SAINT MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSEMENT OF COST ACCOUNTING SYSTEM,COST MANAGEMENT PRACTICES AND CHALLENGES IN CASE OF MUGGER CEMENT FACTORY

BY: MESERET TADESSE

JUNE 2023

ADDIS ABABA, ETHIOPA

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DECLARATION

I, Meseret Tadesse, the under signed, declare that this thesis entitled; “The Assessment of and of cost accounting system, cost management practices and challenges in case of mugger cement factory” is my original work. I have undertaken the research work independently with the guidance and support of the research supervisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all source of materials used for the thesis has been duly acknowledged.

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Saint Mary University, Addis Ababa, Ethiopia, June 2023

ENDORSEMENT

This is to certify that the thesis entitled; "The Assessment of and of cost accounting system, cost management practices and challenges in case of mugger cement factory" submitted in partial fulfillment of the requirements for the degree of Masters in Accounting and Finance or MSc of the Postgraduate Studies, Santee Marry University and is a record of original research carried out by Meseret Tadesse ID: SGS/0215/2013A, under my supervision, and no part of the thesis has been submitted for any other degree or diploma. The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend it to be accepted as fulfilling the thesis requirements.

Mohammed Said (Asst. Prof.)	_________________	_________________
Name of Supervisor	Signature	Date

Saint Mary University, Addis Ababa, Ethiopia, June 2023

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ACRIMONY

MCF-Mugger Cement Factory

SPSS- software package for social science

WB- World Bank

ABC - Activity-based costing

ABSTRACT

Cost accounting practice is increasingly being recognized as a measure that should be included in manufacturing industries. This study focuses on to the Assessment of cost accounting system, cost management practices and challenges in case of mugger cement factory, realize the objective of the study, To assess the cost accounting system used in determining the cost of product in Mugar Cement Factory: to describe the role of cost accounting practices in case of Mugar cement factory. To identify the challenges of cost accounting practices in Mugar cement factory. In doing this descriptive Research design, mixed research approach were used. Data were collected from 113 employees of Mugar cement factory from production, finance and marketing department. The study relied on primary and secondary data. The primary data collected using interview and questionnaires. The secondary data collected from documents and reports of the company. Data analyzed with descriptive statistics such as frequencies, Percentages, through statistical tool SPSS version 20. The data Presented in tables. The study found out that the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information with other departments The company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among departments and the responsibility centers provide information for budget control, The company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among departments and the responsibility centers provide information for budget control, The Company does not use modern techniques of costing system like ABC system rather it uses traditional techniques of costing system. *Recommends that* the Company should classify costs as fixed, variable and semi variable since it helps to measure costs in relation to the change in levels of activities and it should use cost principle to value fixed asset. It also recommends The Company also tries to use modern system of costing since it allocates each cost for each activity, use more data provide more informed estimates of product costs

Key Words: Cost, Accounting, Mugar, cement, factory, Ethiopian.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Cost accounting is the process of accumulating and accounting for the flows of costs in a business. It is defined as a technique or method for determining the cost of a project, process, or thing through direct measurement, arbitrary assignment, or systematic and rational allocation. The appropriate method of determining cost often depends on the circumstances that generate the need for information (Swamidass, 2000). This can be information such as material cost, production cost, product cost, investment calculations, and budget.

Cost accounting, as a specialized field of accounting, is primarily concerned with the identification, measurement, recording, reporting and analysis of costs associated with production and marketing goods/services and other decisions areas. Cost accounting is broad and extends beyond calculating product costs for inventory valuation, which GAAP dictates. In fact, the focus of cost accounting is shifting from inventory valuation for financial reporting to supplying cost information for decision making (APO-ILO, 1997, P.828). **2**

Cost accounting is an accounting system that provides financial and non-financial cost related information. Product costing is the cost of direct labor, direct materials, and manufacturing overhead that are used to create a product. And the purposes are for preparing financial statement, setting price and for control purpose (Horngren C.T, 2003).Thus cost accounting provides information for both management and financial accounting.

The information supplied by cost accounting acts as a tool of management for making optimum use of scarce resources and ultimately adds to the profitability of business (ARORA, 2004).

The importance of cost accounting practices has increased more than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreasing profit margins, increasing input prices due the tightening energy sources, economic crises etc. Therefore, companies operating in developing countries have also begun to implement cost accounting practices which were first adopted by companies functioning in developed countries.

Global competitive pressures have made companies focus increasingly on the cost management that has always been a basic component of any successful business strategy. Cost should controlled rather than reduced through unscientific method, because it may result to lowering the quality of the product (Cooper and Slagmuder, 1998). Today, any company should manage three related basic operational issues such as product cost, quality, and performance for survival (Innes, Mitchell and Sinclair, 2000). The desire of customers is getting superior quality and better performance products and at the same time, they need the price to be reasonably low.The main concern of owners is a required rate of return on their share (Oyerogba et al.,2014).profit maximization for any type of organization depend on efficient cost management and increasing sales resulting from market domination. Thus cost has become a major issue and also cost management has become a substantial existence for many organizations.

Currently, the market leaders are even following cost reduction as a strategic imperative. They need to stay forward the market by constantly widening the gap among their cost and that of their competitors. 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. Cost management is only effective and efficient when proper cost information is collected for managerial decisions. Furthermore, top management support, effective cost reduction and cost control tools and techniques and employees' involvement are required to control and reduce costs in order to achieve firms' ultimate objective

Cost accounting especially for manufacturing companies is the key factor for achieving the desired profit since cost of raw materials is the major expense. Therefore, the main objective of this study is to asses of cost accounting system, cost management practices and challenges in case of mugger cement factory   in case of Mugar cement factory.

1.2. Statement of the Problem

Many businesses still do not use cost accounting techniques to help them provide decision-makers with sustainability information. This could hurt an organization's ability to succeed financially since it could lead to poor decisions, more information, the usage of out-of-date cost drivers, a lot of information, and human errors (CIMA, 2011). Managers of companies may find it challenging to improve day-to-day operations and make decisions that will improve the financial performance of the company without the use of cost accounting tools.

Despite the increasing amount of research in cost accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery, 2004). research based knowledge may have been based on a belief that the discipline in cost accounting is best served by studying the most innovative and successful examples of practice that can be found in the leading western and Japanese firms (Michell,2006).There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is not on the basis of development of accounting as academic but due to the lack of research in accounting and specially cost accounting (Inanga and Schneider, 2005).

The manufacturing cost challenge is one of the most serious tasks facing Ethiopian manufacturing companies. Biruk (2009) stated the main problem of Ethiopian manufacturing industries is awareness on cost management practice .As business organization in general and as a manufacturing company in particular Mugar cement factory Ethiopia's primary objective is to generate optimal profit. When we are talking about profit, it's obvious that the company should maintain its cost low and raise its quality as per the expectation of its customers. There will be a simple shift of customers to other similar products that leads to low profit. And for the company to fulfill its objective, the cost management plays a vital role in minimizing costs and producing a quality product that exceeds customer expectation. Even though most of the above studies conducted are mainly discussing studies that are related to the different elements and aspects of cost accounting systems. Some studies also covered cost systems and techniques and others are also related to cost management practices, but there are no in-depth specific study has been conducted covering substantial aspects on the cost management practices related to Ethiopian manufacturing companies on the best knowledge of the researcher; specially in Mugar cement factory previously.

Therefore given the significant economic importance of Mugar cement factory and the gap in the literature, the researcher believed that studying cost accounting system and cost management practice studies similar to the developed countries will be useful to encourage the development of improved cost accounting system and cost management practices. Based on this information the researcher had been initiated to asses the company's cost accounting system, cost management practice and challenge for the purpose of identifying the causes of the company's managerial problem & proposing the possible solution of overcoming such causes

1.3. Research Question

The study considers the following research questions:-

1. What systems of cost accounting do the Mugar Cement Factor?

2. What are the cost management practices in the Mugar Cement Factory situation?

3. What are the challenges of cost accounting practice in Mugar Cement Factory?

1.4. Objective of the Study

1.4.1. General objective

The general objective of the study is to assess the cost accounting system, cost management practices and challenges in case of mugger cement factory

1.4.2 Specific Objective

In line with the above objective the study addresses the following specific objectives:

1. To assess the cost accounting system used in Mugar Cement Factory.
2. To describe the cost management practices in case of Mugar cement factory.
3. To identify the challenges of cost accounting practices in Mugar cement factor.

1.4. Significance of the Study

The study will assist in identifying the function and difficulties of accounting procedures at Mugar Cement Factory. The Mugar cement factory will also benefit from this study's understanding of the elements that influence the kinds of cost accounting techniques used. Additionally, in order to fulfill the company's aims and goals, management might concentrate on the field of defining the responsibilities and difficulties of cost accounting methods. The current study will assist the Mugar Cement Factory in identifying the challenge and potential hazards associated with cost accounting procedures.

1.6 Scope of the Study

The delimitation of the study will be confined to Mugar cement factory located in West Shewa zone, Adea BergaWoreda. The study focuses on the roles and challenges of cost accounting practices in the factory. The scope of this study will cover the collection of data from the staff of finance and production departments.

1.7 Limitations of the Study

The study limited to and the findings are only from the Mugar cement factory perspective. In case, similar research in the future may extend to cover other industries. The other limitation that researcher confronted was the Mugar cement factory Confidentiality policy obliged only to observe original documents. Hence, the researcher could not obtain the copy of the documents. The other limitation as in all case studies,

1.8 Organization of the paper

The paper will be organized under five chapters. The first chapter includes introduction. The second chapter will cover the review of related literature. The third chapter will include research design and other methodological aspects. In chapter four the data will be presented, analyzed and interpreted. Finally, in the last chapter relevant conclusion will be drawn from the findings obtained and accordingly possible recommendations have been forwarded.

CHAPTER - TWO

2. REVIEW OF THE LITERATURE

2.1. Introduction

In this section, related literatures on the subject matter are briefly reviewed with a view to showing vividly the gap in knowledge and for easy interpretation of the research result. It reviews definition cost by many authors in their book, the element of cost and also define cost accounting in brief.
This section presents the review of related literatures in order to establish a basis for the application of cost accounting practice.

2.2 Theoretical Review

Cost management practices are apprehensive with the examination and the data used in order to support managers in making decisions and help for managerial cost control. Shank and Govindarajan (1989, as cited in Ghanshyam&Radhe, 2016) specified that it is a means to help a firm in achieving its objectives, but not an end in itself. Companies commonly strive to improve their performance in this globalized competitive economy (Ghanshyam and Radhe, 2016).

On cost management and control strategies, research theories have been formulated. These are traditional cost theory, contextual theory of cost and value- engineering program theory. Traditional theory of cost differentiates the short-run costs from long-run costs. Short run is a period in which some factors are fixed. Capital equipment's are considered as fixed in the short-run. All factors are become variable in the period of long-run. In traditional theory of the firm the total cost of the company split as total fixed costs and total variable costs. Traditional theory of cost enables a firm to conclude the output level that gives the optimum profit with the lowest cost (Koutsoyiannis, 1988). Contextual theory of cost mostly states that costs are accepted as expenses in the income statement in the period that benefits from the cost (Garrison, Noreen and Seal, 2003). Value-engineering programmer theory states that an organized examination and evaluation methods of improving performance through decreasing of product cost.

2.2.1 Cost Definition

Cost is defined as an economic resource related to manpower, equipment, real facilities, supplies and all other resources that required to accomplish work activities or to produce output (Stewart, 1995a). Usually costs are stated in terms of monetary value. Therefore, costs are the value of money which represents the resources paid for the production of the output. Cost is Defined as the expensed amount, or attribute to a particular thing or activity cost of no matter what ordinarily is currency spent to obtain that thing (ACCA, n.d.).

2.2.2 Cost elements

In manufacturing companies' costs can be classified as manufacturing and non- manufacturing costs. Direct material cost, direct labor cost and manufacturing overhead costs are classified under manufacturing costs whereas selling & distribution costs and administrative & office costs classified as non-manufacturing costs.

2.2.3 Direct Material Cost

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

2.2.4 Direct Labor Cost

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

2.2.5 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 and indirect expenses incurred in the factory such as rent for factory building, power and fuel used in the factory, insurance of factory building.

2.3. Purpose of Cost Accounting

The cost accounting in its developed form helps the management of manufacturing concerns in improving the efficiency, in making the business decisions and in evaluating the performance of entities in the same industrial sector through standardizing the systems and procedures. (Hussain, 2009, p. 43)The main objectives of cost accounting are as follows (Samaha and Abdallah, 2011):

Ascertainment of Cost: This is the primary objective of cost accounting. For cost ascertainment, different techniques and systems of cost accounting are used under different circumstance. **Control of Cost:** Cost control aims at improving efficiency by controlling and reducing cost. It is becoming increasingly important because of growing completion. Guide to business policy-cost data provides guidelines for various managerial decisions like make or buy, selling below cost, utilization of idle plant capacity, and introduction of a new product. **Determination of Selling Price**: cost accounting provides cost information on the basis of which selling prices of products or services may be fixed. In periods of depression, cost accounting guides in deciding the extent to which the selling prices may be reduced to meet the situation. **Determine and Control Efficiency**: Measuring and improving the performance of cost accounting measures efficiency by classifying and analyzing cost data and then suggest various steeps improving performance so that profitability is increased. Determine the value of closing inventory for preparing financial statements of the concern. Provide a basis for operating policies which may be determination of Cost Volume relationship, whether to close or operate at a loss, whether to manufacture or buy from market, whether to continue the existing method of production or to replace it by a more improved method of production....etc.

2.4. Cost Accounting Practices

According to, historians have long endorsed the view that cost accounting is a product of the industrial revolution (Jonson, 2001). For example (Wilson and Chua, 2003) claimed that cost accounting was practiced by the mechanized multi process, cotton textile factories that appeared in England and United States around 1800. This point of view was consistent with Garner (2004) who pointed out that cost accounting had emerged only after eighteenth century as a result of the rise of the factory system in the industrial revolution The traditional view contained that cost accounting arose due to the increase use of fixed capital prompted accountants during the industrial revolution to graft cost accounting on the double entry system (Johnson, 2001). The evolution of cost accounting is a single in to three eras-the first era from the first appearance until before the industrialization; the second from the industrialization to the twentieth century and there after the third (Antonelli and Vetal, 2009). During the first era, the nomenclature cost accounting might not exist as a clear and well recognized concept like it is today, the activity could be called by other names. The first point appearance of cost accounting can be traced back to the fourteenth century (Thukaram, 2012). With the expansion of the scale of business, mainly in manufacturing activities that small enterprises started to produce trade items such as books, woolens, coins and wine, an expansion in cost accounting was required (Cunagin and Stancil, 2002).

Modern business firms utilize a variety of cost accounting practices in an effort to manage expenditures and maximize profits (King, Premo, & Cas, 2009, p. 21) all business enterprises try to maximize profit margin by controlling expenditures. A cost accounting department can minimize the costs by providing all necessary information to management.

A manufacturing company’s income statement is more complex than a retailer or a merchandiser as it transforms raw materials into finished goods through the use of labor. As a result of manufacturing goods, manufacturers must understand the various costs associated with this production process. It is simply not sufficient to know the price paid for raw materials when manufacturing a finished product. The cost accounting system used by a manufacturing company should be able to provide information relevant for the external reporting system.

For a manufacturing firm, financial reporting separates costs based on when those costs becomes recognized as expenses. All costs manufacturers can be classified as product or period costs. Product costs are frequently referred to as manufacturing costs. These costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system. Period costs include all other manufacturing costs. These costs are expensed as they are incurred (Lanen, Andorsen and Maher, 2008).

2.5. Techniques of Costing

It is important for businesses to adopt and utilize cost accounting methods that fully recognize cost and allow for innovation within the company (Kawan, 2011). In developing an effective cost accounting system; executives can apply several techniques that will undoubtedly assists in the operations of the organization. Executives should understand the importance of these methods in producing one efficient cost accounting system that will help cut costs and produce quality out puts. Techniques that management can utilize to develop a better cost accounting system to compete in the global market include standard costing, target costing, ABC and the just in time approach (Hansen, 2009).

2.5.1. Traditional Costing

2.5.1.1. Standard Costing

It refers to the preparation of standard costs and applying them to measure the variations from standard costs and analyzing the variations with a view to maintain maximum efficiency in production. What is done in this case is that costs of each article are determined before-hand under current and anticipated conditions, but sometimes they are determined before-hand under normal or ideal conditions. Then actual costs are compared with the predetermined costs and deviations known as variances are noted down. Thereafter, the reasons for the variances are ascertained and necessary steps are taken to prevent their recurrence. Standard costing is one of the most known and widely used product costing systems.

Standard costing is a widely used accounting system because it can create information for a lot of purposes: decision-making purposes, providing challenging targets to achieve, assists on setting budgets, acts as a control device by highlighting unwanted activities and simplifies the task of tracing costs to products for profit measurement and inventory valuation purposes (Drury 2004).
In manufacturing companies, the procedures often are of a repetitive nature and therefore standard costing is pertinent in these kinds of companies. Control activate by the use of different budgets. The methods of standard costing are used in order to make a solution for different limitation of historical costing. Historical costing which 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 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. 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).

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.

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

2.5.1.2. Target Costing

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

Target costing 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.

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

2.5.2 Activity-Based Costing (ABC)

It is a cost accounting system that focuses on an organization's activities and collects costs on the basis of the underlying nature and extent of those activities. Multiple predetermined overhead rates are then calculated using the various cost drivers of organizational activities.ABC focuses on attaching costs to products and services based on the activities conducted to produce, perform, distribute, and support those products and services. The three fundamental components of activity-based costing are: Recognizing that costs are incurred at different organizational levels, Accumulating costs into related cost pools, and Using multiple cost drivers to assign costs to products and services.(Michael & Cecily, 2011) An ABC system is a cost accounting system that uses both unit and non-unit based cost drivers to assign costs to cost objects by first tracing costs to activities and then tracing costs from activities to products (Hasenn, 2009). In ABC accounting, the system attempts to reveal costs through direct tracing instead of allocation. This creates a more accurate pictures of the total costs associated with a product. Besides reducing costs, this management tool also improves the final price that customers pay for the product by focusing on the activity involved. The philosophy behind using ABC is the value that it provides to customers at a cost less than the price customers pay for that value.

2.6. Method of Cost System

The two basic types of costing systems are used to assign cost to product or service. Some of them are as follows:

2.6.1. Job Order Costing System

In this system the cost object is a unit or multiple unit of a distinct product or service called a job. Job order costing system is a type of cost system that provides for a separate record of the cost of each particular quantity of product that passes through the factory. Job order costing system is commonly used by companies with product that are unique and divisible. In this system costs are assigned to a distinct unit, batch or lot of product, or service. Job is task for which resources expended in bringing a distinct product or services to market (Cherington, 2008, P, 277). Job order costing is method of ascertaining cost in those industries in which goods are manufactured or services rendered against specific order from customers. A job order cost system manufacturing accumulates costs of material, labor and manufacturing overhead expense by specific orders, jobs, batches or lots. Job costing system is a method in which cost object is a unit or multiple units of a district product or service called a job. Job order costing system are widely used in construction, furniture, printing and similar industries where the costs of a specific job depend on the particular order specification (Willamsan, 2009).

Examples of business that use job order costing includes Construction system, Furniture manufactures Printing firms, Repair shops, Service giving organization, Garages, etc

2.6.2. Process Costing System

This costing system is used for manufacturing process which produces a single product or single mix of products continuously for an extended period of time. In this system the cost of a product or service is obtained by using broad averages to assign cost to mass of similar unites produced for general sale and not for any specific customers. Average cost over large number of nearly identical product companies that use process costing system are as follow Cherrinqton, 2008, P 278). Cement factories, Petroleum refineries, Flour companies, Beer factories, Textile factories and Beverage companies. In this system, the cost object is masses of identical or similar units of a product or service. The focus of a process cost system is the cost center to which costs are assigned. It is usually a department, but it could be a process or an operation. Costs accumulated by a cost center are divided by the number of units produced in that cost center to compute the cost per unit. The primary objectives, like that of the job order cost system, are to compute the unit cost of the products completed and the cost to be assigned to the ending work in process inventory (Vanderbeck,20 10).

In manufacturing process costing setting, each unit receives the same or similar amounts of direct material costs, direct labor costs and indirect manufacture costs (Horngren, 2003).

According to Arora (2003), processes costing system follow the following procedures: First, the factory is divided in to a number of processes and an account is maintained for each process. Second, each process account is debited with material cost, labor cost, and direct expenses and overhead allocated or apportioned to the process. Third, the output of a process is transferred to the next process in the sequence. Finally, the finished output of the last process is transferred to the finished goods account.

2.7. Cost Control

Cost Control is defined as the regulation by executive action of the costs of operating an undertaking, particularly where such action is guided by Cost Accounting. Agara (2005) opines that cost control is a process whereby targets are set against which the daily incidence of cost is compared to ensure that cost targets are not unduly exceeded. Adeniyi (2007) specified that cost control the standard of cost of operating an organization and it is concerned with holding costs within tolerable limit. He said this limits will regularly in a form operational plan or budget. Cost control action will be important, if actual cost vary from planed cost by too much amount. He further explained that is a process of setting targets and receiving feedback information in order to ensure that actual performance is in line with set target and if not, take corrective action.

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. Cost control involves the following steps and covers the various facets of the management: Planning: First step in cost control is establishing plans / targets. The plan/target may be in the form of budgets, standards, estimates and even past actual may be expressed in physical as well as monetary terms. These serves as yardsticks by which the planned objective can be assessed. Communication**:** The plan and the policy laid down by the management are made known to all those responsible for carrying them out. Communication is established in two directions; directives are issued by higher level of management to the lower level for compliance and the lower level executives report performances to the higher level. Motivation: The plan is given effect to and performances starts. The performance is evaluated, costs are ascertained and information about results achieved are collected and reported. The fact that costs are being complied for measuring performances acts as a motivating force and makes individuals endeavor to better their performances. Appraisal and

Reporting: The actual performance is compared with the predetermined plan and variances, i.e. deviations from the plan are analyzed as to their causes. The variances are reported to the proper level of management. Decision Making: The variances are reviewed and decisions taken. Corrective actions and remedial measures or revision of the target, as required, are taken.

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. al, 2012).

2.8. Cost Reduction

Cost reduction may be defined as the real and permanent reduction in the unit costs of goods manufactured or services rendered without impairing their suitability for the use intended. As will be seen from the definition, the reduction in costs should be real and permanent. Reductions due to windfalls, fortuities receipts, changes in government policy like reduction in taxes or duties, or due to temporary measures taken for tiding over the financial difficulties do not strictly come under the purview of cost reduction. At the same time a program of cost reduction should in no way affect the quality of the products nor should it lower the standards of performance of the business. A systematic process used by companies to reduce their cost without having negative impact on quality product or service. CIMA(2005) indicated that cost reduction is the achievement of real and permanent reduction in the unit of cost of goods manufactured or service rendered without impairing their suitability from the use of intended for or diminution in the quality of products. Real and permanent cost reduction can be achieved through mass production, lower price input, simplifying the manufacturing process without scarifying the quality products, implementing best practice, elimination of wastage and duplication of work the production process. Cost reduction is a continues process of critically examining various elements of cost in each aspects of business operation and improving policy and procedure manuals, work instructions, work flow diagrams operation management and improving efficiency or optimal utilization resources.

Profit is the resultant of two varying factors, viz., sales and cost. The wider the gap between these two factors, the larger is the profit. Thus, profit can be maximized either by increasing sales or by reducing costs. In a competition less market or in case of monopoly products, it may perhaps be possible to increase price to earn more profits and the need for reducing costs may not be felt. Such conditions cannot, however, exist paramount and when competition comes into play, it may not be possible to increase the sale price without having its adverse effect on the sale volume, which, in turn, reduces profit. Besides, increase in price of products has the ultimate effect of pushing up the raw material prices, wages of employees and other expenses all of which tend to increase costs.

In the long run, substitute products may come up in the market, resulting in loss of business. Avenues have, therefore, to be explored and method devised to cut down expenditure and thereby reduce the cost of products. In short, cost reduction would mean maximization of profits by reducing cost through economics and savings in costs of manufacture, administration, selling and distribution.

2.9 Types of Cost Accounting

Conventional Costing: It refers to the determination of costs after they have been actually incurred. It means that cost of a product can be calculated only after its production. This system is useful only for determining costs, but not useful for exercising any control over costs. It can serve as guidance for future production only when conditions continue to be the same in future.

Standard Costing: It refers to the preparation of standard costs and applying them to measure the variations from standard costs and analyzing the variations with a view to maintain maximum efficiency in production. What is done in this case is that costs of each article are determined before-hand under current and anticipated conditions, but sometimes they are determined before-hand

Activity-based costing (ABC): Is an accounting method that identifies the activities that a firm performs and then assigns indirect costs to products. An activity-based costing (ABC) system recognizes the relationship between costs, activities and products, and through this relationship, it assigns indirect costs to products less arbitrarily than traditional methods.

Some costs are difficult to assign through this method of cost accounting. Indirect costs, such as management and office staff salaries are sometimes difficult to assign to a particular product produced. For this reason, this method has found its niche in the manufacturing sector.

ABC was first defined in the late 1980s by Kaplan and Bruns. It can be considered as the modern alternative to absorption costing, allowing managers to better understand product and customer net profitability. This provides the business with better information to make value-based and therefore more effective decisions.

2.10. Cost Accounting Practices

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

The cost accounting practice is designed to provide information to managers for decisions pertaining to planning and control Lang Field-Smith et al (2009). The traditional design of cost accounting practice has been criticized for defining a distinction between fixed and variable costs (Cooper & Kaplan, 1992). The most common problem in a manufacturing industry is the increase of input costs. If the manufacturing costs not properly identified and managed, it become unbearable and affects the profitability of the firm.

2.11. The Roles and Benefits of Cost Accounting

Cost accounting collect, assimilate, collate and analyze all financial information related to an organization. Their main role is to ensure that managerial decisions are within cost prescriptions. Cost accountants in today’s highly competitive and dynamic business environment need to understand the various functions or links such as customer service, marketing, distribution, etc., in the value chain of a business. This understanding of the various links in the value chain of a business is particularly important when the business concerned is involved in international trade. This has resulted in cost accountants moving away from traditional manufacturing cost approaches to more approaches that are inclusive. This move towards more inclusive approaches has resulted in cost accountants factoring cost of value chain activities such as engineering, sales, distribution, service, etc., into product costing. In this context, an individual who is well versed in the numerous definitions relating to costs and comprehends the shifting definitions of costs ranging from short run to long run can be extremely invaluable in identifying information that is critical for decision-making. The importance of management and costs accounting has grown exponentially in the recent past. The reason for this can be attributed to a number of factors such as increased competition both locally and internationally which has been exacerbated by globalization, growing input costs on account of changing macroeconomic conditions, declining profit margins, etc. In order to mitigate these recent challenges, companies in the developing world have started implementing management and costs accounting practices, which are widely used by companies in the developed world (Kariyawasam, 2018). The extent of advantages derived from the cost accounting is based on the type, adequacy and efficiency of cost accounting system installation. Moreover, the management at the maximum should accept the advises given by the cost accounting system. If so, the following advantages may be available to an organization.

1. Elimination of Wastes, Losses and Inefficiencies a good cost accounting system eliminates wastes, losses and inefficiencies by fixing standard for everything.2. Cost Reduction New and improved methods of production are followed under cost accounting system. It leads to cost reduction. 3. Identify the reasons for Profit or Loss A good cost accounting system highlights the reasons for increasing or decreasing profit. If so, the management can take remedial action to maintain profitability of the concern. There is no possibility of shutting down of any product or process or department.4. Advises on Make or Buy Decision On the basis of cost information, the management can decide whether make or buy a product in open market. The management can rightly choose the best out of many alternatives. Sometimes, spare capacity can be used profitably.5. Price Fixation The total cost of a product is available in the costing records. It is highly useful for price fixation of a product.6. Cost Control Budgets are prepared and standards are fixed under cost accounting system. The expenses are not permitted beyond the budget amount. The actual performance is compared with standard to find the variation. If there is any variation, reasons are find out and the management can exercise control. Period to period cost comparison also helps cost control. 7. Assist the Government Government can collect reasonable tax from the company and exercise price control

2.12. REVIEW OF EMPIRICAL STUDIES

A study, which was conducted on 51 companies from largest 500 industrial enterprises for 2002 in Turkey, showed that (1) 29.5 percent of the respondents utilize process costing, followed by activity-based costing (25.5 percent) and job costing (23.5 percent), (2) direct materials cost has the largest portion in manufacturing costs, followed by manufacturing overhead and direct labor costs, (3) the most widely used overhead allocation base is units produced (30 percent), by direct labor hours (23 percent), direct machine hours (15 percent), (4) the most frequently used cost accounting practice are cost-volume-profit analysis (72.6 percent), strategic profitability analysis (47.1 percent), flexible budgeting (45.1 percent), and customer profitability analysis (45.1 percent) (Ersoy et al., 2006).

Another study conducted in Kayseri, which is one of the leading industrial prominences of Turkey, showed that 22 companies out of 30 (73.3 percent) use process costing, 7 companies (23.3 percent) use job costing, and 1 company (3.3 percent) uses both (Ayyıldız and Durna, 2005). This study showed that the most widely used overhead allocation bases are units produced (43.2 percent), followed by direct labor costs (37.8 percent).

According to the third study conducted recently in another industrial province, Denizli in Turkey, 30 companies out of 86 (35 percent) use process costing, 23 companies (27 percent) use job costing, and 17 companies (20 percent) use both methods (Uyar, 2008). The same study showed that most widely used overhead allocation base is units produced (45 companies out of 86), followed by direct material costs (14 companies out of 86), direct machine hours (7 companies out of 86), and direct labor costs (7 companies out of 86). Another important finding of this study is that the largest share in manufacturing costs belongs to direct material costs.

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

Some of them are; Girum ketema and his teammate were worked on the title of the "assessment of cost accounting practice in kality food Share Company" in 2014; the objective of the paper was to assess and examine the product costing system of the company under study to identify the real causes of why the main research problem is occurring. Based on the objectives of researchers to conclude The current product costing system, cost center allocation, and cost allocation base are found at good level with the existence of some problem, also kality food s.c. use proper controlling mechanism for handling and keeping of cost related transactions

Kubrom Negash also worked on the same title in des general trading plc in 2019, the objective of the study is to assess and examine the cost accounting practices utilized by Des General Trading PLC in Ethiopia. This study adopted a descriptive survey design. The researcher were used both self-administered questionnaire and structured interviews with selected accountants of the finance departments and other department staffs. The major findings of the study are; the most widely used product costing method is process costing and the technique used is absorption costing; the most widely used overhead allocation is units produced; the most important area where the cost information is used for financial accounting, inventory valuation and to some extent for price decisions which is low on other decision making and cost control.

Sabbaghnia & Babazadeh, (2019) study on A Linear Programming Model for Production Planning: An Iranian Case Study in Cement. The research objective is to minimize the total costs of a real case of cement industry by using linear programing model, the model that applied on a case of real world application at the West Azerbaijan‟s Urmia Cement Company. Secondary data and sensitivity analysis used for the cost reduction method. Westerlund, (1986) study on Minimization of Production Costs in the Cement and Glass Industries. He emphasized that it was the best way to select raw materials in a process where the properties of the product could estimate from its chemical content. The main objective of the study is to use nonlinear constraints to alleviate linear problems in the cement and glass industries. Limitations in these factories are only weakly nonlinear; Therefore, the process of solving an adjusted linear programming problem produces good results when his develop a numerical algorithm for the problem.

Summary of Literature Previous work According Tunji, (2013) examined the impact of cost control on the profitability of manufacturing industries as a case study on the West African Portland Cement Plc (WAPCO). The study conducted based on primary data: direct interviews, observations, and questionnaires filled out by 74 of the company‟s staff from different departments. They used the Pearson-related model to analyze the data and test the hypotheses. The study goes further on this by identifying Budget as a key tool for effective cost. They point out that cost control is a major concern to business and that neglect will always affect the profitability of the company. They also stated that a good cost control system starts with the behavior of the employees in the organization as employees play a significant role in achieving organizational goals. Amit et al., (2017) conducted a study to analyze logistics cost factors and developed cost optimization tools and techniques for a cement industry. This study aims to provide a better understanding of logistics costs and awareness at LafarjSurma Cement Factory. This is to show a 17 developed the cost model of the vehicle based on the previous operating costs. To illustrate the difference between these using develop model and analyze on Microsoft excel software.

2.12.1 Literature Summary and Research gap

There have been considerable research efforts by different researchers in the area of determining The relationship between cost management practice and firm's profitability as well as the optimal Cost reduction strategy for the manufacturing companies and its effect on profitability were employed; Caroline,W.(2014), This may impede the financial performance and success of organizations since erroneous decisions, increases in information, the use of antiquated cost drivers, large amount of information and human errors may occur (CIMA, 2011). Without applying cost accounting tools, managers of organizations may find it difficult to improve the day to day operations and take decisions that will enhance the financial performance of the business. Despite the increasing amount of research in cost accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery, 2004). This lack of research based knowledge may have been based on a belief that the discipline in cost accounting is best served by studying the most innovative and successful examples of practice that can be found in the leading western and Japanese firms (Michell, 2006).There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is not on the basis of development of accounting as academic but due to the lack of research in accounting and specially cost accounting (Inanga and Schneider, 2005). In addition to this, in Ethiopia studies were made on brewery manufacturing companies in different issue. Ethiopian brewery companies do not compete by price and they focus on cost structure to get a better benefit. Therefore, cost management become a major issue for breweries in Ethiopia. Thus the main objectives of this paper is the Assessment of and of cost accounting system, cost management practices and challenges in case of mugger cement factory

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter discusses the method and procedure to collect the data in order to achieve the aims and objectives of this study. The topic to be discussed in this chapter includes the research design, data collection methods, sampling design, research instrument, constructs measurement, data processing and data analysis.

3.2 Research Design

According to Cooper and Schindler (2014) descriptive study is used to describe phenomena related with a subject. The major purpose of descriptive research is describing, recording, analyzing and reporting condition that exists (Kothari, 2004). The objective of this study is to assess cost accounting system, cost management practices and challenges in case of mugger cement factory”. Thus, descriptive case study was chosen for this study because it allows the conduct of detailed analysis using multiple sources of data (Gerring, 2007).

3.3 Research Approach

Descriptive research design involves both quantitative and qualitative data. Quantitative approach involves numerical data subjected quantitative analysis whereas qualitative approach involves data in textual form that concerned with subjective valuation of attitudes, thoughts and behavior (Kothari, 2004). According to Schweitzer (2009) quantitative approach was used for its appropriateness to the determination of developing research questions and it is suitable for the type of numerical data required in the study. In this study both qualitative and quantitative data were used. In analyzing case study descriptive research, both qualitative and quantitative research approach is needed (Yin, 2003). That is to get the benefits of a mixed methods approach, and to mitigate the bias in adopting only either quantitative or qualitative approach, the current research combines both quantitative & qualitative research approaches

3.4 Sources of Data

The required data for the analysis collected from primary and secondary sources. The selection of data is based on good understanding of the operation. Primary data were collected using the application of questioner used closed ended questioner type that will be designed in 5 point Likert scale and oral interviews. The researcher has used only primary source of data. The primary data has collected from those employees of the organization. The researcher also uses both qualitative and quantitative data.

3.5 Data of collection Methods

In this study, data collected by the use of questionnaires, interviews and review of documents And reports. Primary data were collected with semi-structured questionnaires distributed to Management, department heads and supervisors of finance and production staff. Structured questionnaires employed to gather straightforward and simple information. The questionnaires were distributed for all staff of production, marketing and finance department of Mugar cement factory and interview collected from manager. Secondary data for the study was collected from the books, articles, journals, and internet sources.

3.6 Population Design

The study was adopted census method, in order to take the study respondents, because the researcher collects data from defined population because the researcher can easily manage and access all respondent under the study.

3.6.1 Population Frame and population Location

Population location in this research is based on the Mugar cement factory. Thus, researcher was distributed the questionnaires to all selected staff that are serving in Mugar cement factory in production, finance and Marketing department.

Table 3.1. **Total population of production, Finance and Marketing department in MCF**

<table>
<tr><th>No</th><th>Department</th><th>Category</th><th>Number of employees</th><th>Sub-Total</th><th>G-Total</th></tr>
<tr><td rowspan="2">1.</td><td rowspan="2">Production</td><td>Male</td><td>30</td><td rowspan="2">59</td><td rowspan="6">113</td></tr>
<tr><td>Female</td><td>29</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">Finance</td><td>Male</td><td>12</td><td rowspan="2">33</td></tr>
<tr><td>Female</td><td>21</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">Marketing</td><td>Male</td><td>11</td><td rowspan="2">21</td></tr>
<tr><td>Female</td><td>10</td></tr>
</table>

Source: Mugar cement factory, 2023

3.6.2 Population Element

The researcher respondent for this research is mainly on employees of Mugger cement factory in production, Finance and Marketing department and excludes other department of the factory which is irrelevant to this research purpose.

3.6.3 Target Population and Sample Size

The study target population focused on employees of the MCF who are working in production, marketing & financial departments. Therefore the total employees of the organization working in department of production, marketing & financial departments are 113 and the population for this study that helped to get accurate data was the whole employees. To accomplish the study, the researcher has used a census data collection. This was preferred because it provided the possibility of examining the entire population and acquiring accurate data

3.7 Research Instrument

Self-administrated questionnaire developed by the researcher used to collect from primary and secondary data for this research.

3.8 Validity

Validity is the extent to which the research instrument gives the correct answer. Therefore, the researcher would maintain the validity of the data through applying different methods to collect same information (i.e. methodological triangulation), collecting of same information from different sources, confirmation of the interpretation of the results with the research subjects and checking the divergence of the data from initial assumption. In addition, the researcher maintains the validity through proper conceptualization and using relevant instruments to measure the variables, and comparing the findings with the research objectives.

3.9. Data Analysis & Presentation

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

The data collected were analyzed by qualitative and quantitative data analysis methods. The qualitative data analysis was done using content analysis. During this research, qualitative data were collected in the form of description text. According to Bernard (1995, as cited in Armfield S. 2007) “content analysis is a catch-all term covering a variety of techniques for making inference from texts.” Quantitative data analysis was done using descriptive statistical method specifically percentage, frequency distribution and present it with tables in order to avail the finding of the study. Percentages are suitable for comparative analysis of figures. The use of frequency distribution tables by the researcher in analysis of data is to give faster and more understandable presentation of the data collected by the researcher. Transcribing data is transfer the coded data from the questionnaires into computer and data cleaning step needs to carefully detect the mistake then correction of errors in a data set in the SPSS 20.0 system

3.13 Ethical Consideration

When the researcher performed thesis, name and other identifying information are used. The questioner explained the study benefits well and it safes the convenience of respondents. The researcher also safeguards all information related to the participants. Their privacy, identity and confidentiality maintained by assigning them code numbers instead of names (anonymity). Completed questionnaires were filed safely and accessible only to the researcher.

CHAPTER FOUR

4. DISCUSSION AND ANALYSIS

4.1 Introduction

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

4.2 Background Information of the Respondents

To do this research, 113 questionnaires were distributed in person to the targeted employees. These respondents were to employees of Mugar cement factory in production, finance and Marketing department. All questionnaires were fully responded and returned, thus achieving 100 percent responses rate.

4.2.1 Rate

Table 4.1. **Response Rate**

Total questionnaire	113	
Completed & returned	113	
Response rate	100%	

Source: own survey (2023)

4.2.2. Departments

Table 4.2. **Background information of the respondents**

		Frequency	**Percentage**	**Cumulative percent**
Departments	Production	59	52.2	52.2
	Finance	33	29.2	81.4
	Marketing	21	18.6	100
	Total	113	100	

Source: own survey (2023)

Table 4.2 shows respondents on department shows 52.2% of respondents are in production department, 29.2% in finance department and 18.6% from Marketing department. It implies that more questionnaires are given for production department which directly related to the study. This increase the accuracy and reliability of the study.

4.2.3. Gender

Table 4.3. **Respondents Sex Distribution**

		Frequency	**Percentage**	**Cumulative percent**
Age	31-40	50	44.3	94.7
	41-50	6	5.3	100
	Total	113		

Source: own survey (2023

The respondents on sex indicate that 53.1% of the respondents were female and 46.9% were male, which shows the majority of the respondents are male.

As the above table depicts the age distribution of the respondents, that is; 50.4% of the respondents are within the age of 20-30, 44.3% fall within the age of 31-40 and the rest 6% falls within the age of 41-50. This enhances the reliability of the data collected and the productivity of the organization.

4.2.4 Educational Status

Table 4.4. **Background information of the respondents**

		Frequency	**Percentage**	**Cumulative percent**
Educational status	College Diploma	18	15.9	15.9
	University first Degree	87	77.0	92.9
	Master's Degree	8	7.1	100
	Others	-		
	Total	113	100	

Source: own survey (2023)

We can infer that about 77% of the respondents are BA degree holders, 15.9% are College diploma and the rest 7.1% are master's degree holders. This indicates that almost all employees in the organization are well educated. And since the majority of respondents are educated, it can be concluded that almost all employees are capable of understanding and answering the questions of the questionnaires and it increases efficiency through reducing costs. This support the study done by Sitty (2001) stated that educational level of employees determines capability in their day today activities.

4.2.5. Work Experience

Table 4.5. **Respondents Work Experience**

		Frequency	Percentage	Cumulative percent
Work experience	1-5	23	20.4	20.4
	6-10	45	39.8	60.2
	11-15	31	27.4	87.6
	16-20	10	8.9	96.5
	>21	4	3.5	100
	Total	113		

Source: own survey (2023)

The above table shows that 20.4% of the respondents have been working with the organization for 1-5 years, 39.8% from 6-10 years, 27.4% from 11-15, 8.9%from 16-20 and the rest 3.5%are above 21 years of work experience in mugar cement factory. This means most of the respondents have good knowledge about the environment and they are well aware of the activities performed; most importantly, how cost accounting practiced in the organization, which in turn increases the reliability of the responses by the participants.

4.6 Respondents 'Awareness about Cost Accounting Practice Related Questions.

The researcher analysis is based on the employees' awareness of the following thematic areas: on employee involvement in production, Finance and Marketing Departments concerning the practice, role and challenges of cost accounting in Mugar cement Factory. In each table, the researcher used short forms. These are T= Total=Frequency, A=Agree, SA= Strongly Agree, NS= Not Sure, DA=Disagree, SDA=Strongly Disagree and %=Percent.

4.6.1 Cost accounting practice in Mugar cement factory

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

Table 4.6. **Cost accounting practice in Mugar cement factory**

No	Statements		SDA	DA	NS	A	SA	Total
1.	Cost accounting practices applied in this company are effective to enhance the profitability of the organization.	F	4	12	10	52	35	113
		%	3.5	10.6	8.9	46	31	100
2.	The company efficiently uses cost reduction and control Techniques to measure performance.	F	44	27	15	27	-	113
		%	38.9	23.9	13.3	23.9	-	100
3.	Cost accounting practices have a significant influence on the profit margin of the organization.	F	-	-	3	68	42	113
		%	-	-	2.6	60.2	37.2	100
4.	The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.	F	-	4	18	53	38	113
		%	-	3.5	15.9	47	33.6	100
5.	The cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the Products.	F	-	20	15	37	41	113
		%	-	17.7	13.3	32.7	36.3	100

Source: Author's survey (2023)

When respondents asked whether cost accounting practices applied in this company are effective to enhance the profitability of the organization or not, the respondents replied that 46% agree, 31% strongly agree, 10.6% disagree, 8.8% not sure and 3.6% were strongly disagree. It shows that the cost accounting practices in the company are nearly effective to enhance the profitability of the organization. Cost accounting practices applied in this company are effective to enhance the profitability of the organization. It is supported by Oyadonghan and Ramond (2014) who stated that there is a positive relationship between cost accounting and profitability.

When respondents asked Whether the Company efficiently uses cost reduction and cost control techniques to measure performance or not, the respondents answered 38.9% strongly disagree, 23.9% disagree, 23.9%agree and 13.3% were not sure. It implies that the company is not efficiently used cost reduction and control techniques to measure performance. The respondents were also asked whether cost accounting practices have a significant influence on the profit margin of the organization or not. For this, the respondents replied that 60.2% agree, 42% strongly agree and the remaining 72.6% were not sure. It indicated that cost accounting practices have a significant influence on the profit margin. The idea is supported by Siyanbola and Raji (2013) founds that cost control has a significance influence on the profit margin of the company.

When the respondents asked whether the company has utilized cost reduction and control tools and techniques policy to attain its maximal target or not, the respondents answered that 53% agree, 38% strongly agree, 18% not sure and 3.5% were disagree. It shows that the company has utilized cost reduction and control tools and techniques policy to attain its maximal target. It is supported by Selamawit (2014) who stated that a policy is a statement that describes in very general terms may intend course of action. If policies are to function effectively, it is very important that they be placed in written form.

Finally, the respondents were asked whether the cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products or not. They replied that 36.3% strongly agree, 32.7% agree, 17.7% disagree and 13.3% were neither agree nor disagree. It implies that the cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products.

According to the interview response for the question in what ways the company classifies costs and what are these cost classifications? The company classifies cost as material, labor and overhead costs. On the other hand, it also classifies as manufacturing and nonmanufacturing but it does not classify costs as fixed, variable and semi -variable.

4.6.2 Cost management practice in Mugar cement factory

Table 4.7. The Role of Cost Accounting Practice in Mugar Cement Factory

No	Statements		SDA	DA	NS	A	SA	T
1.	The accounting system of the company clearly defines the role of each department in order to measure their performance.	F	-	-	52	35	26	113
		%	-	-	46	31	23	
2.	The company adopted proper keeping, recording and accumulation of cost data.	F	6	-	21	32	54	113
		%	5.3	-	18.6	28.3	47.8	100
3.	The company assigns costs to particular cost objects and each cost object has separate measurement of cost.	F	52	36	18	-	7	113
		%	46	31.9	16	-	6.1	100
4	The accounting system of the company collects and reports both planned and actual information in each role and responsibility center and this helps managers to measure each center Performance.	F	-	11	51	32	19	113
		%	-	9.9	45	28.3	16.8	100
5	The role accounting the organization helps for Budgetary control purpose by giving budgeted and actual Cost information.	F	13	-	27	47	26	113
		%	11.5	-	23.9	41.6	23	100
6.	The company creates a good cooperation and coordination between cost department and other financial departments.	F	-	5	14	36	58	113
		%	-	4.4	12.4	31.9	51.3	100

Source: own survey, 2023

When respondents asked whether the accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure their performance or not, the respondents replied that 31% agree, 23% strongly agree and 46% were neither agree nor disagree. It implies that the accounting system of the company is more or less defines the responsibilities and obligations of each department in order to measure their performance. This is in line with the study conducted by Hanini (2013) who showed the importance and significance of the relationship between implementing responsibility accounting, the company's profitability and operational efficiency.

When the respondents asked whether the company adopted proper keeping, recording and accumulation of cost data or not, they responded that 47.8% strongly agree, 28.3% agree, 18.6%

not sure and the remaining 5.3% were strongly disagree. It indicates that there is proper keeping, recording and accumulation of cost data that adopted in the company.

This is supported by Arsema (2015) stated that if any company is planning to run a successful business, accurate and timely financial information is a must this accurate and timely financial information is greatly dependent on the record keeping of every transaction. The record keeping will help to monitor the success or frailer of any business.

When the respondents asked whether the company assigns costs to particular cost objects and each cost object has separate measurement of cost or not, the respondents replied that 46% strongly disagree, 31.9% disagree, 16% not sure and 6.1% were strongly agree. In this point any one can understand that the company does not assign costs to particular cost objects and each cost object has not separate measurement of cost. This is supported by Lanen, Andorsen and Maher (2010) who stated that the production costs are assigned specifically to units of production and recognized as an expense when product is sold. As such, product costs follow the product through inventory and are recorded as an asset in the inventory system.

The respondents were asked whether the accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance or not, the respondents answered that 45% not sure, 28.3% agree, 16.8 strongly agree and 9.9% were disagree. It implies that more than half of the respondents were not sure that the accounting system of the company collects and reports both planned and actual information in each responsibility center and helps managers to measure each center performance. But, as a researcher observed in the reports of the company, the accounting system of the company collects and reports only the actual information in each responsibility centers which helps managers to measure center performance. It means that the report does not write with relating of the planned information. When the respondents asked whether responsibility accounting the organization helps for budgetary control purpose by giving budgeted and actual cost information or not, they replied that 41.6% agree, 23.9% strongly agree, 23.9% not sure and 11.5% were strongly disagree. It indicated that responsibility accounting in the organization helps for budgetary control purpose by giving budgeted and actual information.

Finally the respondents were asked whether the company creates a good cooperation and coordination between cost department and other financial departments or not, the respondents responded that 51.3% strongly agree, 31.9% agree 12.4% not sure and 4.4% were disagree. It showed that the company creates a good cooperation and coordination between cost department and other financial departments. As a researcher got in the interview for the question how does the company organize responsibility and cost center and assign costs to its cost center?, the company organize responsibility and cost center for the effective allocation of costs to control and reduce cost but it has its own limitation to assign costs to particular cost objects and each cost object has not separate measurement of cost.

4.6.3 The Challenges of Cost accounting practice in Mugar cement factory

Table 4.8 **The Challenges of Cost accounting practice in Mugar cement factory**

No	Statements		SDA	DA	NS	A	SA	Total
1	The challenges of production, marketing and Finance department are usage of material requisition form to receive raw materials from the store with its material specification.	F	-	-	19	29	65	113
		%	-	-	16.8	25.7	57.5	100
2.	The production department do not returns back to store and unable to inform the costing department when it has excess raw materials.	F	-	12	22	49	30	113
		%	-	10.6	19.5	43.4	26.5	100
3.	The company has no a proper time keeping materialism to identify the labor hour consumption.	F	-	-	19	29	65	113
		%	-	-	16.8	25.7	57.5	100
4.	The production, marketing and finance department do not submits the proper documents to the cost Accounting department for record at the time of delivery.	F	21	-	10	49	33	113
		%	18.6	-	8.8	43.4	29.2	100
5.	The store keeper don't sends and copy material receiving voucher to the costing department on time.	F	31	47	15	20	-	113
		%	27.4	41.6	13.3	17.7	-	100
6.	The company has not fully utilized manufacturing cost tools and techniques policy to attain its maximal target.	F	-	17	21	35	40	113
		%	-	15	18.6	31	35.4	100

Source: own survey (2023)

When the respondents were asked whether the purchasing department submits the proper documents to the cost accounting department for record at the time of delivery or not, they responded that 57.5% strongly agree, 25.7% agree and 16.8% were neither agree nor disagree. It implies that the purchasing department submits the proper documents to the cost accounting department for record at the time of delivery. The respondents were asked whether the store keeper sends and copy material receiving voucher to the costing department on time or not, they replied that 43.4% agree, 26.5% strongly agree, 19.5% not sure and the remaining 10.6% were disagree. This shows that the store keeper sends and copy material receiving voucher to the costing department on time. When the respondents asked whether the costing department records the purchaser transaction immediately when it gets the proper source documents or not, the respondents answered that 57.5% strongly agree, 25.7% agree and 19% were neither agree nor disagree. In this everyone can conclude that the cost department records the purchaser transaction immediately when it gets the proper documents.

The respondents were asked whether the production department uses material requisition form to receive raw materials from the store and it has material specification and it requests material based on such specification or not, they replied that 29.2% strongly agree, 43.4% agree, 18.6% strongly disagree and 8.8% not sure. It implies that the production department uses material requisition form to receive raw materials from the store and it has material specification and it requests material based on such specification. When the respondents asked whether the production department returns back to store and inform the costing department when it has excess raw materials or not, they replied that 41.6% disagree, 27.4% strongly disagree, 17.7% agree and 13.3% were not sure. This shows that the production department does not return back to store and inform the costing department when it has excess raw materials. The respondents also asked whether the company has a proper time keeping materialism to identify the labor hour consumption or not, the replied that 35.4% strongly agree, 31% agree,18.6% not sure and 15% were disagree. This indicates that the company has a proper time keeping materialism to identify the labor hour consumption.

In general, the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information with other departments. This is supported by (Herel, 2006, as cited by Selamawit, 2010) who stated that purchasing is the activity responsible for getting the right material to the right place, at the right time, in the right quantity, at the right price. It is a function in a business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. However, the production department does not return back to store and inform the costing department when it has excess raw materials which contrary the above idea.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Study

Regarding to cost accounting practice, most respondents agree that the applied cost control and reduction tools and techniques are effective, efficient and has significant influence on profit and productivity. The company has its own cost accounting policy and it uses standard cost control, budgetary control and quality cost control as cost control and reduction tools and techniques but target costing is not applicable. About the responsibility and cost center, majority of respondents agree that the company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among departments and the responsibility centers provide information for budget control. However, in time of reporting the actual does not relate with planned information, the company does not assign costs to particular cost objects, and each cost object has not separate measurement of cost.

Regarding to costing system and purchasing procedure, as most respondents agree that the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between cost department and others. However, the production department does not return to store and inform the costing department when it has excess raw materials. From the use of cost information, the respondents were agree that cost information uses in the company for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation. But, the company does not supply cost information for external users.

5.2 Conclusion

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

The company identifies the obligation of each responsibility center, has proper recording, keeping and accumulation of cost, creates good cooperation among departments and the responsibility centers provide information for budget control. However, in time of reporting the actual does not relate with planned information, the company does not assign costs to particular cost objects, and each cost object has not separate measurement of cost.

The company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between cost department and others. However, the production department does not return to store and inform the costing department when it has excess raw materials.

Cost information uses in the company for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation. Nevertheless, the company does not supply cost information for external users.

The Company has separate cost accounting department, written manuals, guidelines, and professionally qualified employees in accounting and finance. It classifies cost as material, labor and overhead costs. On the other hand it also classifies as manufacturing and non-manufacturing.

The Company does not use modern techniques of costing system like ABC system rather it uses traditional techniques of costing system.

5.3 Recommendation

The following recommendations are forwarded based on the conclusion of the study:

- ✓ In time of reporting, the company should try to relate actual with planned information and assign costs to particular cost objects and each cost object should have separate measurement of cost. Since assigning costs enable to be ascertaining for the costs that the company needs to know which helps to control cost.
- ✓ The Company should classify costs as fixed, variable and semi variable since it helps to measure costs in relation to the change in levels of activities and it should use cost principle to value fixed asset.

- ✓ The Company also tries to use modern system of costing since it allocates each cost for each activity, use more data provide more informed estimates of product costs, give better cost information for decision-making and helps to reduce costs.
- ✓ Although the company has timely proper keeping documents, sending and receiving documents, recording documents, material specification form and exchanging information between cost department and others, its production department should return to store and inform the costing department when it has excess raw materials.

Since, this research is conducted only in one company, therefore, more research should be conducted in different companies to get comprehensive results and to understand the importance of cost accounting practice and it's effective on manufacturing firms' performance.

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Appendices-A

SANTEE MARRY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

Dear respected respondent,

The objective of this questionnaire is to gather first-hand information that was help to Assess Cost Accounting System, Cost Management Practices and Challenges in Case of Mugger Cement Factory. This study is undertaken as a partial requirement for the completion of the degree of Accounting and Finance.

Data and information that will be gathered through this questionnaire will be used for the research purpose only and remains confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, honesty and to the best of your knowledge.

Part 1: GENERAL INFORMATION (DEMOGRAPHIC DATA)

Instructions

❖ No need of writing your name

❖ Indicate your answers with a check mark (√) in the appropriate box.

1. Sex: Male ☐ Female ☐

2. Age (Years)

A. 18- 30 ☐ B. 31- 40 ☐ C. 41- 50 ☐ D. 51 - 60 ☐

3. Please indicate your level of education

A. Diploma or below ☐ B. Degree ☐ C. Master and above ☐

4. How many years have you been worked in Muger Cement Factory?

A. 0 – 5 years ☐ B. 6 – 10 years ☐ C. 11 – 15 years ☐ D. Above 15 years ☐

Widowed

Part 2: Questionnaires related with the roles and challenges of accounting practices in Mugar cement factory

Instruction: Below are lists of statements pertaining to Cement factory. Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from ""strongly agree" to „"strongly disagree" .Each choice will be identified by numbers ranged from 1 to 5.

(SA= strongly agree, A= agree= neither agree nor disagree D= Disagree and SD=strongly disagree)

Part 3: ***Questionnaires related with the roles and challenges of cost accounting practice in Cement factory***

		SA	A	N	D	SD
No	***Statements***	1	2	3	4	5
	Direct Manufacturing and Indirect-Manufacturing Cost					
1	Employees participate in budget preparation and standard costing.					
2	Training given by the company to upgrade the skill of the employees enhances employees' skill and this resulted to increase productivity.					
3	Training employees are helpful in reducing labor cost of the company.					
4	Training labor assists to enhance the product quality.					
5	Incentives motivate employees' enhance staff morale and increase productivity.					
6	Job rotation is helpful to train easily, motivate employees, enhance employees' morale and increase productivity.					
7	Cost accounting practices applied in this company are effective to enhance the profitability of the organization.					
8	The company efficiently uses material, labor and factory overhead to measure performance.					
9	Cost accounting practices have a significant influence on the profit margin of the organization.					

10	The company has utilized manufacturing cost tools and techniques policy to attain its maximal target.					
11	The cost accounting practice of cost reduction and control tools and techniques applied in this organization reduces the cost of products without affecting the quality of the products.					
12	The accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure their performance.					
13	The company adopted proper keeping, recording and Accumulation of cost data.					
14	The company assigns costs to particular cost objects and each cost object has separate measurement of cost.					
15	The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance.					
16	Responsibility accounting the organization helps for budgetary control purpose by giving budgeted and actual cost information					
17	The company creates a good cooperation and coordination between cost department and other financial departments.					
18	The selling department submits the proper documents to the cost Accounting department for record at the time of delivery.					
19	The store keeper sends and copy material receiving voucher to the costing department on time.					

20	The costing department records the purchaser transaction immediately when it gets the proper source documents.					
21	The production department uses material requisition form to receive raw materials from the store and it has material specification and requests material based on such specification.					
22	The production department returns back to store and inform the costing department when it has excess raw materials.					
23	The company has a proper time keeping materialism to identify the labor hour consumption.					

Appendices-B

INTERVIEW QUESTIONS

To examine Cost Accounting System, Cost Management Practices and Challenges in Case of Mugger Cement Factory of cost reduction and cost control Tools and techniques the researcher conducted interviews with top management

Managers. The questions raised during the interview were:-

1. Does the company have separate cost accounting department?
2. . In what frequency do you prepare cost accounting reports & for whom?
3. What type of cost reduction & cost control tools & techniques applied in the company?
4. In what ways the company classifies cost & what are these cost?
5. What type of costing method used in the company?
6. For what purpose do you use cost information?
7. What type of costing system do you used in your company?

Thank you for taking the time to complete this questionnaire.