



**ST. MARY'S UNIVERSITY
SCHOOL OF GRAGUATE STUDIES**

**ASSESSMENT OF COST ACCOUNTING PRACTICE IN GMM
GARMENT PRIVATE LIMITED COMPANY
ADDIS ABABA ETHIOPIA**

**BY
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ID NO SGS/0514/2012A**

**May, 2021
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DECLARATION

I, the undersigned declare that this thesis is my original work, prepared under the guidance of my advisor, Simon Tareke (Asst. Prof.). All sources of materials used for the thesis have been duly acknowledged. I farther confirm that the thesis has not been submitted either in part of in full to any other higher learning institution for the purpose of earning any degree.

.....

Name

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Signature

St. Mary's University, Addis Ababa, Ethiopia, May, 2021

ENDORSEMENT

This thesis has been submitted to St. Mary's University College, School of Graduate studies for examination with my approval as a university advisor.

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Advisor

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Signature

St. Mary's University, Addis Ababa, Ethiopia, May, 2021

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ACRONYMS AND ABBREVIATIONS

ABC Activity Based Costing

CIMA Chartered Institution of Management Accountants

GAAP Generally accepted accounting principles

PLC Private limited company

SPSS Statistical Package for Social Sciences

ABSTRACT

The competitive pressures of the world made increasingly companies focus on cost accounting that has always been a basic component of any successful business strategy. Cost accounting practice has an effect on the manufacturing firms' performance. This study focuses on assessment of cost accounting practice in GMM Garment private limited Company (PLC). In doing this descriptive case study research design, mixed research approach was used. The Data were collected from 30 GMM Garment PLC employees. The study relied on primary data. The primary data collected using questionnaires. Data analyzed with descriptive statistics such as frequencies, percentages, through statistical tool SPSS version 23. The data presented in tables. The study found out that the company uses process costing and job order costing as there cost system, use standard costing as cost control method and also use direct material, direct labor and manufacturing overhead as there cost structure. And the other finding is that the managers and users use cost information when they make decision on price, financial accounting and production process. The study recommends that In order to produce the necessary cost information for users, cost section should have adequate number of employees and well structured Accounting manual and policy which is intentionally designed for cost accounting. It also recommends that the Company should try to implement the new costing system ABC because ABC provides accurate product cost, Accurate tracing of overhead costs and it will also improve decision making. Having experienced human power in cost accounting would be better for successful implementation of cost accounting tools in the company because the company is highly affected with lack of skilled manpower in cost accounting area. And also it is better for the company to have separate cost accounting department since, the execution of theory in to practice become easy. The segregation of duties is the core factor of success.

Keyword: cost Accounting; cost system; cost structure;

1 CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Cost accounting is the process of recording, analyzing, classifying, summarizing and allocating costs associated with a process and then developing various course of action to control the costs .Its goal is to advise the management on how to optimize business practice and process based on cost efficiency and capability. It also provides the detailed cost information that management needs to control current operations and plan for the future. Cost accounting is the art and science of recording, classifying, summarizing and analyzing cost to help management make provident business decision. There are basically three purposes of cost accounting; these are cost control, cost computation and cost reduction. (Abdallah, 2011).

The vital importance that cost accounting has acquired in the modern age is because of the growth of complexities in modern industry. It is a formal system of accounting for costs in the books of account by means of which costs of products and services are ascertained and controlled. The main objectives cost accountings are ascertainment of cost, control of cost, guide to business policy, determination of selling price, and measuring and improving performance .Cost accounting provides information for both management accounting and financial accounting. It measures and reports both financial and nonfinancial information that relates to the cost of acquiring or consuming resources by an organization. Cost accounting includes those parts of both management accounting and financial accounting where cost information is collected or analyzed (Marco, 2016)

(Hasan,2006) said the Importance of cost accounting is increasing time after time a reason behind is believed as sever competition by globalization, decreasing profit margins, increasing input prices due to the tightening energy sources , economic crises etc. Cost accounting is an accounting system that provides financial and non-financial cost related information. Product costing is the cost of direct labor, direct materials, and manufacturing overhead that are used to create a product. And the purposes are for preparing financial statement, setting price and for control purpose (Krumweld and Suessmair, 2005).

Every business must control all its costs if it wishes to remain competitive. It also needs to control cost in total as well as the costs of a particular department or activity. Sound business management depend up on timely and rational judgment or decisions: in turn effective and rational decision making depends upon proper planning and control functions. Planning and controlling activities are continuous interrelated and the success would depend up on the quality of accounting data supplied effective decision making. It is just a question of being able to disentangle the information and finds costs that are relevant to this purpose. The cost data will be an important element in the decision. So; good cost accounting system supports the pricing technique while quoting the bids or accepting the offers (Aron, 2014).

1.2 Statement of the problem

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

Many organizations today are still not making use of cost accounting tools to assist them in providing sustainability information for decision making. This may impede the financial performance and success of organizations since erroneous decisions, increases in information, the use of antiquated cost drivers, large amount of information and human errors may occur (CIMA, 2011). Without applying cost accounting tools, managers of organizations may find it difficult to improve the day to day operations and take decisions that will enhance the financial performance of the business. Despite the increasing amount of research in cost accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery, 2004). This lack of research based knowledge may have been based on a belief that the discipline in cost accounting is best served by studying the most innovative and successful examples of practice that can be found in the leading western and Japanese firms (Michell, 2006). There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is

not on the basis of development of accounting as academic but due to the lack of research in accounting and specially cost accounting (Inanga and Schneider, 2005).

In many countries studies were made on cost accounting practices; Cost accounting practice in India corporations to verify any significance difference between using ABC and traditional cost system (Anand, 2004), (Salawu,2012) did a survey of Activity Based Costing Adoption Among Manufacturing Companies in Nigeria. (Rao, 2015) carried out an empirical study to explore cost and management accounting practices utilized by manufacturing companies operating in AP, India. (Akeem, 2017) the study aimed to examine the effect of cost control and cost reduction techniques in organizational performance. (Kariyawasam,2018) studied the cost management and account management practices of public quoted manufacturing companies in Sri Lanka. (Kubrom, 2019) the study amid to assess and examine the cost accounting practices utilized by Des General Trading PLC in Ethiopia. (Alemu, 2019) The purpose of the study is to assess cost accounting practices in control and reducing in manufacturing cost at National Alcohol and Liquor Factory. However, in Ethiopia cost accounting practice in manufacturing companies was not yet widely examined. Hence, this study examined and evaluated cost accounting practices.

Therefore given the significant economic importance of GMM Garment manufacturing company and the gap in the literature, the researcher believed that studying cost accounting practice will be useful to encourage the development of improved cost accounting practices. Based on this information the researcher had been initiated to asses and examine the company's cost accounting system for the purpose of identifying the causes of the company's cost problem and proposing the possible solution of overcoming such causes.

1.3 Research Questions

The researcher raised and answers the following specific researchable questions based on the possible causes of the main research problem.

- 1 What is the current cost accounting practice adopted in the company?
- 2 What is the extent of the use of cost accounting information in the company?
- 3 What are the roles of cost accounting information in managerial decision making?
- 4 What factors affects the extent of the use of cost accounting

1.4 Objective of the study

1.4.1 General objective of the study

The general objective of the study is to assess Cost accounting practice in GMM Garment manufacturing company Addis Ababa

1.4.2 Specific Objectives

The specific objectives of the study are:

- To assess the current cost accounting practices.
- To examine the extent of the use of cost accounting information in the company.
- To assess the role of cost accounting information in managerial decision making
- To identify factors that affects the use of cost accounting in the company.

1.5 Scope of the study

This study mainly focuses on Assessment of cost Accounting practice in GMM Garment manufacturing company Addis Ababa Ethiopia. The scope of this study covered the collection of data from management and staff of finance and production departments. This research tried to explore the logics behind cost system and cost structure of the company cost Accounting practices.

1.6 Significant of the study

This research will have a significant contribution to the company to create a well-defined and sound cost accounting system which enables to achieve the overall goal of the company. The researchers believe that the results of this study will have the following benefits.

- It will help to create awareness for managers of the company to explore what is expected from them and also to increase their motivation;
- It will provide useful information to internal and external users.
- Manufacturing firms to practice cost accounting for the effectiveness and efficiency of the company.
- It will be used as a source of reference and guideline for other researchers who make further studies in the area;

- It will help companies to identify factors that affect the use of cost accounting.

1.7 Limitation of the study

The study is limited to GMM Garment manufacturing company and the findings are only from the perspective of the company. The other limitation that the researcher confronted was the confidentiality policy of the company hinders to observe further documents in detail which might increase the quality of the study.

1.8 Organization of the Paper

The study paper is organized in to five chapters. The first chapter of the study concerned with the background of study, statement of the problem, objectives, methodology and significance of the study. The second chapter focuses on presenting the literature review in related to the topic. The third chapter provides Design and Methodology. The fourth chapter contains Discussion of results. The fifth chapter present summary of finding conclusion and recommendation.

2 CHAPTER TWO

LITERATURE REVIEW

This section presents the review of related literatures in order to establish a basis for the application of cost accounting practices. The selected sub topics will look into the general theory relating to cost practice, cost reduction and cost techniques. The review covered previous theoretical literature, empirical studies conducted in various countries on this subject and the research gap.

2.1 Definition of cost accounting

Cost accounting is the process of recording, analyzing, classifying, summarizing and allocating costs associated with a process and then developing various course of action to control the costs .Its goal is to advise the management on how to optimize business practice and process based on cost efficiency and capability. It also provides the detailed cost information that management needs to control current operations and plan for the future. Cost accounting is the art and science of recording, classifying, summarizing and analyzing cost to help management make provident business decision. There are basically three purposes of cost accounting; these are cost control, cost computation and cost reduction. (Samaha and Abdallah, 2011).

2.2 Cost accounting practice

(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 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 Vetat, 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)

The change in macro environment gave rise the new developments in cost accounting as a result of the enormous impact on a manufacturing methods and costs (Schwarz, 2007). The advancement of means of communication during the twentieth century enhances the possibility to export and import theory and practices (Parker and Yamey, 2004), hence the voice from one original source is able to induce echo on a much larger scale which is manifested by the growing debates in the research field.

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).

2.3 Purpose of Cost Accounting

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

steeps improving performance so that profitability is increased. (Samaha and Abdallah, 2011):

2.4 Types of cost

Fixed Cost: These are costs that do not always change with activity level. They are constant within certain range of activities. It is when the maximum limit of a particular activity range is exceeded that fixed costs jump up. It can also be defined as costs that do not respond to a change in the level of activity such as an increase in output. Thus they represent one extreme of cost behavior in that within a certain period they remain the same. (Asaolu and Nassar, 2007) defines fixed cost as the cost which tends to be unaffected by increases or decreases in the volume of output.

Variable Costs are costs that vary with the level of activity. The higher the activity level the higher the amount of the cost incurred. Activity level is measured in terms of number of units produced. Variable cost is the cost which tends to vary with the volume of output, the variable cost per unit is the same amount for each for each unit produce, which means that the amount of resources used and the price of these resources are constant for each additional unit product (Asaolu & Nassar, 2007)

Direct Cost: Where an item of cost can be traced to a product or service unit, that cost is direct to that product or service unit. Such a cost should be allocated to that product or service unit. (Betts, 1994) defines direct cost as the cost that is traceable and attributed to a product. (Dury, 1985) defined direct costs as one that is directly related or traceable to a cost objective where cost objective is any grouping to which cost is assigned such as unit of inventory.

Indirect Cost: This is the opposite of direct cost. This is a cost that cannot be traced to a product or services unit. All indirect cost added together make overhead.(Akeem, 2017)

Marginal Cost is the additional cost to be incurred in order to get additional work done. All additional fixed costs are added to make incremental cost. (Akeem, 2017)

2.5 Elements of manufacturing cost

Three terms commonly used when describing manufacturing costs are direct materials costs, direct manufacturing labor costs, and indirect manufacturing costs. These terms build on the direct versus indirect cost distinction of manufacturing costs.

2.5.1 Direct materials costs

Direct materials costs are the acquisition costs of all materials that eventually become part of the cost object (work in process and then finished goods) and can be traced to the cost object in an economically feasible way. The costs of direct materials include not only the cost of the materials themselves, but the freight-in (inward delivery) charges, sales taxes, and customs duties that must be paid to acquire them (Srikant et al., 2018). Direct manufacturing material costs include the acquisition of materials with their related costs that can be directly traced (Datar and Rajan, 2012).

2.5.2 Direct labor costs

Direct manufacturing labor costs include the compensation of all manufacturing labor that can be traced to the cost object (work in process and then finished goods) in an economically feasible way (Srikant et al., 2018). 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.

2.5.3 Indirect manufacturing costs

Indirect manufacturing costs are all manufacturing costs that are related to the cost object (work in process and then finished goods), but cannot be traced to that cost object in an economically feasible way. This cost category is also referred to as manufacturing overhead costs or factory overhead costs (Srikant et al, 2018). Costs other than direct material and direct labor cost which are not clearly associated with specific product are manufacturing overhead costs. Overheads include the cost of indirect material, indirect labor and indirect expenses. The major category of overhead costs is operation overhead and general and administrative overhead. Manufacturing overhead costs are costs incurred in the factory for production of goods and services. These include all indirect material like grease, oil, cost of tread etc., indirect labor like salary for factory managers, salary of warehouse man and indirect expenses incurred in the factory such as rent for factory building, power and fuel used in the factory, insurance of factory building etc.

2.6 Techniques of costing

In developing an effective cost accounting system; executives can apply several techniques that will undoubtedly assist 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 outputs. 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).

The following techniques of costing are used by the management for controlling costs and making managerial decisions:

2.6.1 Traditional Costing

2.6.1.1 Historical (or 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.

2.6.1.2 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 was developed for the needs of a traditional production environment which differ significantly from the needs of a modern days' production environment. This costing system suits best an organization whose activities consists of a series of common or repetitive operations and the input required to produce each unit of output can be specified. Standard costing is also suitable for organizations that produce many different products with a series of common operations. 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)

2.6.1.3 Marginal Costing

The marginal costing concept is based on the principle that each cost unit should be charged only with those costs which it exclusively caused to be incurred, this method is also known as direct costing or variable costing (Layne, 1984).It refers to the ascertainment of marginal costs by differentiating between fixed costs and variable costs and the effect on profit of the changes in volume or type of output. In this case, only the variable costs are charged to products or operations while fixed costs are charged to profit and loss account of the period in which they arise.

2.6.1.4 Target Costing

Standard costing reduces costs at the production stage where as target costing helps to reduce cost over the entire product life cycle. The term target cost is the difference between the sales price needed to capture a predetermined market share and the desired per unit profit (Hansen, 2009). This difference is the allowable cost that managers permit for the cost of the product. In this process, management must find cost reductions if current costs are higher than the target cost. This ensures that management changes the operations of the entire business in order to achieve such results. Target costing also requires extensive interactions among the productions, marketing and accounting departments, so that everyone is in sync with the same idea (Kaplan, 2006). This cost management techniques helps to reduce costs in each stage of the development of the product.

2.6.1.5 Absorption Costing

Absorption costing is based on the premise that the normal costs of running a firm should be charged to the individual cost units in order to ascertain the total cost of each unit. By such an exercise, the cost units absorb the total costs. The product units are thus charged not only with direct cost, but also with a fair share of the overhead cost (Layne, 1984). According to (Kinney and Rail-born, 2011), absorption costing treats the costs of all manufacturing components (direct material, direct labor, variable overhead and fixed overhead) as

inventoriable, or product, costs in accordance with GAAP. Absorption costing is also known as full costing. Under absorption costing, costs incurred in the non manufacturing areas of the organization are considered period costs and are expensed in a manner that properly matches them with revenues. In addition, absorption costing presents expenses on an income statement according to their functional classifications. A functional classification is a group of costs that were all incurred for the same principal purpose. Functional classifications generally include cost of goods sold, selling expense, and administrative expense.

2.6.2 Activity-based costing (ABC)

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

First, the activities consume resources are identified and costs are assigned to them. Identifying the activities that consume resources can sometimes be challenging and interesting. Identifying these activities, activities can be classified into value added and non-value added. When following the production process all the way through, managers often uncover many non-value added activities that can be eliminated from this first step. Second, cost drivers associated with each activity are identified. Third, a cost rate per cost driver is computed. A predetermined rate is equals to the estimated indirect cost divided by the estimated volume of allocation base. Fourth, costs are assigned to products by multiplying the cost driver rate by the volume of cost driver units consumed by the product. ABC uses more data than conventional costing but provides more informed estimates of product costs. Having better cost information enables managers to make decisions about pricing.

Activity based management focus on managing activities to reduce costs. Identifying users of ABC is not always easy for a variety of reasons. First, 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)

2.7 Cost System

Types of costing system refer to the techniques and processes employed in the ascertainment of costs. There are different methods of costing for different industries. The methods costing to be used in the particular company depends up on the type of manufacturing and nature of industry (Williamsan, 2009).We have two basic types of cost systems used to assign cost to product or service. Each of them are described as follows:

2.7.1 Job order costing system

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).

2.7.2 Process costing system

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

transferred to the finished goods account. A single work in process account may use by a company that has only one producing department or continuously produces a single product. On the other hand department works in process accounts are preferable if production flow through several cost centers or departments separate cost figures for each process might also be desirable. (Arora, 2003)

2.8 Cost Control

In the process of manufacturing companies, the concern of cost control management is essential in order to effectively utilize the material resources. In addition to this, cost control includes the management measures implemented to ensure that cost continues in accordance with the management plan. The significance of cost control cannot be over emphasized as an existence technique for manufacturing companies because they ensure appropriate monitoring of cost against budget and correct any financial impropriety the company. The term cost control is used widely and no uniform definition exists (Horngren et.al, 2012).

Cost control is concerned with an element of marginal cost which involves the determination of unit cost, measurement and correction of the performance of subordinates to make sure that the objective of the enterprises and the means to obtain them are accomplished effectively and economically (Lockey, 2002). Cost control is the regulation of cost of operating a business and is concerned with keeping costs within acceptable limits. These will usually be specified as a standard cost or target cost limits in formal operational plan.

(Anthony, 2005) regards cost control as cost management or cost containment and defined it as a broad set of cost accounting methods and management techniques with the goal of improving business cost efficiency, by reducing costs or at least restricting their rate of growth. Businesses use cost control methods to monitor, evaluate and ultimately enhance the efficiency of specific areas, such as departments, divisions or product lines within their operations.

2.9 Cost Reduction

(Asaolu and Nassar, 2007) define cost reduction as the term used for planned and positive approach to the improvement of efficiency. It can be viewed in many ways, such as increasing productivity, and elimination of waste.

Cost control aims at reducing the actual to the targets, cost reduction aims at reducing the targets themselves. In other words, the aim of cost reduction is to see whether there is any possibility in bringing about a saving in cost incurred- material, labor, overheads, etc. According to the Terminology of Cost Accountancy of the Institute of Cost and Management Accountants London, Cost reduction is to be understood as the success of real and unchanging reduction in the unit costs of goods manufactured without impairing their suitability for the use intended. Thus, the term cost reduction denotes real or genuine saving in production, administration, selling and sharing costs resulting to the elimination of wasteful and inessential elements from the design of the product and from the techniques and practices carried out in connection therewith. The necessity for cost reduction arises when the profit margin has to be increased without an increase in the sales turnover i.e. for the same volume of sales, the cost should be reduced. (Akeem, 2017)

2.10 Use of cost information

(Drury and Tayles, 2005) state that Manufacturing organizations assign costs to products for two purposes: First, for internal profit measurement and external financial accounting requirements in order to allocate the manufacturing costs incurred during a period between cost of goods sold and inventories. Second, it uses to provide useful information for managerial decision making requirements. In order to meet financial accounting requirements, it may not be necessary to accurately trace costs to individual products. With knowledge of the fixed costs and variable costs, the manager should use this information, along with the financial statements, to aid in the decision making process. The traditional income statement is primarily used for external reporting. The value approach or the contribution margin income statement is more useful for internal decision making (Lanen, Anderson, and Maher, 2010). According to (Samrawit, 2010) cost information can use for two purposes. These are describing briefly as follows. A company's cost information system provides the data required for the preparation and operation of a budget and for establishing standard costs. Budget- In money companies predetermining or estimating factory overhead constitutes the initial step toward budget program. The budget program lists of all members of management in the task of creating workable and acceptable plan of action welds the plan in to homogenous unit. Communicate to all managerial levels difference between planned activity and actual performance and point out unfavorable conditions which need corrective action. Standard cost- Closely allied with the budgets are, standard cost which are predetermined cost of direct material, direct labor

and factory overhead. They are established by using information accumulated from past experience and data secured from research studies and it helps the management to form the foundation for the budget. A standard cost under given condition which is held constant in order to observe measure fulgurations. The measurements of deviation from established standard norms are accomplished.

2.11 Empirical Evidence of cost accounting practice

(Anand, 2004) in their study of cost management practices in India studied the responses furnished by 53 CFOs in Indian corporations. The objective of their study was to capture the development in cost management practices such as accounting for overheads, applications of budgetary control and standard costing in corporate India. The survey questionnaire also aimed to verify any significant difference in management motivation for the implementation and use of standard costing as a control tool between activities based cost management(ABCM) user firms and firms using traditional costing systems. The study established that the firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for benchmarking and budgeting with ABC cost system yet the consistency in their priority of budget goals is lacking unlike the firms who are using traditional costing systems.

(Salawu, 2012) did a survey of Activity Based Costing Adoption Among Manufacturing Companies in Nigeria. The study reveals that inability of the traditional cost systems to provide relevant cost was the most highly ranked reason in their decision to adopt ABC. Traditional methods of allocating overhead were therefore believed to be deficient in terms of improving global competitiveness. Also, 60% of the respondents have adopted ABC due to increased ranges of products, competition and increased overhead. Familiarity with and adoption of ABC was found to be across the manufacturing, more than half of the sample are familiar with it. The 40% of respondents who have not adopted ABC cited the cost and complexity involved with implementation as the main reason in non- adoption. However, cost of implementing ABC was enormous which hinder the small scale manufacturing from adopting it. This result may reflect the fact that larger firms are more likely to have the diverse mix of products or services that makes the use of ABC advantages. Consequently, the study recommends that the companies who have not adopted ABC because of its high cost of implementation should endeavor to consider its adoption because in the long run the benefits derive from it will outweigh its cost. It helps to

identify inefficient products, departments and activities and helps to allocate more resources on profitable products. In conclusion, the senior management should also give their utmost support to the implementation and success of ABC.

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

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

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

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

(Kubrom, 2019) the study aimed to assess and examine the cost accounting practices utilized by Des General Trading PLC in Ethiopia. This study adopted a descriptive survey design. The sample size of the study consists of 25 employees of the company, using self-administered questionnaire and structured interviews with selected accountants of the finance departments and other department staffs. The major findings of the study are as follows: that indicates the accounting system provides data to allow the organization to analyze costs by product and 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. The findings indicate that company perceives traditional cost accounting is still important and yet not familiarized with the new cost accounting practices such as activity based costing. This study recommends the creation of awareness about the importance of information for decision making practices and the advantage of using activity based costing.

(Alemu, 2019) The purpose of the study is to assess cost accounting practices in control and reducing in manufacturing cost at National Alcohol and Liquor Factory. It looks through the company's management support, employees' involvement, arrangement of cost and responsibility centers, tools and techniques of cost control and reduction, cost classification and allocation, methods of costing and its implementation, purchasing procedures and finally the use of cost information of the company's data were collected through questionnaire and interview. The data were gathered through a combination of both unstructured interviews with the department head and questionnaire addressed to the employees of the organization. The data received were analyzed by using narration and descriptive statistics. The finding of the research revealed that the company does not

give chance for employees to participate in budget preparation and standard setting, it does not use target costing as cost control and reduction tools and techniques and reporting without relating of actual and planned information. Lack of assign costs to particular cost objects and each cost object has not separate measurement of cost, return back to store and inform the costing department when it has excess raw materials, use only traditional costing method and giving cost information for external users are other problems that found out in the study. So in light of the above problems, the following recommendations were forwarded. The company should try to include employees in budget preparation and standard setting, try to use target costing, and relate actual with planned information in reporting. It should also assign costs to particular cost objects and each cost object has separate measurement, return back to store and inform the costing department when it has excess raw materials, try to use modern costing method and in time of need give cost information for external users.

(Asefash, 2018). The study focuses on examining cost management practices in reducing and controlling of manufacturing costs of BGI Ethiopia private limited Company (PLC). In doing this descriptive case study research design, mixed research approach was used. Data were collected from 32 BGI Ethiopia PLC employees. 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, mean and standard deviation through statistical tool SPSS version 21. The data presented in tables and charts. The study found out that the importance of top management support, employee involvement and responsibility accounting in reducing and controlling manufacturing costs. It also discovered that manufacturing companies can reduce costs and maintain quality products by the use of effective cost control and reduction tools and techniques such as budgetary control, standard costing, quality control and target costing. The study recommends that manufacturing companies should understand the importance of top management support, employees 'involvement and responsibility accounting in controlling and reducing manufacturing costs. It also recommends that manufacturing companies should implement cost control and reduction tools and techniques in their cost control schemes.

2.12 Summary& Research Gap

This chapter has presented a review of literature. Most of the studies so far conducted are mainly discussing the different elements and aspects of cost accounting practice. There have been considerable research efforts by different researchers in the area of cost accounting practice. Such as (Anand, 2004), Cost accounting practice in India corporations to verify any significance difference between using ABC and traditional cost system, (Salawu,2012) did a survey of Activity Based Costing Adoption Among Manufacturing Companies in Nigeria. (Rao, 2015) carried out an empirical study to explore cost and management accounting practices utilized by manufacturing companies operating in AP, India. (Akeem, 2017) the study aimed to examine the effect of cost control and cost reduction techniques in organizational performance. (Kariyawasam,2018) studied the cost management and account management practices of public quoted manufacturing companies in Sri Lanka. (Kubrom,2019) the study amid to assess and examine the cost accounting practices utilized by Des General Trading PLC in Ethiopia. (Alemu, 2019) The purpose of the study is to assess cost accounting practices in control and reducing in manufacturing cost at National Alcohol and Liquor Factory.

As shown in the above empirical literature review researches were conducted by many researchers on the effect of cost accounting practice . Fewer studies have been conducted in the area of cost accounting practice in developing countries especially in Ethiopia. The previous researchers on the area of cost accounting has identified key issues which affect organizations such as costing system, budgeting, resource allocation and performance evaluation systems and cost control systems.

The purpose of this study is to assess cost accounting practice in GMM Garment manufacturing company. study aims to contribute in attaining the GMM Garment manufacturing industry development strategy and to enhance its growth as well, the study also encourage other researchers interested on the subject matter and serve as a base for other researchers and also contribute some points to the existing knowledge and also will contributes its own share to fill this gap.

3 CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the activities and processes that will undertake to gather data for the research work. It gives full details of how data are collected and processed for this research work. The discussion was centered on the following: Research design, Population under study, sampling techniques, sources of data, research instruments, and method of data analysis.

3.1 Research Design

According to (Cooper and Schindler, 2014) descriptive study is used to describe phenomena related with a subject. The major purpose of descriptive research is describing, recording, analyzing and reporting condition that exists (Kothari, 2004). According to (Yin, 2003) there are three types of case studies, depending up on the purpose. They are explanatory case studies, exploratory case studies and descriptive case studies. Exploratory case studies are often used to define the framework of a future study. Explanatory case studies, on the other hand, seek to define how and or why an experience took place. The aim of all types of case study research is to develop an understanding of the system. The objective of this study is to assess cost accounting practice in GMM Garment plc Thus, descriptive case study was chosen for this study because it answers the questions based on theory.

3.2 Research approaches

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

3.3 Population

All items in any field of inquiry constitute a universe or population. It is obvious that in such inquiry no elements of chance is left and highest level of accuracy can be obtained but in reality this may not be practical due to time, money and energy constraints. (Kothari, 2004).The study target population focused on of management and finance department employees of the GMM Garment manufacturing company. Therefore the total employees of the organization working in department of management , finance, central warehouse, production and purchasing are 30 and the population for this particular study that helped to get accurate data was 30 employees. To accomplish the study, the researcher has used a census method to select respondents for the questionnaire. Census method was preferred because it provided the possibility of examining the entire population and acquiring information.

3.4 Types, sources and data collection methods

Primary data were used in the study. Primary data are more accurate and reliable compared to secondary data (Ngechu, 2004). The primary data were collected using questionnaires for the whole employees working in department of management , finance, central warehouse, production and purchasing .

3.5 Procedures of data collection

The questionnaires were distributed in person to the targeted respondents. Statistical analysis then conduced on this data. Data were primarily collected through simple self-administered questionnaires with Likert scale 5 type of questions. A Likert scale 5 is a variation of the summated rating scale with consists of statements that express either a favorable or unfavorable attitude toward the object of interest (Cooper and Schinddle, 2014)

3.6 Methods of Data Analysis

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

The quantitative data collected via the questionnaires have been coded in to SPSS version 23 and then using descriptive statistics frequency and percentages table have been generated and analyzed. 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. After these appropriate recommendation have been made on the findings of the research.

4 CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

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

4.1 Respondents' profile

To do this research, a total of 30 questionnaires were distributed in person to the targeted group of employees. These questionnaires were distributed to employees of GMM Garment manufacturing company in different financial departments. Out of the total 30 questionnaires 27 were fully responded and returned, thus achieving 90 percent responses rate.

4.2 Education, Experience and Department of Respondents

This part of the analysis discusses about the respondents, educational background, work experience and department.

Table 4. 1 Education, Experience and Department of Respondents

	Item	Respondents category	Frequency	Percentage
1	Education Status	12th Grade complete	7	25.9
		Diploma	12	44.4
		Bachelor Degree	8	18.5
2	Work Experience	Below 5 Years	5	18.5
		5 to 10 years	12	44.4
		11 to 15 Years	8	29.6
		Above 15 Years	2	7.4
3	Department	Accountant	15	47.43
		Management	5	18.5
		Others	7	34.07

Source: own survey 2021

From the above table 4.1, we can draw that about 44.4% of the respondents are diploma holders and the rest 29.6% degree holders and 25.9% are 12th grade . This indicates that most of the employees in the organization are well educated. And since the majority of respondents are educated, it can be concluded that almost all employees are

capable of understanding and answering the questions of the questionnaires and it increases efficiency through reducing costs.

The second part of table 4.1 shows respondent work experience. It shows that 18.5% of the respondents have been working with the organization for 1-5 years, 44.4% from -10 years, 29.6% from 11-15 and the rest 7.4% have been working for more than 15 years. 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.

The third part of table 4.1 shows department of respondents it show that 18.5% of the respondents in management department 44.4 % shows from Accounting and 37.1% Shows from other departments. This increase the accuracy and reliability of the study.

4.3 Cost Accounting Practice

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

4.3.1 Cost system

To identify to what extent the organization is using costing system; the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 to a very great extent .The result is shown on table 4.2 below .

Table 4. 2 Cost accounting system

No			Not at all	Slightly	To Some Extent	Very Much	To a very Extent	Total
1	Job Order costing	Frequency percent		8	13	5	1	27
				29.6	48.1	18.5	3.7	100
2	Process Costing	Frequency percent			4	8	15	27
					14.8	29.6	55.6	100
3	Activity Base Cost	Frequency percent	19	7	1	-	-	27
			70.4	25.9	3.7	-	-	100

4	Absorption costing	Frequency percent	19 70.4	4 14.8	4 14.8	- -	- -	27 100
5	Marginal Costing	Frequency percent	16 59.3	5 18.5	6 22.2	- -	- -	27 100

Source: own survey 2021

In table 4.2 above, the respondents were asked to what extent does your organization is using job order costing as there costing system: respondents replied that 3.7% to a very great extent were as 18.5% very much, 48.1% to some extent, 29.6% slightly. This indicates that the company is using job order costing. The respondents also asked whether the company is using process costing system; respondents replied that 55.6% to a very great extent were as 29.6% very much, 14.8% to some extent. This indicates that the company is using process costing. The respondents asked whether the company is using activity based costing, respondents replied that, 3.7% to some extent, 25.9% slightly and 70.4% not at all. This indicates that the company is not using activity based costing. The respondents asked whether the company is using absorption costing, respondents replied that, 14.8% to some extent, 14.8% slightly and 70.4% not at all. This indicates that the company is not using absorption costing. And finally the respondents asked whether the company is using Marginal costing, respondents replied that, 22.2% to some extent, 18.5% slightly and 45.3% not at all. This indicates that the company is not using Marginal costing.

Therefore the cost accounting system used by the company is process costing and job order costing with the maximum respondents' result of 55.6% and 48.1% respectively. Process costing will enable the company if they have a single work in process that has only one producing department or continuously produces a single product. On the other hand department works in process accounts are preferable if production flow through several cost centers or departments separate cost figures for each process might also be desirable. (Arora, 2003). And also job order costing will enable the company to assign cost 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). The finding are in lines with (Kariyawasam,2018) findings from the study he revealed that the main costing method used by public quoted manufacturing companies in Sri Lanka is activity based costing, followed by process costing and job costing.

4.3.2 Cost analysis methods

To identify to what extent the cost accounting system provides data to analyze costs by product, cost center, and activity the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.3 below .

Table 4. 3 cost analysis methods

No			Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
1	Product	Frequency	2	2	5	7	11	27
		Percent	7.4	7.4	18.5	25.9	40.7	100
2	Cost Center	Frequency	9	8	4	5	1	27
		Percent	33.3	29.6	14.8	18.5	3.7	100
3	Activity	Frequency	13	10	2	2	-	27
		Percent	48.1	37.0	7.4	7.4	-	100

Source: own survey 2021

In Table4.3 above when the respondent asked to Identifies to what extent the cost accounting system provides data to allow the company analyzes cost by product. The respondents replied that 40.7% to a very great extent were as 25.9% very much, 18.5% to some extent, 7.4% slightly and 7.4% not at all. This indicates that the company is using product to analyze cost. The respondents also asked whether the company is analyzing cost by cost center, respondents replied that 3.7% to a very great extent were as 18.5% very much,14.8% to some extent, 7.4% slightly and 7.4% not at all. This indicates that the company is not using cost center to analyze cost. The respondents asked whether the company is analyzing cost by Activity, respondents replied 7.4% very much, 7.4 to some extent, 37.4% slightly and 48.1% not at all. This indicates that the company is not using Activity to analyze cost.

Therefore the result implies that the company uses product to analyze cost. The finding is also in line with (kubrom, 2019) that indicates the accounting system provides data to allow the organization to analyze costs by product.

4.3.3 Cost structure of the organization

To identify the cost structure of the organization the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.3 below

Table 4. 4 cost structure

No			Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
1	Direct Material	Frequency Percent			2 7.4	11 40.7	14 51.9	27 100
2	Direct labor	Frequency Percent			1 3.7	13 48.1	13 48.1	27 100
3	Manufacturing Overhead	Frequency Percent				12 44.4	15 55.6	27 100
4	Administrative Overhead	Frequency Percent			14 51.9	11 40.7	2 7.4	27 100
5	Selling & Distribution	Frequency Percent	2 7.4	6 22.2	11 40.7	7 25.9	1 3.7	27 100

Source: own survey 2021

When the respondents asked whether the company is using direct material in their cost structure; respondents replied that 51.9% to a very great extent were as 40.7% very much, 7.4% to some extent. This indicates that the company is using direct material cost in their cost structure. Direct manufacturing material costs include the acquisition of materials with their related costs that can be directly traced (Horngren, Datar and Rajan, 2012). The respondents also asked whether the company is using direct labor cost as cost structure; respondents replied that 48.1% to a very great extent were as 48.1% very much, 3.7% to some extent. This indicates that the company is using direct labor cost in their cost structure. Direct manufacturing labor costs include the compensation of all manufacturing labor that can be traced to the cost object (work in process and then finished goods) in an economically feasible way (Srikant et al., 2018).The respondents also asked whether the company is using manufacturing overhead as cost structure, respondents replied that 55.6% the company uses manufacturing overhead cost to a very great extent were as 44.4% very much,. This indicates

that the company is using manufacturing overhead cost in their cost structure. Indirect manufacturing costs are all manufacturing costs that are related to the cost object (work in process and then finished goods), but cannot be traced to that cost object in an economically feasible way. This cost category is also referred to as manufacturing overhead costs or factory overhead costs (Srikant et al., 2018). The respondents also asked whether the company is using Administrative overhead as cost structure 7.4% to a very great extent 40.7% very much, 41.9% to some extent. This indicates that the company is not using Administrative overhead cost in their cost structure. Finally when the respondents asked whether the company is using Selling and distribution as cost structure 3.7% to a very great extent 25.9% very much, 40.7% to some extent, 22.2% slightly and 7.4% not at all. This indicates that the company is not using selling and distribution cost in their cost structure

Therefore the result implies that the company uses direct material, direct labor and manufacturing overhead as their cost structure. The findings are in line with the findings of (Kubrom 2019) Based on the findings the cost accounting practice of the company elements of product costs are classified as direct materials, direct labor, and manufacturing overhead and manufacturing overhead costs are allocated to the products on departmental bases.

4.3.4 Costs included in ending work in process

Under this section to identify what cost included in the ending work in process the respondents were asked to indicate their level of usage with a five-point Likert scale from 1 (not at all) to 5 to a very great extent. The result is shown on table 4.5 below.

Table 4.5 Shows cost included in ending work in process

No			Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
1	Percentage completed	Frequency	2	18	4	2	1	27
	Material cost only	Percent	7.4	66.7	14.8	7.4	3.7	100
2	Percentage completed	Frequency	2	15	7	3	-	27
	Material and labor cost only	Percent	7.4	55.6	25.9	11.1	-	100
3	Percentage completed	Frequency		2	1	10	14	27
	Material, labor and manufacturing overhead	Percent		7.4	3.7	37	51.9	100

Source: own survey 2021

When the respondents asked whether the company is using only percentage completed material cost in there ending work in process, respondents replied that 3.7% to a very great extent were as 7.4% very much, 14.8% to some extent,66.7% slightly and 7.4% not at all. This indicates that the company is not using only percentage completed material cost in there ending work in process. The respondents also asked whether the company is using only Percentage completed material and labor cost as there ending work in process, respondents replied that 11.1% very much, 25.9% to some extent, 55.6% slightly and 7.4% not at all. This indicates that the company is not using only Percentage completed material and labor cost in there ending work in process.

The respondents also asked whether the company is using Percentage completed Material, labor and manufacturing overhead cost as there ending work in process. Respondents replied that 51.9% to a very great extent were as 37% very much, 3.7% to some extent, 7.4% slightly. This indicates that the company is using Percentage completed Material, labor and manufacturing overhead cost in there ending work in process.

Therefore the company is using Percentage completed Material, labor and manufacturing overhead cost as there ending work in process cost. Ending work in process includes all the direct material, direct labor and manufacturing overhead cost that have been added to the manufacturing process but for which production has not been completed. The result is in contrast of (kubrom,2019) finding the answer given to the question what cost include in the ending work in process most of the respondents given an answer that the company uses percentage completed material cost only.

4.3.5 Which base or basis used for allocation of manufacturing overhead costs

Under this section to identify which base or basis used for allocation of manufacturing overhead costs the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.6 below .

Table 4. 6 Base of manufacturing overhead costs

No			Used	Not Used	Total
1	Direct labor hours	Frequency	18	9	27
		Percent	66.7	33.3	100
2	Direct labor costs	Frequency	23	4	27
		Percent	85.2	14.8	100
3	Machine hours	Frequency	-	-	-

		Percent	-	-	-
4	Direct materials amount	Frequency	17	10	27
		Percent	63	37.00	100
5	Direct material costs	Frequency	22	5	27
		Percent	81.5	18.5	100
6	Production	Frequency	9	18	27
		Percent	33.3	66.7	100

Source: own survey 2021

When the respondents asked, Whether the company is using direct labor hours as manufacturing overhead cost out of the 27 questioners collected 66.7%(18) replayed the company is using direct labor hours as manufacturing overhead cost were as 9(33.3%) replayed the company is not using direct labor hours as manufacturing overhead cost. The respondents asked, Whether the company is using direct labor cost as manufacturing overhead cost out of the 27 questioners collected 85.2%(23) replayed the company is using direct labor cost as manufacturing overhead cost were as 4(14.8%) replayed the company is not using direct labor cost as manufacturing overhead cost. The respondents asked, whether the company is using machine hours as manufacturing overhead cost out of the 27 questioners collected none of the respondent selected either used or not used. The respondents asked, Whether the company is using direct material amount as manufacturing overhead cost out of the 27 questioners collected 63.00%(17) replayed the company is using direct material amount as manufacturing overhead cost were as 10(37%) replayed the company is not using direct material amount as manufacturing overhead cost. The respondents also asked, Whether the company is using direct material cost as manufacturing overhead cost out of the 27 questioners collected 81.5%(22) replayed the company is using direct material cost as manufacturing overhead cost were as 5(18.5%) replayed the company is not using direct material cost as manufacturing overhead cost .The respondents also asked, Whether the company is using production cost as manufacturing overhead cost out of the 27 questioners collected 33.3%(9) replayed the company is using production cost as manufacturing overhead cost were as 66.7%(18) replayed the company is not using production cost as manufacturing overhead cost.

Therefore from the above table and the analysis we can conclude that the company is using direct labor hour, direct labor cost, direct material amount and direct material cost to allocate manufacturing overhead cost. According to generally accepted accounting principles (GAAP), manufacturing overhead must be included in the cost of work in process inventory

and finished goods inventory on a manufacturer's balance sheet, as well as in the Cost of Goods Sold on its income statement. The result is in line with; (Rao ,2015) the most widely used three overhead allocation bases are prime costs, units produced, and direct labor cost.

4.3.6 Allocation of cost variance

Under this section to identify to what extent the cost accounting system calculates variances the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.7 below .

Table 4. 7 Cost Variance

		Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
Material variance	Frequency	1	1	6	11	9	27
	Percent	3.7	3.7	22.2	40.7	33.3	100
Labor Variance	Frequency	1	2	2	16	6	27
	Percent	3.7	7.4	7.4	59.3	22.2	100
Overhead Variance	Frequency		6	11	6	4	27
	Percent		22.2	40.7	22.2	14.8	100

Source: own survey 2021

When the respondents asked to what extent the cost accounting system calculates Material variance; respondents replied that 33.3% to a very great extent were as 40.7% very much, 22.2% to some extent, 3.7% slightly. This indicates that the company cost accounting system calculates material variance. The respondents also asked whether the company cost accounting system calculates labor variance, respondents replied that 22.2% to a very great extent, 59.3% very much, 7.4% to some extent, 7.4% slightly and 3.7% not at all. This indicates that the company cost accounting system calculates labor variance. The respondents also asked to what extent the cost accounting system calculates Overhead variance. Respondents replied that 14.8% the company uses Overhead variance to a very great extent were as 22.2% very much, 40.7% to some extent, 22.2% slightly. This indicates that the company cost accounting system is not calculating overhead variance.

Therefore the company's cost accounting system calculates the material and labor variance according to the result gained from the above table. Using cost variance helps the company to

control risks and it also helps the company to control expenditure, budget estimation, evaluate performance, setting role and responsibility and setting system of accountability. The major drawback of using variance is that it is not easily interpreted. The result is in contrast with (kubrom 2019) the finding states that the company is not preparing variance analysis report. But variance analysis helps to identify the favorable and adverse difference between standard cost and actual cost.

4.3.7 Control methods used for cost control

Under this section to identify which control methods used for cost control the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.8 below .

Table 4. 8 control methods used for cost control

No		Frequency	Percent
1	Operational budgets	2	7.4
2	Standard costing	25	92.6
3	Defect, spoilage, etc., ratios	-	-
4	Departmental performance evaluation	-	-
5	Kaizen Costing	-	-
	Total	27	100

Source: own survey 2021

When the respondents asked, which cost control method is being used in the company out of the 27 questioners collected 2(7.4%) replayed that the company is using operational budgets method as cost control were as 25(92.6%) replayed that the company is using standard costing as cost control.

Therefore from the above table and analysis the company is using standard costing as cost control method. Standard costing is one of the most known and widely used product costing systems. Standard costing was developed for the needs of a traditional production environment which differ significantly from the needs of a modern days' production environment. This costing system suits best an organization whose activities consists of a series of common or repetitive operations and the input required to produce each unit of output can be specified. Standard costing is also suitable for organizations that produce many different products with a series of common operations. 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)

The result is in line with the finding of (Asefash,2018) It also state that manufacturing companies can reduce costs and maintain quality products by the use of effective cost control and reduction tools and techniques such as budgetary control, standard costing, quality control and target costing.

4.4 Use of cost information

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

4.4.1 Users use cost information when they make decision on

Under this section to identify whether users use cost information when they make decision the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.9 below .

Table 4. 9 Use of Cost Information

			Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
1	Budget determination and allocation	Frequency	5	11	8	1	2	27
		Percent	18.5	40.7	29.6	3.7	7.4	100
2	Financial accounting	Frequency	1	2	4	10	10	27
		Percent	3.7	7.4	14.8	37	37	100
3	Inventory Valuation	Frequency	10	6	7	3	1	27
		Percent	37	22.2	25.9	11.1	3.7	100
4	Pricing decision	Frequency		1	4	10	12	27
		Percent		3.7	14.8	37	44.4	100

		Percent		3.7	14.8	37	44.4	100
5	Performance evaluation	Frequency	3	15	6		3	27
		Percent	11.1	55.6	22.2		11.1	100
6	Cost Control	Frequency	1	12	7	5	2	27
		Percent	3.7	44.4	25.9	18.5	7.4	100
7	Production Process	Frequency		3	5	12	7	27
		Percent		11.1	18.5	44.4	25.9	100

Source: own survey 2021

When the respondents asked, whether the company uses cost information when they make decision on budget determination and allocation, respondents replied that 7.4% to a very great extent were as 3.7% very much, 29.6% to some extent, 40.7% slightly and 18.5 not at all. This indicates that the company is not using cost information for budget determination and allocation. This is in contrast to Samrawit (2010) who stated that a company's cost information system provides the data required for the preparation and operation of a budget and for establishing standard costs. The respondents also asked whether the company uses cost information when they make decision on Financial accounting, respondents replied that 37% to a very great extent, 37% very much, 14.8% to some extent, 7.4% slightly and 3.7% not at all. This indicates that the company is using cost information for financial accounting. According to Akrani (2014) the information that cost Accounting provides could be applied to make good and reliable decisions for a sustainable future. This could improve the financial performance of an organization. The respondents also asked whether the company uses cost information when they make decision on Inventory Valuation, Respondents replied that 3.7% the company uses information when they make decision on Inventory Valuation to a very great extent were as 22.2% very much, 40.7% to some extent, 22.2% slightly. This indicates that the company is not using cost information for Inventory Valuation. The respondents also asked whether the company uses cost information when they make decision on Price, Respondents replied that 44.4% the company uses information when they make decision on Price to a very great extent were as 37% very much, 14.8% to some extent, 3.7% slightly. This indicates that the company is using cost information when they make decision on price. The respondents also asked whether the company uses cost information when they make decision on performance evaluation, Respondents replied that 11.1% to a very great extent were as, 22.2% to some extent, 55.6% slightly and 11.1% not at all. This indicates that the

company is not using cost information when they make decision on performance evaluation. The respondents also asked whether the company uses cost information when they make decision on cost control, Respondents replied that 7.4% to a very great extent were as, 18.5% very much 25.9% to some extent, 44.4% slightly and 3.7% not at all. This indicates that the company is not using cost information when they make decision on cost control. Finally the respondents also asked whether the company uses cost information when they make decision on production process, Respondents replied that 25.9% to a very great extent were as, 44.4% very much 18.5% to some extent, 11.1% slightly. This indicates that the company is using cost information when they make decision on production process.

Therefore the result form the above table show that users uses cost information when they make decision on financial accounting, price and production process. Modern businesses needs frequent information about business activities to plan accurately for the future, control business results, and make a proper appraisal of the performance of persons working in an organization. The fulfillment of their goals requires details about the costs incurred and benefits (revenues) obtained which are provided by what is known as “Cost Accounting”. In Comparison, financial accounting does not provide management with detailed cost and revenue, information relevant to its needs (Mintesinot, 2013). The result is in line with the finding of (Kariyawasam,2018) Findings from the study revealed that cost information is mainly used by public quoted manufacturing companies for pricing related decisions, followed by customer profitability related decisions, and performance measurement. And also the finding are in line with the finding of (Rao, 2015) pricing decisions is the most important area where costing information is used.

4.4.2 To what extent the cost accounting system provide information on systematic regular base

Under this section to identify the extent the cost accounting system provide information on systematic regular base the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.10 below .

Table 4. 10 show how cost accounting provide information on regular base

No			Not at all	Slightly	To some extent	Very Much	To a very great extent	Total
1	Daily	Frequency			4	8	15	27
		Percent			14.8	29.6	55.6	100
2	Monthly	Frequency	3	11	9	2	2	27
		Percent	11.1	40.7	33.3	7.4	7.4	100
3	Quarterly	Frequency	12	12	3	-	-	27
		Percent	44.4	44.4	11.1	-	-	100
4	Yearly	Frequency	8	11	6	2	-	27
		Percent	29.6	40.7	22.2	7.4	-	100
5	Up on request	Frequency	3	9	8	6	1	27
		Percent	11.1	33.3	29.6	22.2	3.7	100

Source: own survey 2021

When the respondents asked, to what extent the cost accounting system provides information on a daily base, respondents replied that 55.6% to a very great extent were as 29.6% very much, 14.8% to some extent. This indicates that the company cost accounting system provides information on daily base. The respondents also asked, To what extent the cost accounting system provide information on a monthly base, respondents replied that 7.4% to a very great extent, 7.4% very much, 33.3% to some extent, 40.7% slightly and 11.1% not at all. This indicate that the company cost accounting system is not providing information on monthly base The respondents also asked to what extent the cost accounting system provide information on a quarterly base, Respondents replied that, 11.1% to some extent, 44.4% slightly and 44.4% not at all. This indicates that the company cost accounting system is not providing information on quarterly base.

The respondents also asked to what extent the cost accounting system provide information on a yearly base, Respondents replied that 7.4% cost accounting system provide information on a yearly base very much were as, 22.2% to some extent, 40.7% slightly and 29.6 % not at all. This indicates that the company cost accounting system is not providing information on yearly base. When the respondents asked to what extent the cost accounting system provide information up on request, respondents replied that 3.7% to a very great extent were as 22.2% very much, 29.6% to some extent, 33.3% slightly and 11.1% not at all. This indicates that the company cost accounting system is providing information up on request.

Therefore the result from the above table and analysis cost accounting system provide information on a daily base and up on request. The result is in contrast with (kubrom, 2019) finding which states that company is provided information on yearly base and in quarterly base considerably. Cost information that helps for management accounting reports on various activities may be prepared at daily, weekly or monthly intervals depended on management needs but it is not prepared on this manner.

4.4.3 Use of cost information by managers

Under this section to identify for what purpose managers use cost information the respondent were asked to indicate their level of usage with a five point likert scale from 1 (not at all) to 5 (to a very great extent) .The result is shown on table 4.11below .

Table 4. 11 use of cost information by managers

		Not at all	Slightl y	To some extent	Very Much	To a very great extent	Total
Fixing the price to their product	Frequenc y	1	1	4	6	15	27
	Percent	3.7	3.7	14.8	22.2	55.6	100
Budget determination and allocation	Frequenc y	4	11	4	6	2	27
	Percent	14.8	40.7	14.8	22.2	7.4	100
Accepting or rejecting any project	Frequenc y	2	11	7	5	2	27
	Percent	7.4	40.7	25.9	18.5	7.4	100
Future product and investment plan by providing necessary information	Frequenc y	2	10	8	5	2	27
	Percent	7.4	37	29.6	18.5	7.4	100
Performance evaluation of each activity in particular and the organization as a whole	Frequenc y	2	7	10	6	2	27
	Percent	7.4	25.9	37	22.2	7.4	100
To supply cost information for external users such as government, investors and creditors	Frequenc y	4	13	5	5	-	27
	Percent	14.8	48.1	18.5	18.5	-	100

Source: own survey 2021

When the respondents asked, Whether Managers use cost information to fix the price of a product, respondents replied that 55.6% to a very great extent were as 22.2% very much, 14.8% to some extent, 3.7% slightly and 3.7% not at all. This indicates that manager's use cost information to fix price. The respondents also asked, whether Managers use cost information for budget determination and allocation, respondents replied that 7.4% to a very great extent, 22.2% very much, 14.8% to some extent, 40.7% slightly and 14.8% not at all. This indicates that managers doesn't use cost information for budget determination and allocation. The respondents also asked, whether Managers use cost information for accepting or rejecting any project, Respondents replied that, 7.4% to a very great extent were as 18.5% very much 25.9% to some extent, 40.7% slightly and 7.4% not at all. This indicates that managers doesn't use cost information for accepting or rejecting any project. The respondents also asked, whether Managers use cost information for Future product and investment plan by providing necessary information, Respondents replied that, 7.4% to a very great extent were as 18.5% very much 29.6% to some extent, 37% slightly and 7.4% not at all. This indicates that managers doesn't use cost information Future product and investment plan by providing necessary information. The respondents also asked, whether Managers use cost information for Performance evaluation of each activity in particular and the organization as a whole, Respondents replied that, 7.4% to a very great extent were as 18.5% very much, 37% to some extent, 25.9% slightly and 7.4% not at all. This indicates that managers doesn't use cost information for Performance evaluation of each activity in particular and the organization as a whole.

The respondents also asked, whether Managers use cost information to supply cost information for external users such as government, investors and creditors, Respondents replied that, 18.5% very much, 18.5% to some extent, 48.1% slightly and 14.8% not at all. This indicates that managers doesn't use cost information to supply cost information for external users such as government, investors and creditors.

From the above analysis and table we can conclude that managers use cost information mainly when they make decision on fixing the price to their product. The finding are in line with the finding of (Alemu, 2018) in his find he stated that company's use cost information for fixing price, budget determination and allocation, accepting or rejecting any project, future product and investment plan and performance evaluation.

4.5 Cost Department, Benefit and provides information

Under this section to identify whether the company has cost department, whether the company is benefiting from the cost function and whether the cost accounting department providing information the respondent were asked to indicate their level of usage with a yes or no question .The result is shown on table 4.12 below.

Table 4. 12 Cost Department and Benefit

	Frequency	Present
1 Cost Department		
Yes	1	3.7
No	26	96.3
Total	27	100
2 Cost function Benefit		
Yes	22	81.5
NO	5	18.5
Total	27	100
3 Provides Information		
Yes	3	11.1
NO	24	88.9
Total	27	100

Source: own survey 2021

When the respondents asked, whether the company has a separate cost accounting department out of the 27 questioners collected 26(96.3%) replayed NO were as 1(3.7%) replayed yes. Therefore from the above table and analysis we can conclude that the company does not have a separate cost accounting department.

In the second part of Table 4.12.the respondent asked whether the company is benefiting from the cost accounting function, The result was collected by yes or no question .The respondents asked, whether the company is benefiting from the cost accounting out of the 27 questioners collected 21(81.5%) replayed yes were as 5(18.5%) replayed no. There for from the above table and analysis we can conclude that the company is benefiting from cost accounting function.

In the third part of Table 4.13 The respondents asked, whether the cost accounting department provides information for pricing special order out of the 27 questioners collected 3(11.1%) replayed yes were as 24(88.9%) replayed no. Since the company is not using cost accounting department it cannot provide any information.

4.6 Factors that affects the extent of the use of cost accounting

Under this section the respondent were asked to identify factors that affects the extent use of cost accounting. The result is shown on table 4.13 below.

Table 4. 13 Factors that affect the use of cost accounting

No			affected	Not affected	Total
1	Lack of support from managers	Frequency	9	18	27
		Percent	33.3	66.7	100
2	Lack of cooperation from the staff	Frequency	10	17	27
		Percent	37	63	100
3	Lack of capital	Frequency	8	19	27
		Percent	29.6	70.4	100
4	Lack of skilled man power	Frequency	14	13	27
		Percent	51.9	48.1	100

Source: own survey 2021

In table 4.13 When The respondents asked, Whether lack of support from the managers affect the use of cost accounting out of the 27 questioners collected 33.3%(9) replayed the company is affected were as 66.7(18) replayed the company is not affected. This shows that the company is not affected with lack of manager's support. (Chongruksut and Brooks 2005), in their study of ABC system implementation in Thailand reported that top management support was acknowledged as a key decisive factor influencing the successful implementation of costing systems. Similarly, other researchers have reported significant influence of top management support in the successful implementation of cost accounting system (Maelahi, 2006). Management support includes active involvement, sufficiency of resources provided, and ties to the competitive strategies of the business outfit. The respondents also asked, whether lack of cooperation from the staff affect the use of cost accounting out of the 27 questioners collected 37%(10) replayed the company is affected were as 63%(17) replayed the company is not affected .This show that company is not affected from lack of cooperation from the staff. The respondents also asked, Whether lack of capital affect the use of cost accounting out of the 27 questioners collected 29.6%(8) replayed the company is affected were as 70.4%(19) replayed the company is not affected . This shows that the company is not affected by lack of capital. Finally The respondents also asked, Whether lack of skilled man power affect the use of cost accounting out of the 27 questioners collected 51.9%(14) replayed the company is affected were as 48.1%(13) replayed the company is not affected .

This shows that the company is affected from lack of skilled man power. From the above table and the analysis we can conclude that the company is highly affected with the lack of skilled man power to implement cost accounting.

5 CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This part of the study aims to summarize the findings that have emerged from the data analysis presented in chapter four. Therefore regarding cost accounting practice the cost system utilized by the company is process costing and job order costing with the highest response rate and also the maximum respondent replayed that the company is using product to analyze cost. Regarding the cost structure of the company most of the respondent replayed that the company cost structure consist of direct material, direct labor and manufacturing over head. Regarding work in process the maximum respondent replayed that the company ending work in process includes percentage completed material, labor and manufacturing overheads. And also the highest respondent replayed that the company uses direct labor hour, direct labor cost, direct material amount and direct material cost to allocate manufacturing overhead. Most respondent agree that the company is using material and labor to calculate variance and standard costing as cost control.

Regarding use of cost information the maximum respondent replayed that user's uses cost information when they make decision on financial accounting, price and production process. And also the maximum respondent replayed that the manager's use cost information when they make decision on price. Most of the respondent replayed that the cost accounting system provides information on daily and up on request bases. Regarding the benefit of cost function most of the respondent replayed that the company is benefiting from the cost function. But the company does not have a separate cost accounting department. And finally the maximum respondent replayed that the company is highly affected with lack of skilled man power.

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 for the future. Investigating companies current cost accounting practices, examine the extent of the use of cost accounting information in the company, assess the role of cost accounting information in managerial decision making and identify factors that affects the use of cost accounting in GMM Garment manufacturing company were the specific objectives derived from the general objectives . From this study the following finding generated:

- In regard to cost accounting practice the Company is using process costing and job order costing system and uses product to analyze cost. The company has its own cost structure which includes direct material, direct labor and manufacturing over head. And also uses percentage completed material, labor and manufacturing overhead cost as there ending work in process. The company is using direct labor hour, direct labor cost, and direct material cost to allocate manufacturing overheads. The company uses standard costing as a cost control and calculates material and labor variance. The company cost accounting system provide information on daily and up on request bases.
- Users use cost information when they make decision on price, financial accounting, and production process.
- Managers use cost information mainly when they make decision on price of their product. But they don't use cost information when they make decision on Budget determination and accepting or rejecting any project.
- The company is benefiting from cost accounting function but did not have a separate cost accounting department. The accounting department is a primary source of information necessary in making decisions and control.
- The company is affected with lack of skilled man power in cost accounting area.

5.3 Recommendation

- In order to produce the necessary cost information for users, cost section should have adequate number of employees and well structured Accounting manual and policy which is intentionally designed for cost accounting.
- Having experienced human power in cost accounting would be better for successful implementation of cost accounting tools in the company. Because the company is highly affected with lack of skilled manpower in cost accounting area. And also it is better for the company to have separate cost accounting department since, the execution of theory in to practice become easy. The segregation of duties is the core factor of success.
- Even though the company is using process casting and job order costing it will be better to try to implement the new costing system ABC because ABC provides Accurate product cost, Accurate tracing of overhead costs and it will also improve decision making,
- The company management should use the cost information when they make decision on Budget determination and accepting or rejecting any project.
- Even though the company use cost information for price fixing, financial accounting and production process. It should also give cost information for external users in time of need.

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APPENDIX I

Saint Mary University

School of Graduate Study

Faculty of Business

Department of Accounting and Finance

Acknowledgement to the Respondent

Dear Respondent

My name is Dawit Fekdau, MBA student in school of Graduate studies at St. Mary's University. The purpose of this study is to Assess The Cost Accounting Practice, in GMM GARMENT PLC in Ethiopia. The success of the study is highly dependent on your valuable response for the question raised. Therefore, you are kindly requested to give your response for each question raised related to the use of cost accounting practice in your company. The participation is fully voluntary and responses will be treated confidentially. The results will be used for academic purposes and identity of the respondents will not be disclosed in any manner. I would appreciate your positive consideration in completing the enclosed questionnaire and assisting me in my research efforts.

Thank You for your cooperation

Best regards,

Dawit Fekadu ,

MBA student at St. Mary's University

Department of Accounting and Finance

SECTION 1: BIOGRAPHICAL DATA

Instructions: Please provide the following information by making a “tick mark” in the appropriate block where the options are provided.

1. Please indicate your highest education qualification level

General education 12th grade complete Diploma

Bachelor Degree Master Degree and Above

2. Your work Experience in this organization (in years)

Below 5 years 5 to 10 11-15 above 15

3. In what position are you working in your company? _____

SECTION 2: QUESTION UNDER RESEARCH

The following are scales you attach to each question posed. Indicate how strongly you agree to each by making/putting a tick symbol (√) in each column. Please use the following scale: Not at all (1) slight (2), to some extent (3) very much (4) and to a very great extent (5).

4. To what extent does your organization is using the following costing systems?

	1	2	3	4	5
Job-order costing					
Process costing					
Activity based costing					
Absorption Costing					
Marginal Costing					

5. Identify to what extent the cost accounting system provides data to allow you to analyze costs by

	1	2	3	4	5
Product					
Cost Center					
Activity					

6. What costs includes the cost structure of your Organization

	1	2	3	4	5
Direct Material					
Direct labor					
Manufacturing Overhead					
Administrative Overhead					
Selling & Distribution					

7. What costs include in the ending work in process

	1	2	3	4	5
Percentage completed Material cost only					
Percentage completed Material and labor cost only					
Percentage completed Material, labor and manufacturing overhead					

8. Identify to what extent the cost accounting system calculates the following Variances

	1	2	3	4	5
Material variance					
Labor Variance					
Overhead Variance					

9. Users make use of cost accounting information when they make decisions on

	1	2	3	4	5
Budget determination and allocation					
Financial accounting					
Inventory Valuation					
Pricing decision					
Performance evaluation					
Cost Control					
Production Process					

10. To what Extent the cost accounting system provides information on a systematic regular base

	1	2	3	4	5
Daily					
Monthly					
Quarterly					
Yearly					
Up on request					

11. Managers use cost information for:

	1	2	3	4	5
Fixing the price their product					
Budget determination and allocation					
Accepting or rejecting any project					
Future product and investment plan by providing necessary information					
Performance evaluation of each activity in particular and the organization as a whole					
To supply cost information for external users such as government, investors and creditors					

12. Do you have separate cost accounting department (section)?

Yes No

13. Do you think the organization is benefiting from the cost accounting function?

Yes No

14. Do you think that cost accounting department has satisfactory information for pricing special orders?

Yes No

15. Which control methods do you use for cost control?

Operational budgets Standard costing Defect, spoilage, etc., ratios

Departmental performance evaluation Kaizen Costing

16. Which base or basis do you use for the allocation of manufacturing overhead costs?

Direct labor hours

Direct materials amount

Direct labor costs

Direct material costs

Machine hours

Production

17. What factors affects the extent of the use of cost accounting?

Lack of support from managers

Lack of cooperation from the staff

Lack of capital

Lack of skilled man power

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

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