Food S.Co. Managements regularly establish cost standards, prepare cost budget, review budgets and standards, and evaluate deviations and measure performances and take appropriate corrective action. But The interview result shows that top managements of FAFA didn’t show any initiation to implement a new cost management technique to enhance and improve company performance. They work by using previously Set up cost management technoques. This causes the company set back from the current industry level.

Also, the study result indicate that the frequency of review budgets and standards is not regular if the management, needs make quarterly unless they prepare semiannually and the budget preparation is not participatory of the line staffs it prepares by top managements and other department representative.

FAFA Food S.Co. Managements prefer and use different tools and techniques like quality control, budgetary control, standard costing and Traditional costing system for the purpose of control and manage its product costs. But the result of the study indicates the selected indirect and overhead costs are allocating by traditional costing system but it is not appropriate system and not assure the soundness of costing system of the factory.

More over these FAFA Food S.Co. are necessary to apply new modern cost management practice that help the management to control overall company process, shape their polices, manual, strategic plans and assure the soundness cost system of company. As a result of these get their reasonable costs and can offer affordable price for products. But the interview result shows that the top management support to implement new and globally accepted techniques are not visible.

5.3 Recommendation

- In food manufacturing sector the market competition is high because most of the firms are produced identical products and enter in the same markets. FAFA Food S.Co.to become a market leader and obtain more market share available its products by affordable price and continuous delivery in the market and sell more products To make these effective must apply modern cost management practice.
- For the proper application of cost management practice any energetic support of top management is mandatory. FAFA Food S.Co top managements are support the application of the existed cost management practice but beyond that they give consideration and devoted on implementation of new cost management techniques.
- FAFA Food S.Co value its products in a unit cost base and to set its unit cost in affordable manner and sell in competitive market the management of FAFA Food S.Co. can re-check and revise the setting of standard cost regarding with the extraction and impurity rate used to calculate its standard cost and change the impurity rate to 10 %.
- The participation of standard cost and cost budget preparation in FAFA Food S.Co are limited to top managements and other respected departments representative, But the line staffs to give chance to participate and have knowledge about the standard cost meaning and cost budget uses in the company .Because it give back ground for the staffs to enhance their contribution in accomplishment budget .

- FAFA Food S.Co uses process costing accounting system and uses traditional costing system for allocating its indirect and overhead costs to the produced products. This cost system is easily applicable but not provide accurate information to cost its product. Traditional costing typically assigns overhead costs to products based on an arbitrary average rate. ABC is more complex and more accurate than traditional costing. This method first assigns indirect costs to activities and then assigns the costs to products based on the products' usage of the activities. FAFA Food S.Co is applying ABC for its product costing purpose because it give reasonable cost of products.
- FAFA Food S.Co reviews its standard cost and cost budget semiannually if there is need of management they review quarterly base ,these time interval is not good because things are change in alarming rate in the global world. To update its product costs these cost control tools are revised regularly in quarterly base without need or especial request of management because it helps to identify variances and take corrective action on time.

REFERENCES

AACCSA and DAB DRT. (2014). Manufacturing Survey Analysis, DAB- Development

Research Training PLC.

Abiy, L. (2014). Implication of supply chain management to competitiveness: A case in BGI Ethiopia PLC.

ACCA Study Text. (n.d.). Financial management & control for exam in December 2004 & June 2005. BPP Learning Media.

Access Capital (2010), WWW.Access Capital SC.com/research.

Adebayo, O. Lawrence, I. and Taofeel, A. (2014). Budgetary Control: A Tool for Cost Controlin Manufacturing Companies in Nigeria. *European Journal of Business and*

Management,(6)37, ISSN 2222-1905 (Paper) ISSN 2222-2839, WWW.iiste.org

Adeleke, E. (2014). Cost management techniques and performance of Nigerian banks,

Adeniyi, A. (2008), An insight into: Management Accounting, 4th Edition: El-Toda VenturesLimited.

Adeniji, A. (2011). Organizational climate and job satisfaction among academic staff in selected private universities in southwest Nigeria.

Admasu, S. (2017). Productive Capacity and Economic Growth in Ethiopia. *Department of Economic & Social Affairs*, (34), ST/ESA/2017/CDP/34.

Agara I.G, (2005), Management Accounting: Effective managerial tool: Igaman Nigeria Publishing, Abuja, Nigeria.

Akeem, L. (2017). Effect of Cost Control and Cost Reduction Techniques in Organizational Performance. International Business and Management, (14)3, pp. 19-26, DOI:10.3968/9686.

Alem, G. (2009). Quality improvement in Ethiopian Garment industries.

Amoako, K., & Acquaah M. (2008). Manufacturing strategy, competitive strategy and firm performance: An empirical study in a developing economy environment, *Production Economics*, (3)2.

Anand M., Sahay B. & Saha S. (n.d). Cost Management Practices in India: An empirical study.

Armfield, W. (2007). Descriptive Case Study of Teaching and Learning in an Innovative Middle School Program (unpublished).

Asaolu,T. & Nassar,M. (2007). Essential of management accounting and financial management (2nd ed). Ile-Ife, Nigeria,Cedar production Ltd.

Ayichewu, E. (2011) The Application of Management Control System in Ethiopian Commercial Banks.

Azeez, A. and Adelabu, I. (2015), Relationship between cost management and profitability: study ofselected manufacturing firms, *International Journal of Management Sceinces and Humanities,* (3)1, ISSN: 2360-9214 E-ISSN: 2360-9222

Bedilu,A. (2006). Budgeting and Performance Evolution : in case of the Development Bank of Ethiopia.

Biruk. F (2009), Target Costing as a Means of Competitiveness for Ethiopian Manufacturing Industries.

Brownell, P. and Mclnnes,M.(1986). Budgetary Participation, Motivation and Managerial performance. The Accounting Review, 61.

Caroline,W. (2014). Effects of cost management on the financial performance of manufacturing companies.

Cashin, A. (1998), "Cost Accounting", New York, McGraw-Hill Inc.

Cooper,D. and Schindler,P. (2014). Business research method (12th ed). Florida Atlantic University, Pamela S. Schindler, Wittenberg University,ISBN 978-0-07-352150-3. Cooper, R. and Slagmuder, R. (ED). (1998). Strategic Cost management,

Daniel, D. (2016). The Critical Factors Affecting Supply Chain Management in the Brewery Industry.

Dawson, C. (2002): practical Research Methods: A user-friendly guide to mastering research techniques and projects, howto Books Ltd, Oxford OX4 IRE, UK.

Drury, C. (2012). Management and Cost Accounting (8th ed). Cheriton House, North Way, Andover, Hampshire, SP BE, United Kingdom.

Eric, W., Oeter, C. and Ray, C. (2011). Managerial Accounting for Managers(2nd ed), Published by McGraw-Hill/Irwin.

Endale, T. (2015) the impact of working capital management on firms' performance: a study on Breweries in Ethiopia.

Fowzia, R. (2011). Use of Responsibility Accounting and Measure the Satisfaction Levels of Service Organizations in Bangladesh, *International Review of Business Research Papers* (7)5, Pp. 53-6.

Garrison, R.H., Noreen, E.W. & Seal, W. (2003). Management accounting. Cambridge: McGraw-Hill Education Limited.

Gerring, J. (2007). Case Study research: Principles and Practices. Published in the United States of America by Cambridge University Press, New York.

Ghanshyam,P. & Radhesham,P. (2016). Cost management practice and firms performance *International Acadamic Journal of Business Management, (3)3, 2454-2768.*

Hanini, E. (2013).The Extent of Implementing Responsibility Accounting Featuresin the

Jordanian Banks, European Journal of Business and Management (5)1, ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)

Helms.M,Ettkin.L, Baxter. J and Gordon. M, (2005). Managerial Implication of Target Costing,15(1)

Horngren,C. Datar, S., & Rajan,M. (2012). Cost Accounting: A managerial Emphasis (14th ed.).Pearson Education, Inc., New Jersey: Pearson /Prentice Hall.

Huang,H. and Zhang,C.(2013). Cost management, Case study of a gardening firm project.

Imeokparia, L. and Adebisi,S. (2014).Target Costing and Performance of Manufacturing Industry in South-Western Nigeria, *Global Journals Inc*.(14)4 ISSN: 2249-4588 & Print

ISSN: 0975-5853.

Innes, J., Mitchell, F. & Sinclair D. (2000). Activity-based costing in the UK's largest companies: a comparison of 1994 and 1999 survey results. Management Accounting Research, vol. 11, pp. 349-362.

Jalaee, H. (2012). Advantages of Target Costing in Organization. *International Journal of Research in Management*, 2(1) 10-18.

Khan, E. (2013). Kowledge Extraction from survey data using neural networks (unpublished).

Kothari,C. (2004). Researh Methodology (2nd ed.). New age international publishers, 4835/24:

Ansari Road, Daryaganj, New Delhi – 110002, ISBN (13) : 978-81-224-2488-1.

Koutsoyiannis, A. (1988). *Modern microeconomics* (LBS edn.). London: Macmillan Education Limited.

Larry,M., & Christopher,J.(2009). Managerial and Cost Accounting. London, United Kingdom.

Lockyer, K. (2000), “Factory and Production”, London, DP Publishers.

Malodia G. (2011). Responsibility accounting (a case study) *Lachoo Management Journal*, 2(1), 9: 17

Meran,A. & Izah,M.(2012). Performance Analysis of Manufacturing Companies in Pakistan.*Business Management Dynamics*, (1)7, pp.12-21

Myronenko,Y. (2012). Productivity – measurement and improvement, Stockholm.

Nebiyu,S. (n.d). Technical efficiency analysis of the Ethiopian brewery industries.

Olalekani, L and Tajudeen,N. (2015). Cost Control and Its Impact on the Survival of Nigeria Firms: A Case Study of Nigeria BottlingCompany Plc, *International Journal of*

Management, Accounting and Economics, (2)4, ISSN 2383-2126 WWW.ijmae.com.

Oyadonghan, J. & Ramond, L. (2014). The effect of quality cost management on firms'Profitability. *European Centre for Research Training and Development*, (2)1, PP 12-26.

Oyerogba, E. , Olaleye, M. & Solomon, A. (2014). Cost Management Practices and Firm's Performance of Manufacturing Organizations. *International Journal of Economics and Finance*,(6)6, 1916-9728 http://dx.doi.org/10.5539/ijef.v6n6p234

Paramasivan,C.& Subramanian,T. (2008). Financial Managent. New age international publishers (p) Limited, New Delh. www.Newagepubilisher.com

Reiss, G.(1992). "Project Management Demystified: Today's Tools and Techniques," London, E & F N Spon,

Robel,Z. (2013). An assessment of factors affecting market share of Dashen brewery.

Sarkar,J., & Yeshmin, F. (2005). Application of Responsibility Accounting. Bangladesh Perspective (The Cost and Management), 33(6), 82-88.

Saunders, Thornhill and Lewis. (2009). Research Methods for Business Students, 5th Edition, Prentice Hall.

Schweizer, G.(2009). Quantitative versus qualitative research.

http://www.articlebase. com/business-articles/quantitative-versus-qualitative research-994628.html

Sikka, P. (2003) The Role of Offshore Financial Centres In Globalization, Accounting Forum, (27)4, pp. 365-399.

Siyanbola,T. & Raji, G. (2013). The Impact of Cost Control on Manufacturing Industries' Profitability. *International Journal of Management and Social Science Research*, (2)4, 2319-4421

Sreejesh, S., Mohaoatra,S. and Anusree,M. (2014). Business Research Methods, DOI: 10.1007/978-3-319-00539-3, Springer International Publishing Switzerland.

Stan, L and Klein,V.(2012). Techniques to reduce costs sustainable quality in the industrial companies. 8th International DAAAM Baltic Conference, Industrial engineering,19-21, Tallinn, Estonia

Stewart, 1995a. Stewart, R.M. Wyskida, J.D. Johannes (eds.), *Cost estimator'sreference manual*, 2nd ed., Johan Wiley & sons, inc, New York. Christopher.

Syverson, C. (2011). What Determine Productivity? *Journal of Economic Litrature*, 49(2), 326-355, http://www.aeaweb.org/articles.php?doi=10.1257/jel.49.2.326

Walliman, N.(2011). Research Methods The Ba (Abiy, 2014) (Abiy, 2014)sics, Routledge, 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN and simultaneously published in the USA and Canada, 270 Madison Avenue, New York, NY 10016

Yin, K. (2003). Case study research design and methods (3rd ed). Sage publication, Thousand Oaks,London, Newdelhi.

APPENDEX I

INTERVIEW QUESTIONS

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

The questions raised during the interview were: -

1) Do you think that cost management help to the management of manufacturing firms' to enhance the overall company performance?
2) Does the top management have initiation to apply new cost management techniques? If yes, can you give an example?
3) Does the company able to measure its performance by the use of cost control techniques such as standard costing, and budgetary control?
4) How standard costs are set? How do you prepare the budget? Do you think that it only a top management work? Are each department or unit within the firm is responsible to prepare its part of the budget?
5) Does the company necessary departments participate in the standard costing process?
6) Does the company have a system of standard costing & variance analysis on periodical basis?
7) How frequently review the standards cost and budget?
8) Do you think the time interval of review Acceptable?
9) What type of costing System used in your company?
10) Do you believe Activity costing method is applicable to your company?
11) How do you determine production cost?
12) How allocate service department costs?
13) Are overhead costs are assigned? What Cost driver used? What type costing

systems the company used to allocate overhead costs?

14) Does the cost allocating department use more than one pool for accumulating indirect or overhead costs?

15) How cost products under WIP? And what costs are included?

16) What is the company inventory cost flow assumption?

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

18) Do you believe that your company quality control department helps in reduction of defects? How?