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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**COST CONTROL MEASURES AND THEIR IMPACT ON PROFITABILITY OF
MANUFACTURING COMPANIES.A CASE STUDY PRIMESEED.CO.**

By

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R144349C

*This dissertation is submitted in partial fulfillment of the requirements of the **Bachelor of Commerce Accounting (Honors) Degree** in the Department of Accounting at Midlands State University.*

Gweru: Zimbabwe, May 2018

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Degree title: Bachelors of Commerce in Accounting Honours Degree.

Year of research: 2018

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DEDICATION

My dedication goes to the Lord Almighty for the strength and courage He gave me when I was doing this research. I also dedicate to my parents and sisters for their unconditional love and support towards me.

ACKNOWLEDGEMENTS

Firstly I would like to thank the Lord Almighty for his grace and seeing me through this far from the time I enrolled with Midlands State University. I am indebted to my research supervisor Mr. Ngirazi for his unwavering assistance in completion of this project. I would also like to thank my family for the financial support they gave me while I was doing this research. Also, special mention also goes to Primeseed.co employees whose views where of paramount importance to the success of this project. Finally, I would love to thank all my friends for the support that they gave me.

ABSTRACT

This study sought to analyze cost control measures and their impact on profitability of manufacturing companies. An increase in cost (operational and production costs) which added to reduced profitability in the manufacturing sector produced the need to address the problem through this research. The study was limited to cost control in manufacturing industry and as such it did not extend to other sectors of the economy. It was based on the assumption that all the responses from the company Primeseed.co represented other manufacturing companies. Descriptive research approach was used to fully satisfy the objective of the study as it gave the researcher to obtain important and useful data which was valid and reliable. Quantitative and Qualitative approaches were used to collect data. Primary data was obtained from a target population of 30 employees from departments of Primeseed.co. Major research findings showed that cost control measures have a positive impact on the profitability of manufacturing companies as reducing costs directly reflect an increase in the level of profits of an organization, it was evident that element of costs such as materials, labor and overhead costs and workers behavior could be strategically controlled with measures like budgetary control, standard costing and variance analysis, accounting to achieve higher profit levels. In controlling costs a good cost control system is required to minimize costs as wastages is eliminated and inefficiencies reduced during production and throughout an organization. Also from the findings, increase in labor costs, material wastages, increase in repairs and maintenance cost and decrease in operational performance were the effects of implementing weak cost control techniques.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter covers the background to the study, statement of the problem and the objectives of the study. It also highlights research questions, significance of the study and assumptions. Also, delimitation of the study, limitation of study, definition of terms follows and the chapter concludes with the summary.

1.2 Background to the Study

An increase in manufacturing costs and reduced sales revenue which has added to reduced profitability in the Manufacturing sector has produced the need for me to address the problem through this research. Mapakame (2014) reported that businesses and in particular the manufacturing companies are finding it difficult to increase their profits and sales volumes due to various factors. In an economy where consumer's disposable incomes are very low, a few companies are experiencing any meaningful increases in market share or sales volumes. Reduced growth prospects are being accompanied by increased costs. Generally, the costs of production and other operational costs in this economy are very high as noted by Lynton-Edwards Securities (Mapakame, 2014, p. 4). Reduced sales volumes and high cost of production has led to reduced profitability in these industries. Faced with limited sales growth prospects, companies have to focus on costs which are a major determinant in profitability level. Cost control measures have had and need to be used in manufacturing companies to control and reduce costs to such levels which aid profitability (Mapakame, 2014).

Bloch (2014) reported on how the manufacturing sector has declined with many enterprises ceasing operations and others downsizing production levels. Factors which contributed to this decline since 2008 include rampant hyperinflation, which consequently led to increased production costs, reduced consumer disposable income and minimal availability of investment. Bloch (2014) reported that, although there has been improvement after dollarization, inflation was combated and an 'upward surge in manufacturing costs'...immense surges in wages and

salaries, materials and other costs' were main contributors to increased costs. There is no doubt that increased costs affect negatively the operations, profitability and performance of an enterprise (Bloch, 2014).

Kachembere (2015) also reported that, Zimbabwe manufacturing industry's output contracted by a negative 4.9% in 2014. The economic report from the Central bank of Zimbabwe as cited by Kachembere (2015) revealed that the massive decline in manufacturing output were due to persistent challenges affecting the sector, which included antiquated plant and machinery, high costs of production, influx of cheap imports and weak effective demands. High production costs were one of the major constraints that affected the revenues and profits of many manufacturing companies in the country (Kachembere, 2015). Data obtained from the Master of High Court, companies placed under judicial management rose from 51 in 2013 to 60 by the end of 2014, whilst 87 companies were liquidated in 2014, compared to 44 in 2013 (Kachembere, 2015).

Manufacturing companies such as Delta beverages, producer of both alcoholic and non-alcoholic beverages, registered a 10 % decline in revenue for the period ended March to December 2014, it has been suffering falling revenue since 2014 and in its financial results for the six months to September 2016, Delta's revenue declined by 80% over the same period in the previous year to US\$246.6 million thus having a significant negative impact on its profitability (Mhlanga, 2017).

Furthermore, Mhlanga (2017) reported financial results from the Zimbabwe Stock Exchange's listed companies, which revealed that the business environment of the country remained subdued with profits of many manufacturing companies declining. Mhlanga (2017) pointed out that performance of the companies were affected by depressed incomes due to increased job losses and cost pressures. Zimbabwe's main companies such as British American Tobacco Zimbabwe (BAT) a cigarette manufacturers, in 2014 reported US\$16.3 million, 2015 was US\$15 million profit, posted a US\$ 8.4 million during the year ended December 2016 showing a decline (Mhlanga, 2017).

According to Mhlanga (2017), BAT managing director reported that the company sales volumes for the year 2016 declined by 21%, total revenues were US\$34.1million, a 25% reduction from that of 2015. Cash generated from operations was \$13.3 million, which was 13% down from \$15.3 million achieved in the year ended 31 December 2015. Also, financial results for Edgars

and Truworths, the country's largest clothing retailers that operate manufacturing units which showed a deterioration in the economy. Edgars reported a subdued performance for the 52 weeks to January 2017, its revenue during the period under review went down to US\$52 million from US\$64 million recorded in the previous period. Profit for the year 2016 slumped to US\$548 163 from US\$4 million registered from the previous year. Truworths first half performance to January 2017, sales declined by 40.8% to US\$6.53 million compared to US\$11.3 million of the previous period (Mhlanga, 2017).

Furthermore, Mhlanga (2017) denoted that, the deteriorating operating environment of Zimbabwe's industries was caused in part by foreign currency shortages, cost pressures, depressed demand and declining local industries competitiveness. This resulted in subdued performances across many companies. The weak economic activity resulted in many manufacturing companies failing to experience an increase in sales and in those few that were experiencing increase, the sales were increasing at a decreasing rate (Mhlanga, 2017). Mazambani (2017) was of the opinion that, for manufacturing sector to improve its capacity and profitability, evidenced by a decline of capacity utilization from 47.4% in 2016 to 45.1% in 2017, there is need to address Zimbabwe's costs structure as costs were amongst the major factors that constrained capacity utilization and it affects the final product cost. To regulate costs and improve profitability companies have to establish cost control measures (Abdul and Isiaka, 2015).

Siyanbola and Raji (2013) on their study on the impact of cost control on Manufacturing Industries' profitability cited that cost control is of utmost importance in every business concern, the negligence of which will affect the earnings at any point in time and in controlling costs, wastage is eliminated during the course of production and even during the administrative, selling and distribution activities. In their research budget was considered as the basic tool for achieving effective cost control and their study was conducted in West Africa, on West African Portland Cement Company. Questionnaires were used as research instruments.

Akeem (2017) study on the effect of cost control and cost reduction techniques in organizational performance revealed that there is a direct relationship between cost control, reduction and profit. Thus, the study concluded that for an organization to ensure more profit growth, there is

need to control and reduce cost to an acceptable limit. The research study was conducted in Nigeria which has a different micro and macro environment with Zimbabwe.

1.3 Statement of the Problem

An increase in costs (operational and production costs) which has added to reduced profitability in the Manufacturing sector has produced the need to address the problem through this research.

1.4 Research question

What is the impact of cost control measures on profitability of manufacturing companies? A case study of Primeseed.co.

1.5 Research questions

- What is the objective of cost control?
- What are the requirements needed to ensure an effective cost control system?
- Which cost control techniques are involved in the cost control process?
- What are the effects of implementing weak cost control techniques?

1.6 Objectives of the Study

- To understand the objective of cost control.
- To understand the requirements needed to ensure an effective cost control system.
- To examine cost control techniques that are involved in the cost control process.
- To determine the effects of implementing weak cost control techniques.

1.7 Significance of the study

To the Researcher

The research will give me a platform to integrate theoretical fundamentals mastered during my studies at the University with the practical aspects of the economy. This research will also contribute to the furtherance of the researcher's knowledge in cost control systems applied in

industries. It will also aid in gaining knowledge extensively on cost control measures and their impact on profit maximization.

To the University

After completion, the research will highlight various cost control techniques used which are involved in cost control process, requirements needed to ensure an effective cost control system and to understand the effects of implementing weak cost control techniques. This will be helpful to fellow undergraduates who will study cost control thus providing a line of thought to these students. Also, the research will provide more information on the university's library.

To the organizations

The research will assist management of various manufacturing companies, in having time to reflect on the difficulties they are experiencing on cost control. It will highlight areas where cost control measures have been used to perfection and the impact of cost control measures on profitability. The research will also assist those charged with governance on understanding the effects of implementing weak cost control methods.

1.8 Assumptions

- Information provided is free from bias.
- All responses from the company Primeseed.co represents other manufacturing companies.
- Population selected has a great understanding of the subject matter.

1.9 Delimitations of the study

The research is conducted in Harare. The targeted population of this study include departments of Primeseed.co. This study is limited to cost control in manufacturing industries and as such it does not extend to other sectors of the economy. Participants will be drawn from Primeseed.co departments which are finance, human resource, production and processing, sales and marketing

and quality control. Questionnaires and Interviews are used as research instruments for the study. This research covers the period from 2014 up to 2016.

1.10 Limitations

- Respondents may be unwilling to cooperate or respond due to work pressure or confidentiality reasons. The researcher will focus on major areas concerning the research so as to save respondent's time.
- Some information desired might not be released as such information may be deemed highly confidential to the company. Clarification on the use of information i.e. information required is used for academic research.

1.11 Definition of key terms, Abbreviations and Acronyms

Cost

Oluwagbemiga et al (2014) defined cost as the monetary value that a company has spent in order to produce a unit.

Cost control

Akeem (2017) defined cost control as a process of averting wasteful use of valuable resources and encouraging efficiency and cost consciousness.

Profitability

Oluwagbemiga et al (2014) defined profitability as the excess of revenue and cost.

ACCA-Associations of Chartered Certified Accountants

ICSA- Institute of Company Secretaries of India

ICAI- Institute of Chartered Accountants of India

CIMA- Chartered Institute of Management Accountants

1.12 Summary

This chapter is a summary of the background to the study, the problem that has necessitated the research, research objectives and research questions. It also looked at the significance of the research and assumptions of the research. The next chapter presents the literature review

CHAPTER 2

Literature Review

2.1 Introduction

This chapter seeks to review literature of existing bodies of literature on the subject of the research. The chapter analyzed theoretical and empirical evidence findings, showed the research gap and concluded with the summary.

2.2 Theoretical literature Review

The research study adopted the traditional cost theory and contextual theory of cost. According to Abdul and Isiaka (2015), the traditional cost theory separates between the long run and short run costs and the theory allows an entity to establish output level that results into optimum profit, incurring least costs. In the long run period all factors such as capital equipment and entrepreneurship become variable where as in the short run period there are fixed. Costs are grouped into two, fixed costs and total variable costs. Contextual theory of cost simply states that costs are recognized as expenses in the income statement in the period which they relate (Abdul and Isiaka, 2015).The research adopted the aforementioned theories as they are relevant to the problem understudy.

2.3 An introduction to cost terms and concepts

2.3.1 Cost, Costing and Cost classification

Oluwagbemiga et al (2014) defined cost as the monetary value that a company has spent in order to produce a unit. It is the price for incurring expenditure on an activity. Weetman (2010) defined a cost as an amount of expenditure on a defined activity. It is the amounts of resources given up, expressed in monetary terms, in order to receive a good or services. Cost provides a basis for costing, which is the process of ascertaining cost (Weetman, 2010).

According to the Institute of Company Secretaries of India (ICSI) (2013), Costing involves the techniques and processes of ascertaining cost. These techniques consist of principles and rules which determine procedures to ascertain product or service costs. Cost accounting is a specialized branch of accounting aimed at costs classification, accumulation, assignment and control. Cost accounting involves the establishment of budgets, standards costs and actual costs of operations, processes, activities or products, variance analysis and profitability. (ICSI, 2013)

Akeem (2017), costs are classified into various categories in order to facilitate communication in the cost management system. ICSI (2013) highlighted different bases of classifying costs and these include classification based on time (Historical, Pre-determined), on nature or element (Material, Labor or Overhead), based on traceability (Direct or Indirect) or by changes in activity (Fixed, Variable, and Semi-variable).

ICSI (2013) further classify cost by function (Manufacturing, Administration, Selling, Research and Development), by relationship of accounting period (Capital or revenue), by controllability (Controllable or Non controllable), for analytical and decision making process (Opportunity, Marginal, Sunk, Joint, Deferential, Replacement or Common).

2.4 To understand the objective of cost control

2.4.1 Cost control

Akeem (2017) defined cost control as a process of establishing a standard and maintaining the performance according to the standard. Thus, cost control is significant to an organization as it

regulate and reduce unwanted expenses. It is more concerned with an element of marginal costs which involves the determination of unit cost and measurement, cost are kept within acceptable limits (Akeem, 2017).

According to Clement (2015), cost control involve the control of all items of expenditure by regular and frequent comparison of actual expenditure with predetermined standard or budgets, so that the undesirable trends from stand can be detected and corrected at an early stage .Adeleke (2014) said that cost control is important as it is the prominent supporter of every business entity and therefore it acts as the bottom line for every company. For an entity to be profitable, management must have a clear and thorough understanding of all the factors that drive and affects the profit. Costs is one of the factors that is very crucial (Adeleke, 2014).

Abdul and Isiaka (2015) supported by suggesting that cost control is aimed at maximizing profit and shareholders value, depending on the understanding of all the factors that drive a company's profit as well cost. Also, Oyerogba et al (2014) as cited by Abdul and Isiaka (2015) adjudged that, for any business to record adequate profit, there is need for proper control of costs because a company with a sound and adequate cost structure has a brighter chance of achieving its profit target. Thus, cost control is important to an organization as it regulate and reduce unwanted expenses. Cost control work should enhance the efficiency of management and if necessary, should result in action being taken to reduce the cost for profit purposes and to prevent fraud and efficiency (Akeem, 2017).

According to Akeem (2017), benefits which result from cost control are: a simple control can be expressed over all operation from the purchases of goods to account for sales, cost control results in an efficient utilization of material and labor and cost control makes policy decisions by management very easy. It ensures adequate production and prevent over stocking of material (Akeem, 2017). Maria (2009) agreed that in many organizations, cost control is essential in the following areas which include Labor, materials, sales and overheads.

- **Labor-** the labor cost can be viewed in three ways which are: higher basic salary, shorter working hours and reduced output. Reducing labor costs is somehow difficult for many companies because it is not possible to reduce wage rate due to existence of Trade unions and minimum wage legislations. For management to motivate its workers, wage rate should be on upward revise, thus the reduction in labor cost is possible only if overtime,

rate of output per worker increases faster than the wage rate increase and this help to raise labor productivity.

- **Material** – The inappropriate use of materials is one of the prime causes of increased costs, wastage through poor control. For cost to be minimal material wastages must be controlled.
- **Sales**-The control of sales requires making sure that the organization is not overspending to achieve its sales goals. Budgets for sales are used for planning and controlling revenues for companies.
- **Overheads**- these include factory expenditure that cannot be directly charged as any other element of a product. The cost can be reduced by means of effective absorption, allocation and apportionment to cost unit.

Akeem (2017) suggested that for an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit. In order to make cost control as a success, there is need for organization to apply cost control and cost reduction scheme in their operations. Workers should be motivated to achieve the desired goals and objectives, the absence of behavior control such as motivation, incentives affect the success of cost control (Akeem, 2017).

2.4.2 Cost control and Cost reduction

Akeem (2017) defined cost reduction as a planned positive approach aimed to reduce expenditure and it is a reduction in unit cost of goods or services without impairing suitability for the use intended. Cost control is a process of establishing a standard and maintaining the performance according to the standard (Akeem, 2017).

According to Akeem (2017), Cost reduction and Cost control are important to an organization as they help to regulate and reduce unwanted expenses. The main aim of cost control is cost reduction thus cost control and cost reduction work together. Cost reduction's aim is to see whether there is any possibility of bringing about savings in the costs incurred (Akeem, 2017).This was supported by Institute of Chartered Accounts of India (ICAI) (2013) suggested

that although there is a distinction between cost control and cost reduction, the two serve the same objective and are mutually exclusive.

Akeem (2017) suggested that any organization that effectively uses cost control and cost reduction, increases the chances of selling its products at a lower rate than its competitors, without changing its product's quality. Cost control and cost reduction are of significance to an organization as they help to regulate and reduce unwanted expenses. ICAI (2013) supported by saying that cost reduction entails an effort towards improvement aimed at achieving a real and permanent reduction in total cost. It means reducing waste, reducing expenses whilst production remains constant or increases. Cost reduction is not concerned with maintenance of performance according to the standards; rather it assumes the existence of concealed potential savings in the standards or norms which are, therefore subjected to a constant challenge with a view to improvement by bringing out the saving (ICAI, 2013).

2.5 To understand the requirements needed to ensure an effective cost control system

2.5.1 Cost control system

Kinney and Raiborn (2011) and ICAI (2013) defined a cost control system as set of formal and informal tools and methods designed to manage and regulate organizational costs. Cost control relies heavily on the existence of a sound and effective cost control system and cost reduction also operates effectively where there is an efficient cost control system (Kinney and Raiborn, 2011).

According to Kinney and Raiborn (2011), cost control system provides information for planning and control from the point activities are being planned until after they are performed. It mainly focuses on information found within the organization and contains the detector, assessor, effector, and network components. Control system is part of management cycle which starts with planning as operational targets and objectives are established without which control cannot be achieved. The planning phase launches performance goals that become the inputs to the control phase as shown in the diagram below thus setting up an effective Cost Control System (Kinney and Raiborn, 2011).

Clement (2015) disclosed two aspects of an effective cost control system which involves; operational control and accounting control. Operational control is mainly done in small businesses, by which the manager control costs through personal observation and close supervision of operations. As the business grows personal control is delegated to the lower level. As the business continues to grow, operational control is supplemented by accounting control as such control will no longer be relied upon to keep waste, idleness, inefficiencies and other cost. Accounting control, this requires creating a system of records which analyze costs, account for them and supply current pertinent reports to reveal how those who are responsible for are discharging their responsibilities (Clement, 2015).

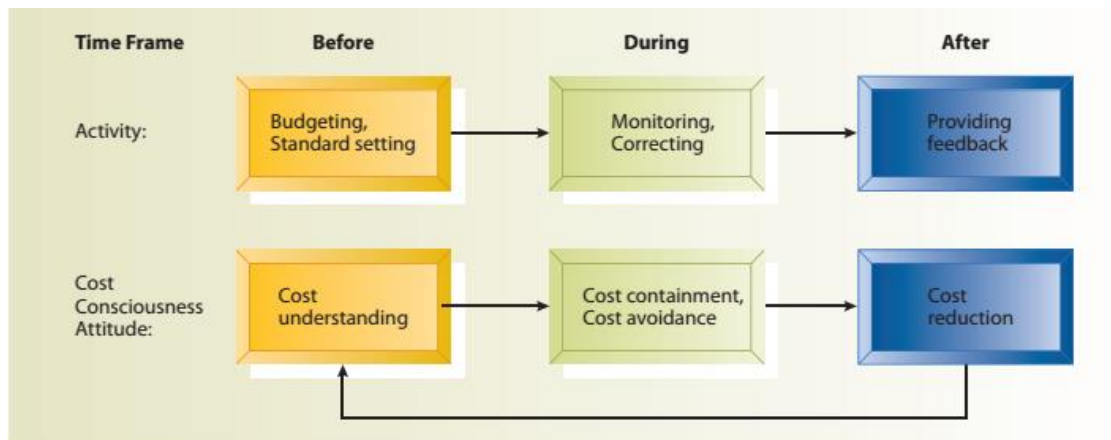
According to Kinney and Raiborn (2011), a sound control system is formed on the back of strong cost consciousness. Cost consciousness is a companywide employee attitude toward topics essential for a specific stage of cost control and these include understanding cost changes, cost containment, cost avoidance, and cost reduction .Cost control involves a companywide involvement, as managers alone cannot control costs (Kinney and Raiborn,2011).

2.5.2 Functions of an Effective Cost Control System

Control Point	Reason	Cost Control Method
Before an event	Preventive; reflects planning	Budgets; standards; policies concerning approval for deviations; expressions of quantitative and qualitative objectives; ethical guidelines
During an event	Corrective; ensures that the event is being pursued according to plans; allows management to correct problems as they occur	Periodic monitoring of ongoing activities; comparison of activities and costs against budgets and standards; avoidance of excessive expenditures
After an event	Diagnostic; guides future actions	Feedback; variance analysis; responsibility reports (discussed in Chapter 13)

Source: Kinney and Raiborn (2011)

Cost Control System



Source: Kinney and Raiborn (2011)

Cost understanding-Cost control cannot be achieved without understanding why costs differ between periods or from the budgeted amounts. It begins when the budget is prepared and preparation of budgets cannot be done without understanding the reasons causing changes in cost from period to period. Cost can change due to changes in volumes as with variable costs and a flexible budget can compensate for such changes, costs also change due to inflation, supplier costs adjustments and others change due to quantity purchased as quantity discounts. Understanding such changes helps in controlling costs (Kinney and Raiborn, 2011).

Cost containment- (Kinney and Raiborn, 2011),cost containment involves a process of minimizing period by period increases in per unit variable and total fixed cost. It only applies effectively within the organization that is, it cannot be possible for inflation adjustments, tax and regulatory changes in supply and demand because these forces occur outside the organization. Thus, cost containment is suitable for costs which are induced by internal factors to the organization such as costs arising due to reduced supplier competition, quantities purchased and seasonality (Kinney and Raiborn, 2011).

Nowak (2016) defined cost containment as a process of controlling the expenses required to operate an organization or perform a project within pre-planned budgetary constraints. It is an important management function that helps to keep costs down to only necessary and intended expenses in order to satisfy financial targets.

Cost avoidance- Nowak (2016) defined cost avoidance as a way of decreasing costs by lowering a potential increase in expenses. Cost avoidance is applied where cost containment cannot be implemented and it involves finding acceptable alternatives of not spending money for unnecessary goods and services (Kinney and Raiborn, 2011).

Cost reduction- According to Kinney and Raiborn (2011), cost reduction is closely related to cost avoidance. The intent of cost avoidance and cost reduction is to lower total costs. Cost reduction can be implemented at the designed stage to ensure that high costs are not carried through the life cycle of the product. The process of costs reduction is then extended to the production level as new opportunities to reduce costs arise. The elimination of wastes and non-value adding activities during production aids to costs reduction (Kinney and Raiborn, 2011).

2.5.3 Steps in implementing a cost control system

Kinney and Raiborn (2011) revealed a five step method of implementing a cost control system that management can adopt to create an environment that conducive to control and successfully manage its costs. The five step method for managers involve the following:

- **Understand the type of costs incurred by an organization** -Kinney and Raiborn (2011) suggested that, understanding the type of cost incurred by an organization is very important, are the costs under consideration fixed or variable, product or period? What are the drivers of those costs? From who were purchases made? When were purchases made? This is, generically, sometimes referred to as “spend analysis. Jim (2015) supported this by saying that for any organization to implement an effective cost management system, it must first identify exactly where its revenue comes from and it must identify specific costs incurred to produce its revenue stream. Finally it must identify overhead costs and costs not directly linked to revenue generation (Jim, 2015).
- **Communicate the need for cost consciousness to all employees**-Kinney and Raiborn (2011), suggested that there is need to communicate the need for cost consciousness environment to all employees and there must be aware of which costs need to be better controlled and why cost control is important to both themselves and the company.

- **Educate employees on cost control issues**-Kinney and Raiborn (2011), employees should be educated in cost control issues and they must be encouraged to suggest ways to control costs, and motivated to embrace cost control concepts. Incentives can range from simple verbal recognition to monetary rewards to time off with pay. Managers must also be flexible enough to allow for changes from the current method of operation (Kinney and Raiborn, 2011).

Jim (2015) supported this by saying that, employees should be involved in decisions relating to cost control and there is need for them to understand the company's objectives and have accurate cost information. Also, requesting input from the employees will not only enable the management to have a better understanding, but rather it will give employees more incentive to become involved. Organizations that actively request suggestions from their employees will undoubtedly improve and have better ways to control cost effectively (Jim, 2015).

- **Generating reports that indicate actual results**-Kinney and Raiborn (2011) suggested that there is need for management to generate reports that indicate actual results, comparing budgets to actuals, and calculating variances. Management must evaluate these costs to determine why costs were or were not controlled in the past. Such analysis can provide insight about cost drivers so that activities driving costs can be better controlled in the future (Kinney and Raiborn, 2011).
- **Develop a view that the cost control system is a long-run process**-Kinney and Raiborn (2011) suggested that management should develop a view that the cost control system is a long run- run process, not a short run solution. Cost decisions should be measured against the company's strategy, rather than a current short-term situation. A company should not buy an excessive amount of inventory because the manufacturer has lowered the price to get rid of it. The company should be buying the amount it needs to satisfy its customers (Kinney and Raiborn, 2011). Cost management must become standard operating procedure. Management and employees must be constantly identifying opportunities for eliminating or reducing unprofitable work (Jim, 2015).

2.6 To examine cost control techniques that are involved in the Cost control process

Siyanbola and Raji (2013) and Akeem (2017) revealed various methods that are applied in controlling costs by different organizations which include budget and budgetary control, standard costing and material control. The control techniques are developed by the organization's accounts department with cost and management section at the core of implementation. (Akeem, 2017)

2.6.1 Budget and Budgetary Control as tools for Cost control

Joseph (2014) defined a budget as a preset statement of management policy during a given period which provides a standard for comparison with the results actually achieved. Drury (2013) suggested that budgets are more concerned with the act of carrying out a long term plan for a year ahead and they clearly indicate what is expected by an organization during a given budgeted period. They provide well detailed and precise financial information (Drury, 2013).

Akeem (2017) adjudged that a budget is a quantitative expression of a plan for a defined period of time and it is a set of interlinked plans that quantitatively describe an organization proposed future operations. It may include planned sales volumes and revenues, resource quantities, cost and expense, assets, liabilities and cash flows (Chartered Institute of Management Accountants [CIMA], 2005).

2.6.2 Budgetary Control

Akeem (2017) put forward that budgetary control is pertained with the effective use of resources to attain a previously determined objectives. It is a system through which budgets are employed as a way of planning and regulating costs. Budgeting is established as to what is to be accomplished and how it is going to be reached, whereas control assures that the objectives are realized and current results do not vary from the planned (Akeem, 2017).

According to Dyson (2001) as cited by Joseph (2014) budgetary control is a system of management control in which actual results for a period are compared with budget for that period. Budgetary control system is more concerned with the regulation of costs which involve

budget preparation, departmental co-ordination and setting out clearly responsibilities and working towards the results to attain maximum profitability (Siyanbola and Raji, 2013).

Chartered Institute of Management Accountants (2009) as cited by Joseph (2014) defined budgetary control as the establishment of budgets relating to the responsibilities of executives, to the requirements of a policy and the continuous comparison of actual with the budgeted results. Agalega (2014) as cited by Owusu (2016) revealed that budgets may be prepared to achieve the following purposes: decision making, planning, performance evaluation and control.

Decision making -Budgetary stimulates decision making, priorities, timing and expenditure. Management is assisted with detailed information required by various departments, formulation of plans and achieving business objectives becomes easy.

Planning-Planning process requires detailed information of past performance, present and forecasting of the future, therefore information about the structure, behavior of expenditure, revenue trends and demands of various activities and functions of the organization is provided by budgets.

Control-Budgetary control seeks to reduce wastages and losses to minimum and ensure favorable use of resources. It ensures that costs are kept under check, as any differences from the planned cost are examined and explained before a corrective action is taken to lower the cost to align to the budgeted costs. Also, the budgetary control may incorporate budgetary systems aimed at improving the cost control process.

2.6.3 Significance of Budgets and Budgetary control

According to Agalega (2014), budgetary control seeks to reduce wastes and losses to minimum and ensure optimum use of resources. It ensures that costs are kept under check, as any deviations from the planned cost are investigated and explained before a corrective action is taken to lower the cost to align to the budgeted costs (Agalega, 2014). In addition, Joseph (2014) findings from the research on, an assessment of the Budget and Budgetary Control in enhancing financial performance of an organization: the case of Tanesco concluded that the budget and budgetary control has positive impact to the effectiveness of organization performance. To

effectively enhance performance budgetary control needs to be done from the beginning of the budget process, until to the end of the budget implementation (Joseph, 2014).

Siyanbola and Raji (2013) in their study of the impact of cost control on profitability of manufacturing industries, concluded that budget and budgetary control help to ensure an effective cost control. Cost expended are compared with planned cost and variance analysis is done to investigate the causes (Siyanbola and Raji, 2013). Also, Owusu (2016) suggested that, through the use of flexible budgets, differences in cost behavior and pattern in respect of changes in volumes is accounted for when comparing the actual results with the budgeted. The use of Zero based Budgeting makes it easier to identify and eliminate inefficiencies, obsolete and unnecessary expenditures (Owusu, 2016).

However, despite the numerous benefits of budgets to organizations, Owusu (2016) argued that budgeting is a complex process and business especially smaller enterprise, during the preparation process budgets require more time and other resources. Also, Budgets may be set at a level that is low, that is, if the budget is too easy to achieve it will not benefit the organization and may lead to lower levels of output and higher costs. They should be set at realistic levels, which make the best use of the resources available (Owusu, 2016).

ACCA (2013) put forward some criticism of budgeting and among them was how budgets protect rather than reducing costs. They remark that once the budget is authorized, a manager can spend that amount of resource without further authorization, a 'use it or lose it' mentality often develops such that managers will incur cost unnecessarily. The expectation is that managers will not be permitted to carry forward any unused resource into the budget for next period (ACCA, 2013).

2.6.4 Standard costing and Variance analysis as a tools for Cost control

According to Akenbor and Agwor (2015), standard costing is an integral part of management accounting control technique, which involves the process of estimating the total cost of production per unit. It compares the standard cost of each product or service with actual cost to determine the efficiency of operation. Standard costing is a management decision tool that allows better cost control and optimal resource utilization (Akenbor and Agwor, 2015).

Braide (2002) as cited by Akenbor and Agwor (2015) said that standard costs may differ from the actual costs incurred in the production process of actual output, a comparison of the standard costs against actual cost will disclose a difference and management is expected to take appropriate actions to make sure that actual cost conform to the standard costs. During the comparison process, if the standard costs reveal that actual cost have exceeded standard costs, the difference is termed variances. Thus, a variance is the difference between an actual result and an expected result whilst the process by which an analysis of the total difference between standard and actual results is called Variance analysis (Akenbor and Agwor, 2015). A report of variance analysis is presented to the management, so that corrective measures are taken to ensure that actual costs are consistent with standard costs in future (Akeem, 2017).

The Chartered Institute of Management (CIMA) (2016), in variance analysis not every variance is investigated, management considers a number of factors to decide whether or not to carry out investigations on certain variances. Materiality, controllability and the level of significance are some of the factors that are taken into consideration. Gauci (2015) put forward that variances help to reconcile the total cost difference by comparing actual and standard cost. The main purpose of variances is to provide reasons for off-standard performance. In this way, management can improve operations, correct errors and deploy resources more effectively to reduce costs (Gauci, 2015). Uncontrollable variances call for a change in plan and variance trend is also important, as recurring small variances need attention, as they might cumulatively be significant. (CIMA, 2016).

Akenbor and Agwor (2015) on their research on Standard costing and Cost control in Nigeria Oil and Gas Industry, revealed that standard costing is an effective instrument of cost control as it helps to monitor the performance of workers, creates a cost consciousness environment, helps management to re appraise operating activities to ascertain cost effectiveness. Also, the purchase and usage of materials is controlled (Akenbor and Agwor, 2015).

However, Gauci (2015) put forward criticisms on standard costing arguing that, although standard costing and variance analysis are effective instruments in cost control but they are more

relevant in medium and large companies rather than in micro and small firms. Also, standard costing is seen as appropriate in a stable, standardized and repetitive environment, where all processes should conform to the standards, and any variances should be eliminated (Gauci,2015).This was questioned by Weetman (2010) who suggested that there is relatively little likelihood of finding that the expected cost is far away from the true cost.

2.6.5 Cost control tools for Competitive Advantage

According to Idowu (2014), advancement in technology, new competitors breaking into the market, changing and the growing of consumer needs have greatly complicated business world. Companies have started to change their manufacturing systems by means of using current manufacturing technologies. Cost information and cost management have become an essential fact for businesses that want to be successful in the risen heat of the competition of today's economic climate. Businesses require costing methods that are sufficient to provide efficient cost information in these conditions of competition (Idowu, 2014).

Idowu (2014) revealed costing techniques that have been proposed for gaining a competitive advantage in cost control. These techniques, though separately described, they are interrelated and they include target costing, value engineering, kaizen costing and life cycle costing.

2.6.6 Target Costing

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

ICAI (2013) suggested that target costing can be used as a cost management tool. It is a customer-oriented approach widely used by Japanese companies. It is defined as a structured approach to determining the cost at which a proposed product with specified functionality and

quality must be produced, to generate a desired level of profitability at its anticipated selling price (ICAI, 2013).

According to ACCA (2013) the following steps highlighted below are involved in the implementation:

- Determine a product specification of which an adequate sales volume is estimated.
- Set a selling price at which the organization will be able to achieve a desired market share.
- Estimate the required profit based on return on sales or return on investment.
- Calculate the target cost = estimated selling price – target profit.
- Compile an estimated cost for the product based on the anticipated design specification and current cost levels.
- Calculate target cost gap = estimated cost – target cost.

ICAI (2013) put forward that, when the product is first manufactured, the target cost might be well lower than the currently attainable cost which is determined by current technology and processes. This difference is called target cost gap. This calls for benchmarks for improvement towards the target cost, by improving technologies and processes as well introducing cost reduction measures.

According to ACCA (2013), various techniques can be employed to reduce the target cost gap and these include reducing the number of components, using cheaper staff and using standard components wherever possible. Also an organization can have new, more efficient technology, training staff in more efficient techniques, cutting out non-value-added activities and using different materials (ACCA, 2013).

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

Idowu (2014) findings from the research on Impact of Target costing on competitive advantage in manufacturing Industry, revealed the relationship between target costing and cost advantage as positive. Target costing control technique enhances cost and quality advantage in a competitive manufacturing industry. It encourages participation of all firms' function, examination designs which enable management of cost before they incur are done rather than afterward because majority of production costs occur at the design stage. The research was conducted on a few selected Nigeria manufacturing companies, Questionnaires were administered to a sample of 134 respondents.

Tobi et al (2015) on their study on Costing Techniques and Pricing decisions of manufacturing companies in Ogun state, concluded that Target costing is more relevant than other traditional costing techniques in manufacturing companies. It was considered as useful for pricing decision, for enhancing customer satisfaction and for making rational and quick decision in manufacturing firms. The study recommend that target costing could be extended to other sectors of the country's economy. The research population study comprised 98 manufacturing companies in Nigeria and a sample size of 22 selected companies was used.

According to Tobi et al (2015), the technique is applied in the product's design and planning stage thus it has a maximum impact on locked-up costs which are difficult to reduce once the product starts being manufactured. Thus the target-costing approach is a vital total cost control tool. Also, ACCA (2013) supported by citing that the great majority of manufacturing costs become locked in early in the life cycle of the product. Once the product is released into production, it becomes much harder to achieve significant cost reductions. Most of the costs become committed or locked in much earlier than the time at which the major cash expenditures are made (ACCA,2013).

However, Idowu (2014) argued that although target costing has a straight forward logic, application of it in practice is difficult, particularly when the culture of a firm has previously been embracing a cost-plus approach to pricing. Also, a considerably longer period might be taken during the development process as the design team carry out a number of design iterations before it can formulate a sufficiently low-cost product that meets the target cost and margin criteria (Idowu, 2014).

Also, ICAI (2013) argued against target costing saying that, a considerably longer period might be taken during the development process as the design team carry out a number of design iterations before it can formulate a sufficiently low-cost product that meets the target cost and margin criteria. Also, mandatory cost cutting may result in conflicts within various parts of the company as some employees in one area might feel they are being called on to provide a disproportionately large part of the savings (ICAI, 2013).

2.6.7 Value Engineering

Mahadik (2015) defined value engineering as a systematic application of recognized techniques which identify the functions of the product or service, establish the worth of those functions and provide the necessary function to meet the required performance at the lowest overall costs. It is a function oriented approach used by companies to enhance the value provided by the product. It is measured by the relationship between the product's function and costs incurred. (Abbas, 2015.)

According Abbas (2015) value engineering starts with performance investigation and ends with generating cost reduction. Engineers make an analysis on the functions of the components and cost of each major function. An attempt is made to reduce the overall cost without affecting the quality and the performance of the product. For an organization to implement value engineering successfully, it must first identify factors and elements that affects it execution because without understanding the effect of each factor the successful implementation of value engineering cannot be of a positive view (Abbas,2015).

Value Engineering is a systematic interdisciplinary examination of factors affecting the costs of a product or service in order to devise means of archiving the specified purpose at the required standard of quality and reliability at the Target Cost. It seeks to archive the assigned target costs by identifying improved product designs that reduce costs without compromising product functionality and/or eliminate unnecessary functions that increase product costs and for which customers are not willing to pay extra for (Drury, 2000).

Mahadik (2015) said that the concept of value engineering is mutually exclusive with that of Target costing. Value engineering is an extension of Target costing throughout the design stage

up until the point when the new product goes into production. Mahadik (2015) findings from the research study carried out on Value Engineering for Cost Reduction and Sustainability in Construction Projects revealed that, using value engineering as a cost reduction technique, value and economy are improved through the study of alternative designs concepts. Thus value engineering assures best costs and value is obtained over the life cycle of a service (Mahadik, 2015).

2.6.8 Kaizen Costing

Bekcioglu et al (2016) defined kaizen costing as a cost reduction technique by which continuous improvements to achieve cost cutting of a product life cycle are done at the beginning of production. In this approach, cost cutting is aimed at realizing the anticipated profitability in the future, thus continuous improvements are carried out in the present taking past cost of the same product into account.

Drury (2000) revealed that kaizen costing purpose is to cut down the total cost of the production process, namely costs are reduced by eliminating digressive leanness from the production process. Non-value adding activities and costs are avoided and thus wastages are prevented to ensure that the business attains its objectives. Kaizen is ‘the Japanese term for making improvements to a process through small incremental amounts, rather than large innovations’ (Drury, 2000).

Bekcioglu et al (2016) adjudged that, after establishing, implementing the product and process designing, the planning team focus on the development and operational character of the process. Floor workers are involved in production and they are given a responsibility to improve process and reduce costs. It heavily relies on employee empowerment, as they are believed to be close to the manufacturing processes (Bekcioglu et al, 2016)

Kaur (2014), argued positively that kaizen costing is a good tool of cost reduction and it motivate workers as all levels employees are involved during the production process. It also control the cost of production with the maintenance of existing performance level (Kaur, 2014).

Bekcioglu et al (2016), however argued against kaizen costing method that, staff members are subjected to stress during the application of the method and some organizations prefer to reduce

their degree of performance so as to reduce stress levels of workers. Also, the method results in the organization segmenting its market, increase in communication costs and pressures to the suppliers. In order to achieve the continuous cost reduction objectives (Bekcioglu et al, 2016).

2.6.9 Life Cycle Costing

Bekcioglu et al (2016) defined product life cycle costing as a method used to inspect all costs caused by activities performed during a product life cycle. The approach is aimed to foresee all possible costs which may occur at all stages of the product life cycle and even before it is produced. The approach is used by most business as it help management and administrators to manage costs which go with the product during the product life cycle (Bekcioglu et al, 2016).

Drury (2000) defined life-Cycle costing as a costing technique that tracks and accumulates costs and revenues attributable to each product over its projected life that is from inception to its abandonment. 'It estimates and accumulates costs over a product's entire life-cycle in order to determine whether the profits earned during the manufacturing phase will cover the costs incurred during pre and manufacturing stages' (Drury, 2000, p. 890).

According to Bekcioglu (2016),product's life cycle costs are those incurred from its design stage through development to market launch, production and sales, and finally to its eventual withdrawal from the market. Such costs therefore include research and development costs, purchasing costs, training, production costs, distribution costs, transportation and handling costs, marketing costs, inventory costs and retirement and disposal costs (Bekcioglu et al, 2016).

Emengini et al (2014) suggested that, identifying costs incurred at different levels of the cycle helps in understanding and managing costs the total costs incurred throughout the life cycle of a product. Life-Cycle costing helps management understand costs consequences of developing a product and identify areas in which costs reduction initiatives are likely to be effective. Tracing costs over the product's life-cycle also allows management to understand product profitability. (Emengini et al, 2014)

2.7 The effects of weak cost control techniques.

In the organizations, if cost control techniques are not effectively implemented they are higher chances that they will weaken the organization by decreasing its operational performance. In most cases failure to implement cost control effectively will lead to increased wastages, repair and maintenance cost and increase in labor cost. Increase in cost without a proportional increase in labor will automatically reduce operational performance. (Oyewo, 2013)

2.7.1 Wastages

Akenbor and Agwor (2015) says that when there is poor cost control, it also means there is inadequate supervision of workers hence employees can use the resources of the organization anyhow they like without anyone monitoring them and this obviously results in wastages of resources. Waste is realized when a comparison is made between the quantities used to manufacture the products and the quantity obtained that is the final product that have been manufactured. Waste can be identified differently ,that is normal waste and abnormal waste therefore normal waste is that which is estimated and budgeted for before production take place and abnormal waste is that which exceeds the normal loss causing an increase in costs as it may be due to negligence of employees(Ankenbor and Agwor,2015).

Olalekan and Tajudeen (2015) assert that wastages may result from poor cost control in that, the firm may buy materials more than what is necessary for production and those resources will not be utilized. Spoilage produces goods that cannot be sold at a normal price due to damage, spoilage is also classified as normal and abnormal. Normal spoilage is the one that is estimated and anticipated and abnormal exceed the normal and investigations needs to take place if there are persistent occurrences of abnormal losses. However abnormal wastage and spoilage is an indication that cost control techniques are weak as the costs will decrease operational performance (Olalekan and Tajudeen, 2015).

2.7.2 Repair and maintenance cost

Evans (2014) suggested that repairs and maintenance cost are incurred to bring the asset in the condition it use to be before and keep it running like it used to. Repair and maintenance cost can be routine and are already anticipated for but some are not. Those not estimated for can be because of lack of supervision, negligence by employees, lack of training and high stockholding levels. Increase in repair and maintenance costs is an indication that they are weak cost control techniques as there is need for a planned maintenance (Evans, 2014).

According to Eti et al (2014), organizations with effective cost control practices have a wise maintenance culture i.e. they usually incur relatively low repair and maintenance costs because cost control starts by making a decision of buying highly –dependable equipment that cost relatively little to maintain .Benefits for the organization are thereby gained from the reliable long-lived plant which require lower maintenance costs (Eti et al, 2014).

Gransberg and O'Connor (2015) recommended that management in manufacturing companies should implement equipment life-cycle cost analysis to reduce costs of repairs and maintenance costs. Equipment life cycle cost analysis is a cost control measure typically used as one component of the equipment fleet management process. It allows the fleet managers to make equipment repair, replacement and retention decisions on the basis of a given piece of equipment's economic life. Absence of such cost control measure results in most companies having difficulties in controlling repairs and maintenance costs as it helps managers to maximize the cost effectiveness of the fleet by optimizing the overall lifecycle value of each piece in the fleet (Gransberg and O'Connor, 2015).

However, Anjum (2015) argued that they some factors that causes increase in repairs and maintenance costs, which are not attributed to weaknesses in cost control techniques and they cannot be controlled by the management. Other factors include unexpected damages reports of machinery equipment during the production process, economic fluctuations of spare parts prices and service costs prices (Anjum, 2015).

2.7.3 High Labor costs

According to Young and Shields (2016) labor costs are amount of expenditure incurred by the organization for hiring or employing personnel in exchange of services for the attainment of organizational goals. Labor cost are classified as one of long-term controllable costs of an organization because they are caused (increased and decreased) by the organization. Most organizations uses strategic cost control techniques to reduce labor costs as part of their competitive strategy. The strategies involves the integration of modern technology and the human resources management to provide a coordinated, broad based and long-term approaches to reduce labor cost (Young and Shields, 2016)

Young and Shields (2016) revealed that some increases in labor costs in most organizations are as a result of poor cost management, in some cases it shows that cost control techniques implemented by management will have loopholes. Target set should commensurate with management labor budget otherwise significant labor variance will arise. Increase in labor cost can result from management trying to supplement labor variance due to inefficient management contracts ,instead hired labor may be used which will result in the accrual of additional labor overheads that lead to over expenditure on the labor budget which will in turn decrease operational performance (Young and Shields ,2016).

However, Wile (2014) argued that there are a number of factors that can cause labor costs to increase or decrease which cannot be attributed organizational weak control methods. These costs are borne as the market and other circumstances dictate and they include the location, efficiency, supply and demand. Location, where a company is located will impact the company's labor cost in that organizations that operate in economically depressed areas often have lower labor cost than companies located in places where the cost of living is higher and on the other hand, if the organization seeks skilled employees in area that does not have an educated workforce, labor costs might higher as there will need to provide financial incentives to employees for them to relocate (Wile, 2014).

Furthermore, Wile (2014) argued that supply and demand also causes variations in labor cost as that cannot be regulate by cost control techniques. Supply and demand comes into play when management sets wages, just as it does when it is determining the price of a product or service. If

there are shortages of workers in the field that the business will be operating in, it will have to pay relatively high labor costs. (Wile, 2014)

2.7.4 Decrease in operational performance

Akenbor and Agwor (2015) say that the more a firm is careless with cost control techniques or methods, the more it is inefficient in the use of its resources thus dragging the performance of the organization. Also, Tunji and Mojeed (2013) said when there is poor cost control, it also means there is inadequate supervision of workers hence employees can use the resources of the organization anyhow they like without anyone monitoring them and this obviously reduces the performance. Operational performance include the aligning of different strategic business units (SBU) of the organization and their activities to make sure that the SBUs are contributing to the achievement of organizational goal and thus, decrease in operational performance can be as a result of cost control (Evans ,2014).

Abdul and Isiaka (2015), weak cost control techniques have effects on the performance of a business as it affects its profitability. Profits go a long way to determine what constitutes the financial position of a firm. Thus cost control techniques must be effective so that costs will not be allowed to exceed tolerable levels, otherwise profitability would be affected and where profitability is affected, expansion and operational performance also becomes difficult. (Abdul and Isiaka, 2015). On the contrary, Chigara et al and Premalal et al (2015) argued by saying that cost control has no effect the performance of companies because there are some other external factors that affect the business which are inflation and government regulations.

2.8 Empirical Literature Review

Various research studies were carried out on cost control measures and their impact on profitability. Siyanbola and Raji (2013) on their study of the impact of cost control on manufacturing industries profitability. Findings from their research showed that cost control has a significant and positive impact on profitability of manufacturing companies in Nigeria. In their research budget was considered as the basic tool for achieving effective cost control and their

study was conducted in West Africa, on West African Portland Cement Company (WAPCO) and made use of Pearson correlation for data analysis. Questionnaires were used as research instruments.

Akeem (2017) study on the effect of cost control and cost reduction techniques in organizational performance, findings revealed that there is a direct relationship between cost control, reduction and profit. Thus, the study concluded that for an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit. A descriptive survey research was adopted. Questionnaires were used as research instruments. Also, Abdul and Isiaka (2015) study on the relationship between cost management and profitability, a study of selected manufacturing firms concluded that the relationship between cost management and profitability is statistically significant. Questionnaires were randomly distributed to manufacturing companies in Nigeria and data collected were analyzed using descriptive and non-parametric statistics.

In addition to the above, Oyerogba et al (2014) on their study on the relationship between cost management practices and performance in the manufacturing organizations, findings from the study concluded that there is positive relationship between cost management and the overall performance of a company. The study was conducted in Nigeria and secondary data used and analyzed with statistic and Pearson Regression Analysis. Also, Oyadonghan and Ramond (2014) study on the effect of quality cost management on firm's profitability concluded that there is positive effect between profitability and quality cost management. A survey design was used to gather data from hospitality industry in Nigeria and the correlation analysis was used to analyze the data.

However, Adeleke (2014) study on the Cost management techniques and performance of Nigerian banks as cited by Abdul and Isiaka (2015), findings concluded that the relationship between cost control techniques and profitability were not statistically significant. Secondary data was used and data were analyzed with the use of descriptive statistics.

2.9 Research Gap

The forenamed scholar's research studies were conducted in Nigeria. Primary data was used and questionnaires were the only research instruments that were used. This research looked at cost control measures and their impact on profitability of manufacturing companies in Zimbabwe

which has a different micro and macro environment with Nigeria. Questionnaires and Interviews are used as research instruments to collect primary data.

2.10 Summary

The purpose of this chapter is to bring together as one piece of information other scholarly material concerning cost control measures and their impact on profitability. The researcher looked at the objective of cost control, the requirements needed to ensure an effective cost control system, examined cost control techniques that are involved in the cost control process and the effects of implementing weak cost control techniques. The next chapter presents research methodology.

CHAPTER 3

Research Methodology

3.1 Introduction

This chapter outlines the methods and procedures used to conduct the research. It presents the data collection, tools and procedures for analyzing the data gathered for this study. The chapter is structured as follows: Research design, target population and data collection method. It also include validity and reliability of research instruments, ethical consideration and lastly data collection procedures, presentation and analysis.

3.2 Research Design

Rajasekar et al (2013) defined research design as a conceptual structure within which a research is conducted and it is a plan which starts with formulation of definite and unambiguous research objectives, organized methods of data collection and a clear choice of the population and samples to be studied.

Almaki (2016) described research design as a process that helps in planning the how, when and where of information collection and analysis. Descriptive research design and Explanatory research design are some of the major types of research designs (University of Southern California Libraries, 2016).

3.2.1 Descriptive approach

The study adopted the descriptive research design with the aim to give a descriptive position on the subject matter of cost control measures and their impact on profitability. The descriptive approach enabled the researcher to gather information in such a way that was going make it easier to understand problems affecting manufacturing companies in order to come up with effective solutions to increase profitability. Also, the descriptive research design encompasses interviews and questionnaires providing information which determined the nature of the situation

at the time of research. Also the researcher had no control over the variables and could only report what happened or what was happening.

3.3 Target Population

According to Vonk (2016) defined a targeted population as the group of individuals regarded as relevant to the research study. Target population refers to all the members who meet the particular criterion specified for a research investigation and the selected individuals assist in coming up with a research conclusion, making use of data collection methods (Alvi, 2016).

Saunders (2007) defined a population as any group of individuals, organizations, social interactions and events and it is a group of elements exhibiting more or less similar characteristics from which a sample to work with in a research is derived. The targeted population for the research constituted Primeseed.co departments which were directly linked to cost control, which are Finance, Sales and Marketing, Human Resource, Production and Processing department, Quality control and Product and development department.

Table 3.1: Population summary

Department	Population
Finance	10
Human Resources	3
Sales and Marketing	5
Product and Development	3
Processing	5
Quality Control	2
Information Technology	2
Total	30

3.4 Census

Creswell (2014), defined census as data collection method used to gather information from individuals within the organization .It is used to gather data from a relative small population as compared to sampling survey. Participants which constituted the population were thirty (30)

employees from Primeseed.co departments and therefore the researcher made use of the census method to obtain information which was reliable. The census approach was helpful because the researcher obtained reliable information from the population concerning cost control measures and their impact on profitability of manufacturing companies.

Table 3.2: Population of participants

Department	Population	Participants
Finance department	10	10
Human Resources	3	3
Sales and Marketing	5	5
Product and Development	3	3
Production and Processing	5	5
Quality control	2	2
Information Technology	2	2
Total	30	30

3.5 Research Instruments

Wilkinson and Birmingham (2003) defined research instruments as devices used to gather information relevant to a research project. Research instruments selected by the researcher, have a huge bearing on the relevance and reliability of information to be produced and they include questionnaire and interviews (Milne, 2012). The researcher used questionnaires and interviews as research instruments to obtain primary data.

3.5.1 Questionnaire

A questionnaire is document containing a set of questions, especially one addressed to a statistically significant number of subjects as a way of gathering information for a survey (Wilkinson and Birmingham, 2003).According to Saunders (2005) a questionnaire is a set of questions working and a sequence of presentation as well as more or less precise indication of how to answer each question. It is a common place instrument for conserving data beyond the physical reach of the observer. Questionnaires can be structured and unstructured. The researcher

made use of questionnaires with both closed and open-ended questions and they were given to respondents in the population.

3.5.1.1 Justification for Questionnaires

- The researcher chose questionnaires because they were seen as a quick instrument of gathering data from a population and the respondents would answer anonymously which produced more honest answers.
- Majority of respondents were work tied so questionnaires gave them the opportunity to respond whenever they were free.

3.5.2 Likert scale

The researcher made use of the Likert scale during the structuring and creation process of the questionnaires because gathered data was easily interpreted. Joshi et al (2015) defined the Likert scale as a psychometric response scale that is primarily used in questionnaires to obtain respondents preferences or degree of agreement with a statement or set of statements. Likert scales are a non-comparative scaling method and only measure a single trait. Participants are asked to indicate their level of agreement with a given statement by a way of an ordinal scale (Joshi et al, 2015). Likert scale indicate clearly respondents level of agreement and disagreements and it is made up of 5 different ratings and rankings as the respondents are required to make an opinion on every question provided. Below is the Likert scale and the rankings.

Strongly Agree	=5
Agree	=4
Uncertain	=3
Disagree	=2
Strongly disagree	=1

3.5.3 Interviews

Van et al (2004) defined an interview as a dialogue between two or more people in a structured in a structured manner or unstructured conversation and it involve face to face meeting with people and asking questions and the response is given immediately. Interviews can be oral and can be contacted over a telephone (Van et al, 2004).

Muskat (2012) defines an interview as an objective conversation between two or more people with the aim of providing feedback regarding a particular subject. Face to face interviews, although they are time consuming, they are the most effective way of collecting high quality data compared to the other methods of data collection as they offer a higher level of flexibility (Muskat, 2012). In an interview the researcher has a room to correct misunderstandings and also there is an opportunity to encourage participants to respond (Muskat, 2012).

3.5.3.1 Justification for Interviews

- The researcher adopted interview method because the interviews provided precise and relevant answers as the respondents responded to what there were asked.
- Interviews gave the researcher an opportunity to convince respondents to provide answers for the questions which were being asked.
- The method gave the researcher time to speak to the respondents, giving their depth ideas and views concerning the impact of cost control measures on profitability of manufacturing companies.
- Interviews gave the researcher a platform to make use of other communication skills during the interviews such as non -verbal communication to aid in assessing the responses given.

3.6 Sources of Data

There are two sources of data which are primary and secondary data that are used during the research study (Saunders, 2007).

3.6.1 Primary data

Saunders (2007) defined primary data as the data that is obtained by the researcher specifically to solve the problem at hand, this is data is collected personally through the field work. Primary data is used in research that had been obtained using research instruments such as questionnaires, interviews and observations. It is the original data used to solve the prevailing problem under research (Saunders, 2007). The researcher made use of primary data as it was seen relevant, free from bias and reliable because it was directly originated from the parties involved.

3.6.2 Secondary data

According to Brink (2011), secondary data is the data that is already available, which can be gathered from company annual reports, management accounts, newsletters, journals and audit reports. It serves as complimentary data to primary sources. Secondary data is advantageous as it is data that is already available, it is so easy to obtain and less expensive compared to primary data (Brink, 2011).

3.7 Validity and Reliability

3.7.1 Validity

Brink (2011) said that validity in research is much concerned with the accuracy and truthfulness of scientific findings. A validity study should show what actually exists and a valid instrument should actually measure what it is supposed to measure (Brink, 2011).

According to Thanasegaran (2012), validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. A research instrument is valid if it accurately measures what it is supposed to measure without being diluted by other factors. Inadequacies leads to serious consequences on the whole research outcome hence it must not be taken lightly (Thanasegaran, 2012).The researcher made use of research objectives

and questions during the creation process of questionnaires and the interview guides thus ensuring the validity of the research instruments. Research instruments used were examined to ensure that the questions sought for the information which was related to the problem under study and this ensured validity.

3.7.2 Reliability

Thanasegaran (2012) defined reliability as the extent to which information is considered free from error and therefore yields accurate results. Information is considered reliable if research instruments will obtain the same results concerning the same subject of matter after being used by different researchers (Thanasegaran, 2012). Brink (2011) said that reliability aims to reduce errors in the data gathered. It refers to the ability to consistently yield the same results when the same measurements were repeated on the sample under study and under the same conditions (Brink, 2011).

Since the study was conducted at a private institution where respondents are afraid to avail confidential information for reasons such as fear of competitors. The researcher made an arrangement for a drop box where respondents would drop unsigned questionnaires upon completion to secure the anonymity of the respondents. Also, research instruments used ensured the reliability of data as structured interview questions were used in order to exhaust all areas of concern. Questions were designed to cover the aspects of the objectives of every objective. Respondents were given questionnaires in the morning before they got exhausted with their work so as to minimize the risk of errors.

3.8 Ethical Considerations

Walton (2013), research ethics are specifically interested in the analysis of ethical issues that are raised when people are involved as participants in research study. Research ethics have three main objectives which involve: the objective to protect human participants, ensuring that research is conducted in a way that serves interest of individuals, groups and the society as a whole. Lastly, the final objective was to examine specific research activities and projects for their ethical soundness i.e. looking at issues such as the management of risk, protection of

confidentiality and the process of informed consent (Walton, 2013).The researcher obtained a letter from the institution to present to Primeseed.co requesting for authority to carry out a research on the company. The letter served as assurance that the information gathered will be strictly for academic purposes. Participants were informed that the information they gave was to be kept confidential. Also, the researcher focused on specific research areas concerning the cost control and its impact on profitability, looking at issues such as protection of confidentiality of participant's information.

3.9 Data collection Procedures

Questionnaires were given to participants in the departments of Primeseed.co, making use of the drop and pick technique. For questionnaire to back in time appointments were made with the participants in the departments, followed by a follow up to respondents to see if they experienced any challenges in answering the questionnaires. Interviews were held i.e. structured face to face. Results from the interviews were documented during the interviews.

3.10 Data presentation

The researcher's first step towards the presentation of data, was to group and classify responses from the questionnaires and interviews according to the research questions they were relating to. The researcher made use of visual aids such as tables, bar graph and pie charts to exemplify the data collected. Visual aids made it easier for the researcher to scrutinize, analyze and interpret raw data that had been gathered.

3.11 Data Analysis

According to Walton (2013), data analysis a systematic process which involves the application of statistical and logical methods to describe, evaluate and illustrate data so that appropriate conclusions will be given. The researcher organized and presented the data using tables, bar graphs, pie charts and percentages were calculated to show the various responses of the

respondents for each question. Modal responses were used by the researcher to up with conclusions as they gave a true picture of events taking place at Primeseed.co.

3.12 Summary

This chapter summarized how the research study was conducted, research design, and sources of data, sampling and target population. It also showed the research instruments used, validity and reliability of research instruments, data collection procedures and data analysis. The next chapter presents data presentation, analysis, interpretation and conclusions.

CHAPTER 4

Data Presentation, Analysis and Interpretation

4.1 Introduction

This chapter focuses on the data presentation, analysis and interpretation. The gathered data is presented using tables, pie charts and bar graphs. The presented data is then analyzed and conclusions are made based on the mode.

4.2 Response rate

Table 4.1 Responses to questionnaires

Categories of Responses	Questionnaires administered	Completed and Returned	Response Rate %
Finance	10	9	90
Human Resource	3	2	67
Sales and Marketing	5	3	60
Product and Development	3	3	100
Production and Processing	5	5	100
Quality control	2	2	100
Information technology	2	1	50
Total	30	25	83

The table 4.1 above shows that 30 questionnaires were distributed to the population and a total of 25 questionnaires were completed and returned. The respondents were willing to contribute as the questionnaires were straight forward and stated privacy which led to faithful and reliable answers.

4.3 Demographic Responses

4.3.1 Gender

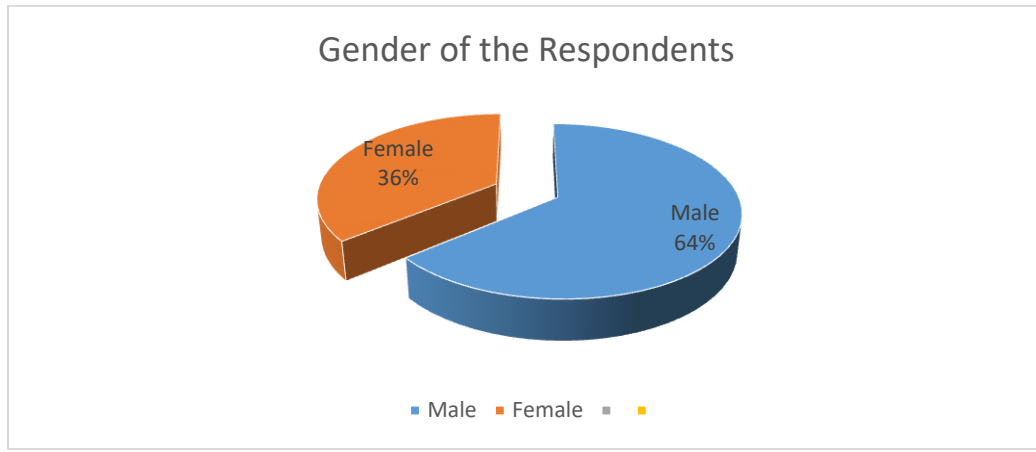


Fig 4.1

Fig 4.1 above indicates that males made up the majority of the respondents being 64 % and the remaining 36% were females. This proved that most of the employees dominant at Primeseed.co are males.

4.3.2 Work experience



Fig 4.2

Fig 4.2 indicates data collected, showed that the greater part of the respondents have a work experience of between 1 – 5 years (84%), then less 1 year (8%) and 6-10 years (8%). This shows that the majority of the respondents are in the range of 1-5 years and are in a key position to give valid and reliable data.

4.4 The objective of cost control

4.4.1 Reducing costs directly reflect an increase in the level of profits of an organization

Table 4.2

Reducing costs directly reflect an increase in the level of profits of an organization

	Strongly Agree	Agree	Disagree	Uncertain	Total
Responses	18	4	1	2	25
Response rate %	72	16	4	8	100

The table 4.2 above shows that 18 out of 25 (72%) strongly agreed, 4 out of 25 (16%) agreed, 1 out of 25 (4%) disagreed and 2 out of 25 (8%) were uncertain on whether reducing costs directly reflect an increase in the level of profits of an organization.

A total of 22 out of 25 (88%) respondents agreed with Abdul and Isiaka (2015) and Akeem (2017) who suggested that the relationship between cost management and profitability is statistically significant that is for any business to record adequate profits, there is need for proper control of costs. The researcher concluded that reducing cost directly reflect an increase in the level of profits of an organization.

4.4.2 Cost control is important to an organization as it regulates and reduce unwanted

expenses

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	15	9	0	1	0

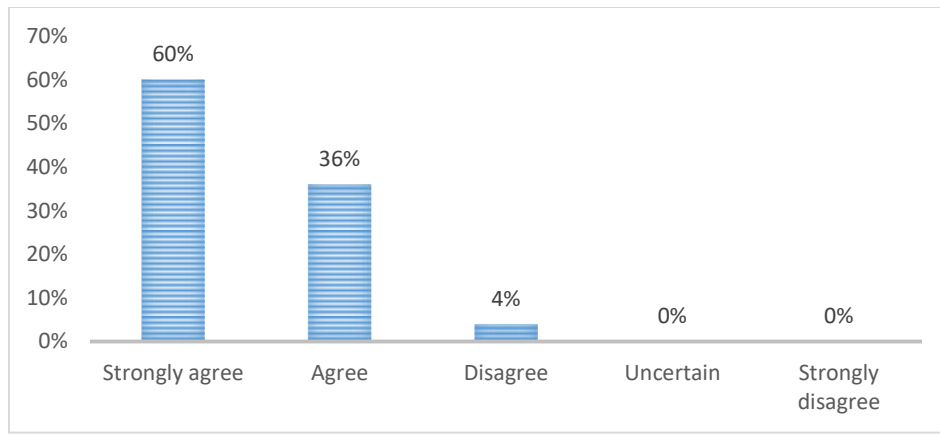


Fig 4.3

Fig 4.3 above shows that 15 out of 25 (60%) strongly agreed, 9 out of 25 (36%) agreed and 1 out of 25 (4%) disagreed that cost control important to an organization as it regulates and reduce unwanted expenses. In total 24 out of 25 (96%) agreed with Akeem (2017) who suggested cost control establishes a standard and maintains the performance according to the standard and it is important to an organization as it regulate and reduce unwanted expenses. The researcher concluded that cost control is important to an organization as it regulates and reduce unwanted expenses.

4.4.3 Cost control increase chances of an organization to sale its products at a lower price

than its competitors

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	15	5	5	0	0

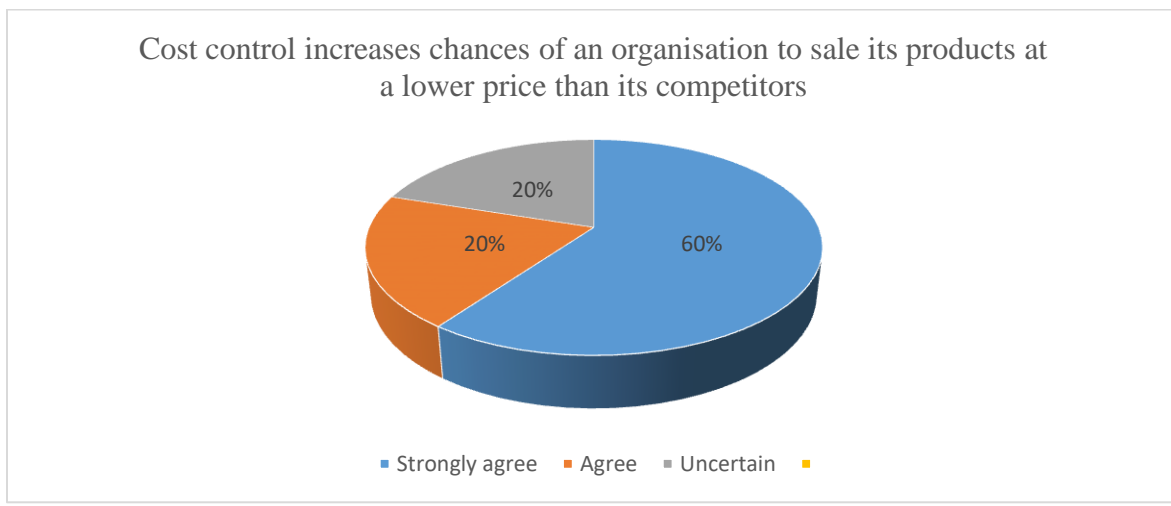


Fig 4.4

Fig 4.4 indicates that 15 out of 25 (60%) strongly agreed, 5 out of 25 (20%) agreed and 5 out of 25 (20%) were uncertain on whether cost control increase chances of an organization to sale its products at a lower price than its competitors.

A total 80% agreed with Akeem (2017) who suggested that any organization that effectively uses cost control and cost reduction, increases the chances of selling its products at a lower rate than its competitors, without changing its product’s quality. Basing on the modal of the response, the

researcher concluded that cost control increases chances of an organization to competitively sale its products at lower price than its rivals.

4.4.4 Cost control relies heavily on the existence of a sound and effective cost control system

Table 4.3

Cost control relies heavily on the existence of a sound and effective cost control system

	Strongly Agree	Agree	Disagree	Uncertain	Total
Responses	12	5	-	8	25
Response rate %	48	20	-	32	100

The table 4.3 above shows that 12 out of 25 (48%) strongly agreed, 5 out of 25 (20%) agreed and 8 out of 25 (32%) were uncertain on whether cost control relies heavily on the existence of a sound and effective cost control system. A total of 68% modal response agreed with Kinney and Raiborn (2011) and Siyanbola and Raji (2013) who suggested that cost control operates effectively where there is an efficient cost control system. The researcher conclude that for cost control to be effective there must be a sound cost control system.

4.4.5 Every employee should be involved in suggesting cost control initiatives within the department

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	1	7	0	10	8

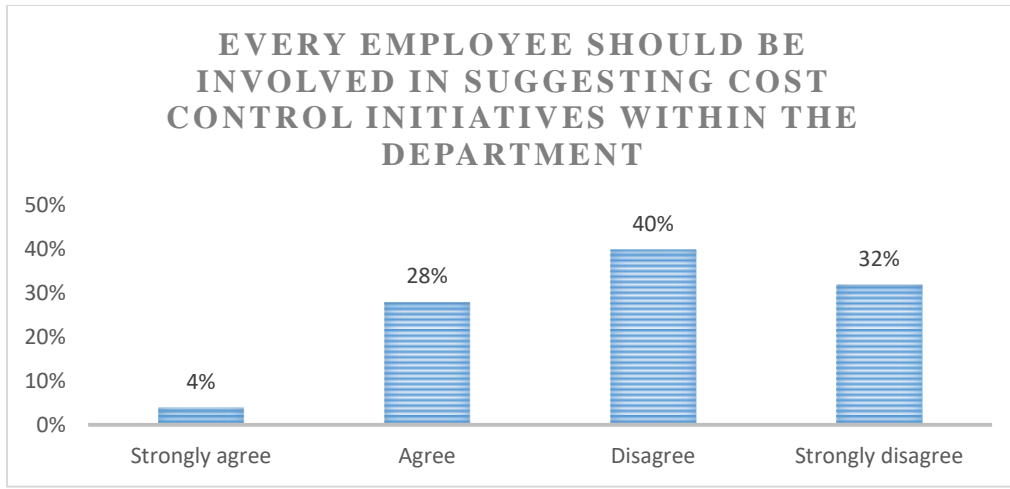


Fig 4.5

Fig 4.5 above shows respondents results that 10 out of 25 (40%) disagreed, 7 out of 25 (28%) strongly disagreed, 7 out 25 (28%) also agreed and 1 out of 25 (4%) strongly agreed that every employee should be involved in suggesting cost control initiatives within the departments.

In total a response of 17 out of 25 disagreed with Clement (2015) who suggested that only managers must be involved in cost control initiatives within the departments, although the duty is delegated as the business grows. The researcher concluded that every employee should be involved in suggesting cost control initiatives within the departments.

4.4.6 To what extent do you agree that companies should carryout educational awareness on cost control issues?

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	0	1	0	6	18

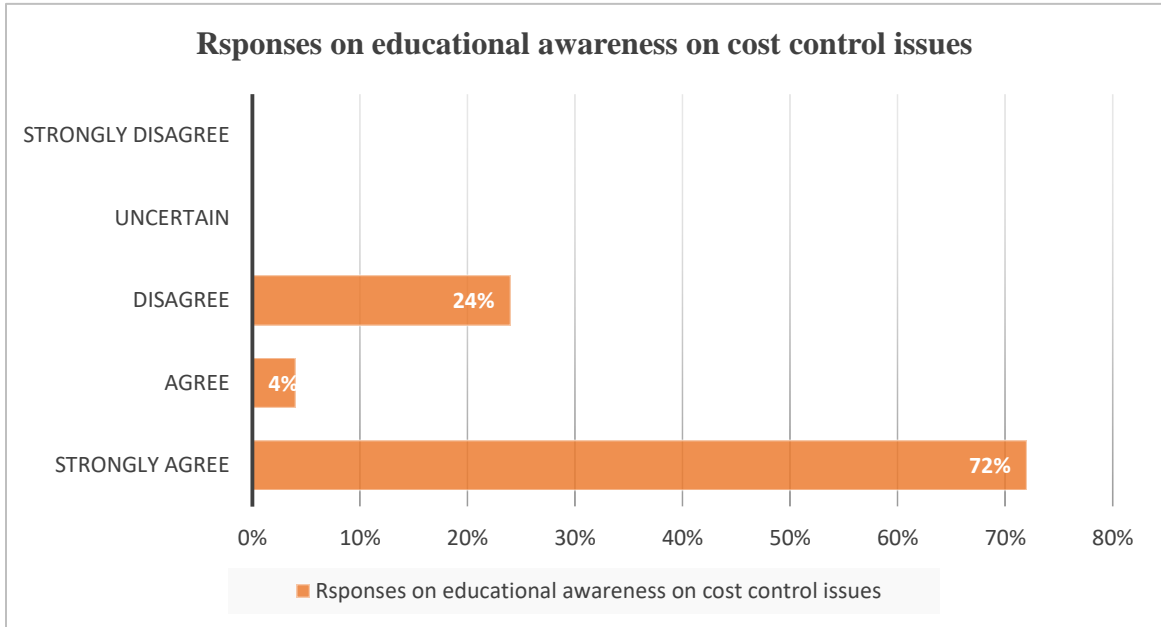


Fig 4.6

Fig 4.6 above indicates respondents results that 18 out of 25 (72%) strongly agreed, 1 out of 25 (4%) agreed and 6 out of 25 (24%) disagreed on that companies should carryout educational awareness on cost control issues.

In total, 24 out of 25 agreed with Kinney and Raiborn (2011) who suggested that there is need to communicate the need for cost consciousness to all employees, so that they are aware of the importance of cost control. Thus employees must be educated on cost control issues and motivated to embrace the concepts behind cost control. The researcher concluded that companies should carryout educational awareness's on cost control issues.

4.5 Cost control techniques that are involved in the cost control process

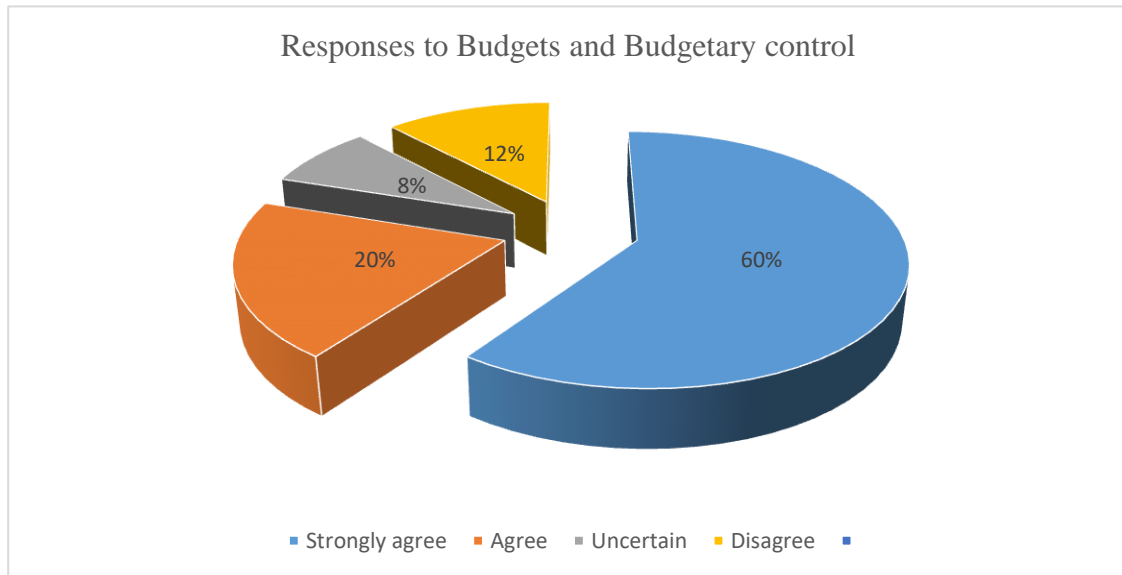
4.5.1 Budgets and Budgetary control

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	15	5	2	3	0

Fig 4.7

Fig 4.7 indicates that 15 out of 25 (60%) strongly



ly agreed, 5 out of 25 (20%) agreed, 2 out of 25 (8%) disagreed and 3 out of 25 (12%) were uncertain about budgets and budgetary control as a management technique that helps in reducing costs.

In total, 20 out of 25 (80%) respondents agreed to Siyanbola and Raji (2013) and Owusu (2016) who suggested that budgetary and budgetary control help to ensure an effective cost control and budgets are prepared to achieve the following purposes: decision making, planning, performance evaluation and control. The researcher concluded that Budgets and Budgetary control management technique helps in reducing costs.

4.5.2 Standard costing

Table 4.4

	Uncertain	Strongly Agree	Disagree	Agree	Total
Responses	9	8	7	1	25
Response rate %	38	30	28	4	100

The table 4.4 above shows that 9 out of 25(38%) were uncertain, 8 out of 25(30%) strongly agreed, 7 out of 25 (28%) disagreed and 1 out of 25 (4%) agreed that standard costing management tool helps to reduce cost.

The modal of 38 % respondents that were certain agreed with Gauci (2015) , who suggested that standard costing and variance analysis are effective instruments in cost control but they are more relevant in medium and large companies rather than in micro and small firms. The researcher concluded that standard costing management tool helps to reduce cost.

4.5.3 Variance analysis

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	9	12	3	1	0

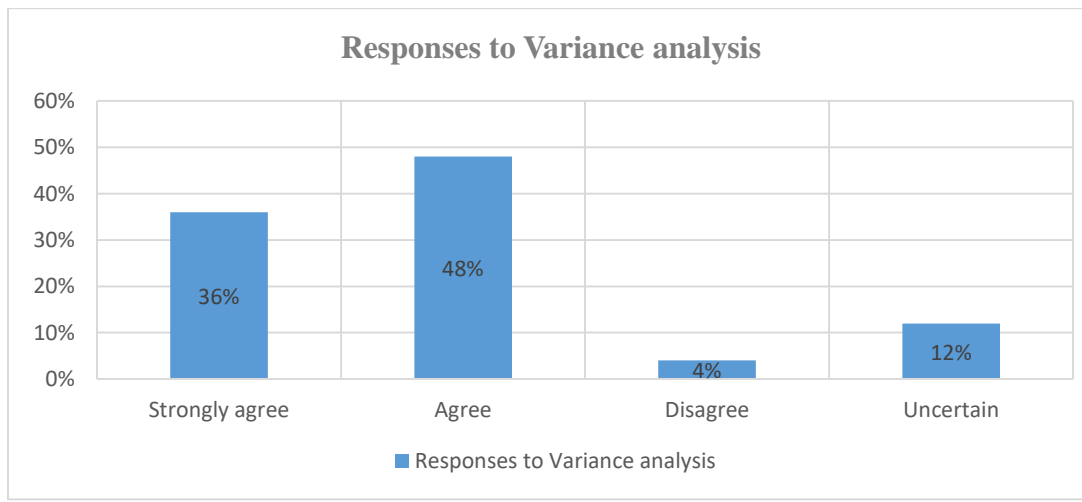


Fig 4.8

Fig 4.8 indicates that 9 out of 25 (36%) strongly agreed, 12 out of 25 (48%) agreed, 1 out of 25 (4%) disagreed and 3 out of 25 (12%) were uncertain that variance analysis helps in reducing costs. In total 21 out of 25 (84%) of the respondents agreed with Akenbor and Agwor (2015)

who suggested that, standard costing and variance analysis helps to reduce costs and allows effective utilization of resources. The researcher concluded that variance analysis management tool helps in reducing costs.

4.6 Management techniques used for gaining competitive advantage in cost control

4.6.1 Target Costing

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	8	5	9	3	0

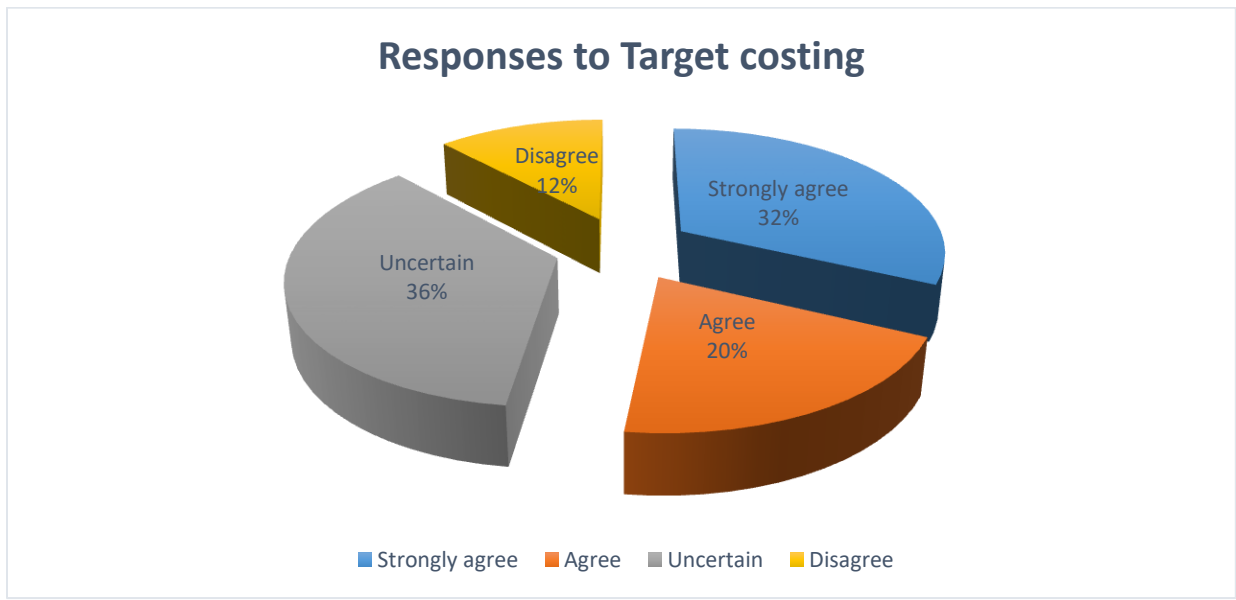


Fig 4.9

Fig 4.9 indicate results from the respondents that 9 out of 25 (36%) were uncertain, 8 out of 25 (32%) strongly agreed, 5 out of 25 (20%) agreed and 3 out of 25 (12%) disagreed that target costing can employed as a technique to gain competitive advantage in cost control.

In total 13 out of 25 (52%) agreed with Idowu (2014) and Tobi et al (2015) who suggested that target costing enhances cost and quality advantage in a competitive environment, it is useful for pricing decision and for making rational and quick decision in manufacturing firms. The researcher concluded that target costing can be employed as a technique to gain competitive advantage in cost control.

4.6.2 Value engineering

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	0	9	13	3	0

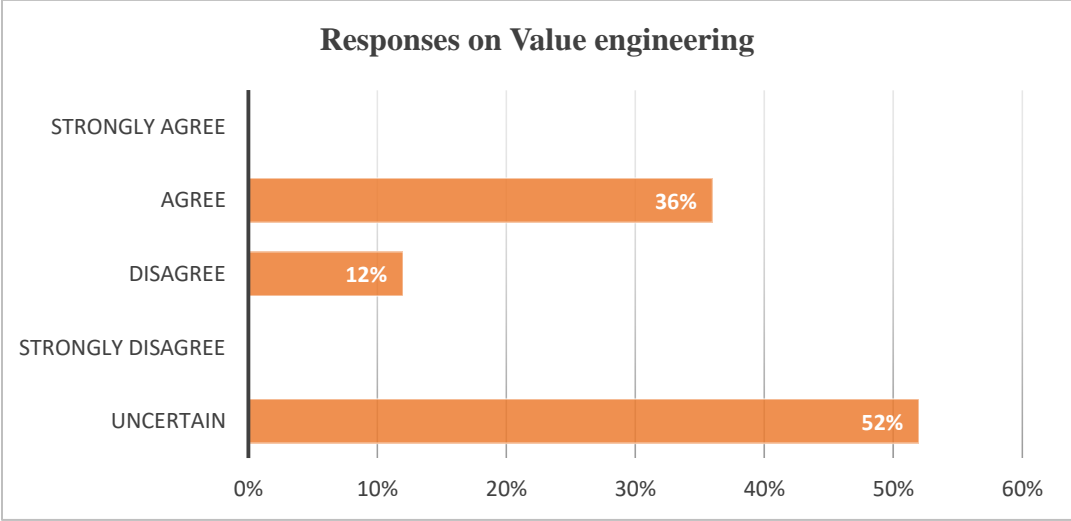


Fig 4.10

Fig 4.10 indicates that 13 out 25 (52%) were uncertain, 9 out of 25 (36%) agreed and 3 out of 25 (12%) that value engineering can be employed as a technique to gain competitive advantage in cost control.

The modal response of 13 out 25 (52%) were uncertain and agreed with Mahadik (2015) who suggested that value engineering cannot be used alone, it complements target costing. It is an

extension of target costing throughout the design stage up until the point when the new product goes into production. In conclusion, the researcher concluded that respondents were not knowledgeable about whether value engineering can be employed as a technique to gain competitive advantage in cost control.

4.6.3 Kaizen costing

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	9	0	14	2	0

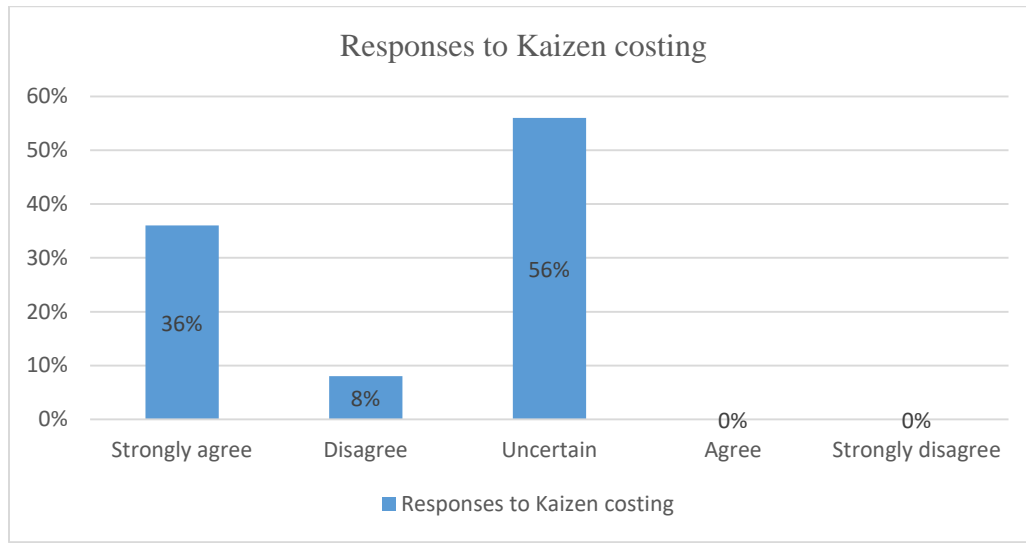


Fig 4.11

Fig 4.11 above indicates that 14 out of 25 (56%) of the respondents were uncertain, 9 out of 25 (36%) strongly agreed and 2 out of 25 (8%) disagreed that kaizen costing can be employed as a management technique in gaining competitive advantage in cost control.

The modal response of 14 out of 25 (56%) of the respondents agreed with Bekcioglu et al (2016) who suggested that kaizen costing results in the organization segmenting its market and it may increase communication cost. The researcher concluded that respondents were uncertain about whether Kaizen costing can be employed as a management technique in gaining competitive advantage in cost control.

4.7 The effects of implementing weak cost control techniques

4.7.1 Increase in labor cost

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	15	9	0	1	0

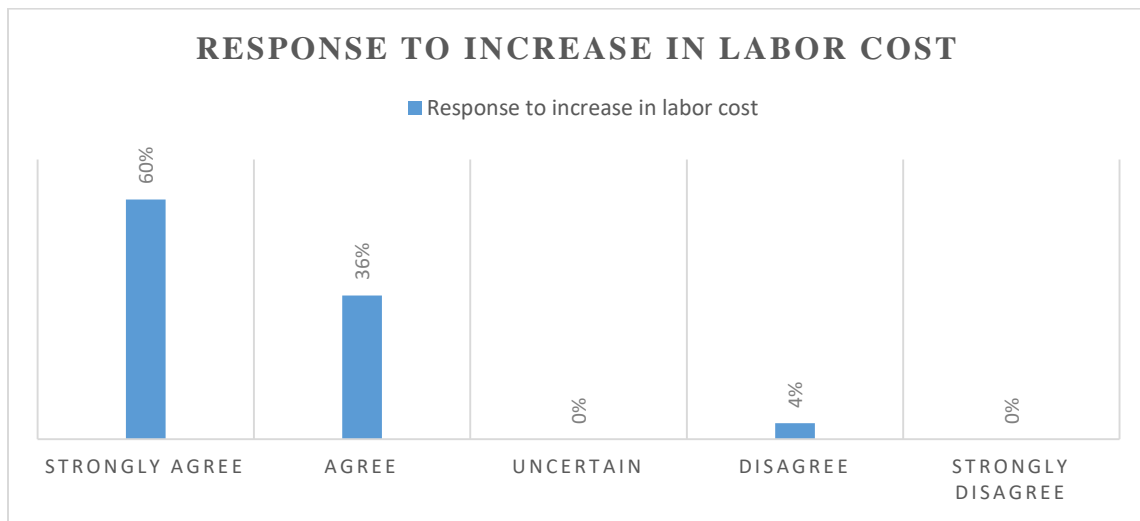


Fig 4.12

Fig 4.12 shows that above, shows that 15 out of 25 (60%) strongly agreed, 8 out of 25 (36%) agreed and 2 out of 25 (4%) disagreed that increase in labor cost can result due to weak cost control techniques.

In total 96% agreed to the findings by Young and Shields (2016) who suggested that labor costs are amount of expenditure incurred by the organization for hiring or employing personnel in exchange of services for the attainment of organizational goals. These increases in labor costs in most organizations are most likely as a result of poor cost management, in some cases it shows that cost control techniques implemented by management will have loopholes. The researcher concluded that increase in labor cost can result due to weak cost control techniques.

4.7.2 Increase in material wastages

Table 4.5

	Strongly agree	Agree	Disagree	Strongly disagree	Total
Responses	9	8	5	3	25
Response rate %	36	32	20	12	100

The table 4.5 above shows that 9 out of 25 (36%) strongly agreed, 8 out of 25 (32%) agreed, 5 out of 25 (20%) disagreed and 3 out of 25 (12%) strongly disagreed that an increase in material wastages indicate weak cost control techniques. In total 17 out of 25 agreed and 8 out of 25 disagreed that weak cost control techniques causes increase in material wastages.

The modal response of 68% are in agreement with Akenbor and Agwor (2015) and Olalekan and Tajudeen (2015) who suggested that that when there is poor cost control, it also means there is inadequate supervision of workers hence employees can use the resources of the organization anyhow they like without anyone monitoring them and this obviously results in wastages of resources. The researcher concluded that weak cost control techniques causes increases in material wastages.

4.7.3 Increase in repairs and maintenance cost

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	8	10	2	5	0

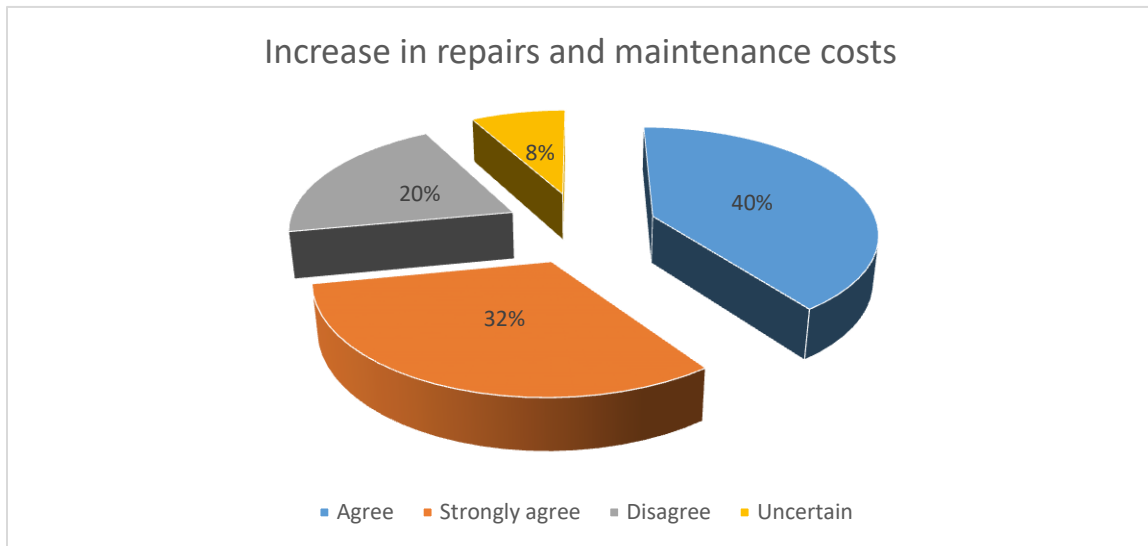


Fig 4.13

Fig 4.13 above indicates that 10 out of 25 (40%) agreed, 8 out of 25 (32%) strongly agreed, 5 out of 25 (20%) disagreed and 2 out of 25 (8%) were uncertain that weak cost control techniques result in increase in repairs and maintenance costs.

The total of 18 out of 25 (72%) agreed with to the academic literature by Evans (2014) and Eti et al (2014) who suggested that organizations with effective cost control practices have a wise maintenance culture i.e. they usually incur relatively low repair and maintenance costs because cost control starts by making a decision of buying highly –dependable equipment that cost relatively little to repair and maintain. The researcher concluded that weak cost control techniques results in increase in repairs and maintenance costs.

4.7.4 Decrease in operational performance

Raw data: Responses

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	13	10	1	1	0

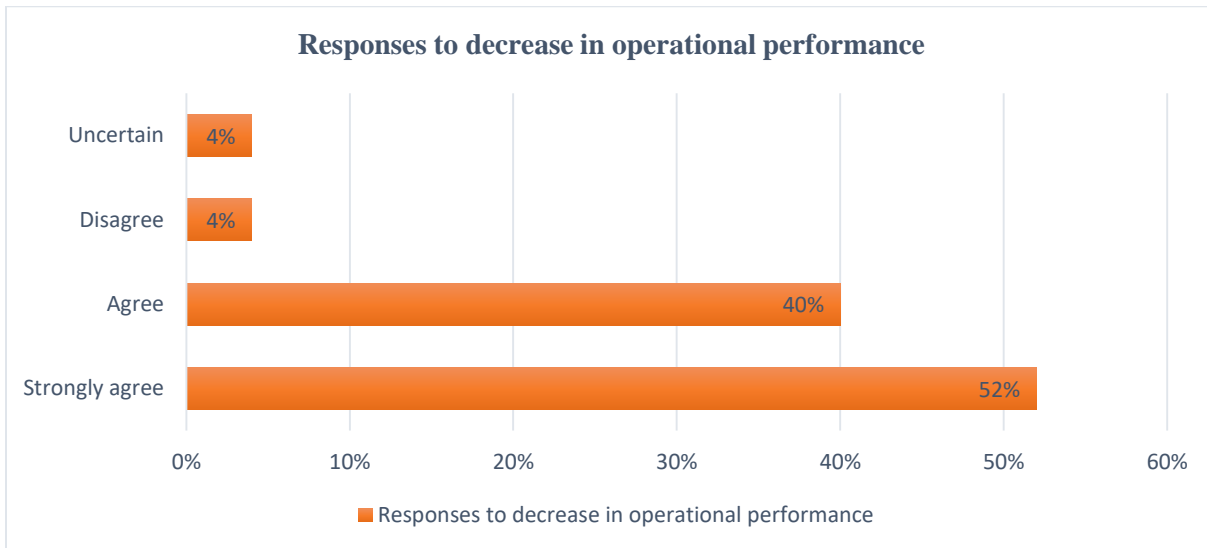


Fig 4.14

Fig 4.14 above shows that 13 out of 25 (52%) strongly agreed, 10 out of 25 (40%) agreed, 1 out of 25 disagreed (4%) and 1 out 25 (4%) was uncertain.

The majority of 23 out of 25 (92%) are in agreement with Akenbor and Agwor (2015) and Tunji and Mojeed (2013) who suggested that, the more a firm is careless with cost control techniques or methods, the more it is inefficient in the use of its resources thus dragging the performance of the organization. Also, when there is poor cost control, it also means there is inadequate supervision of workers hence employees can use the resources of the organization anyhow they like without anyone monitoring them and this obviously reduces the performance of the organization. The researcher concluded that weak cost control techniques results in decrease in operational performance.

4.8 Interviews

4.8.1 Interview Responses

The researcher conducted two interviews during the research. The interviews were conducted with one respondent from finance department and the other respondent was from the production and processing department and they were successfully held. The researcher focused mainly on key areas of the research.

4.8.2 In your opinion, is the manufacturing sector's performance being affected by very high cost of production and operational costs?

This question formed the basis of the research, as it is the root of the research problem. It was meant to give substance to the reason why the researcher embarked on this study as it would confirm whether or not costs were affecting performance in the manufacturing sector. Both respondents concurred that indeed the sector has been facing challenges and chief amongst them was high costs of production affecting the viability of the sector. The respondents were in agreement with Mhlanga (2017) and Bloch (2014) who reported that costs (operational and production costs) were amongst factors that affected the manufacturing sector's performance.

4.8.3 What do you attribute as the cause of very high cost of production and the other operating cost in the manufacturing sector?

According to the first respondent, the sector hasn't adapted to new challenges that came with the introduction of multiple currencies in 2009. Most companies are operating below capacity due to lack of capital to boost their production. This has led to immense surges in wages and salaries, materials and consumables, electricity and other utilities. Consequently costs of production have been escalating and it has become expensive to produce goods in Zimbabwe.

4.8.4 The objective of cost control

4.8.4.1 In your opinion, what do you think is the objective of cost control?

Both respondents suggested that cost control is more concerned with regulation and reduction of unwanted expenses so that costs are kept within acceptable limits and it is more concerned with the determination of unit cost and measurement. The respondents further explained that for any business to record adequate profits, there is need for proper cost control.

In addition, the respondents explained that cost control enables the management to determine selling prices, thus if cost are reduced the business will be able to set lower selling prices or can maintain the selling prices and increase the margin.

4.8.4.2 In your opinion, does reducing costs directly reflect an increase in the level of profits of an organization?

Both respondents concurred that reducing costs do reflect an increase in the level of profits to some extent. Decreased costs through improved costs control do reflect an increase in profit. There were in agreement with Akeem (2017) and Abdul and Isiaka (2015) who suggested that the main objective of any business is to maximize profit .For an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit.

4.8.5 Requires needed to ensure an effective cost control system.

4.8.5.1 In your opinion, what do you think are requirements needed to ensure an effective cost control system?

The respondents suggested that there must be Budgets, which helps to plan ahead and defend the cost that will be incurred in future. Also, there be sound internal control within the company's departments which include authorization of expenses or activities before there are incurred e.g. Approval of all purchase orders before purchase of the goods or services. The respondents were in agreement with Kinney and Raiborn (2011) and Nowak (2016) who suggested that cost control begins when the budgets are prepared and understanding the reasons causing changes in cost from period to period.

4.8.5.2 Does your company carry out educational awareness on cost control issues?

Both respondents didn't agree and they argued that although educational awareness are important to the employees. The educational and awareness programs are costly and time consuming

4.8.5.3 Is every employee involved in suggesting cost control initiatives within the departments?

The respondents showed that not every employee at Primeseed.co was involved in suggesting cost control initiatives with the departments. Head of departments and managers are only involved in the suggestion process.

4.8.6 Management techniques involved in the cost control process.

4.8.6.1 Does your organization implement cost control techniques such as budgeting and budgetary control, standard costing and variance analysis?

Both respondents explained that Primeseed.co uses Budgets and Budgetary control, Standard costing and Variance analysis. Variance analysis is main employed in stock control and Budgets are prepared yearly. During the year forecast are prepared, 1st quarter, 2nd s quarter and 3rd quarter forecast. The respondents further explained that due to changes that may occur during the year, the company prepares forecast since the budgets would be outdated.

4.8.7 The effects of implementing weak cost control techniques

4.8.7.1 In your own opinion, what are the effects of implementing weak cost control techniques?

Both respondents suggested that the effects of implementing weak cost control techniques results in unnecessary spending, increase in resource wastages and unplanned recruitment of employees and this might result in high cost. The respondents were in agreement with Olalekan and Tajudeen (2015) who suggested that wastages may result from poor cost control in that, the firm may buy materials more than what is necessary for production and those resources will not be utilized.

4.8.7.2 Which other actions are being taken within your organization to control or reduce costs?

Both respondents explained that actions such as retrenchment programs, mechanization (replacing manual labor with machinery) and preparation of cost comparative schedules before purchasing goods or services were the major actions being taken at Primeseed.co to control and reduce costs.

4.9 Summary

This chapter focused on the analysis and presentation of findings obtained from questionnaires and interviews. The data was presented and analyzed according to the research objectives. Responses obtained from the data were presented in the form of tables, graphs and pie charts. The next chapter presents the summary of the research, conclusions and the recommendations that the researcher came up with.

CHAPTER 5

Summary, Conclusions and Recommendations

5.1 Introduction

This chapter gives a summary of previous chapters and conclusion obtained from the findings of the research study. Recommendations are also provided making use of research findings and suggestions for further studies are also provided making use of research findings.

5.2 Summary of the Research

- Chapter one showed the background to the study, statement of the problem and the objectives of the study. It highlighted research questions, significance of the study and assumptions. Also, delimitation of the study, limitation of study, definition of terms followed and the chapter concluded with the summary.
- Chapter two gave a literature review of views and opinions of other scholars. The researcher reviewed the literature using the research objectives.
- Chapter three outlined methods and procedures used to conduct the research. The chapter was structured as follows: Research design, target population. It also included validity and reliability of research instruments, ethical consideration and lastly data collection procedures. Quantitative and Qualitative approaches were used to collect data. Primary data was obtained from a target population of 30 employees from departments of Primeseed.co.
- Chapter four focused on the data presentation, analysis and interpretation. The gathered data was presented using tables, pie charts and bar graphs. The presented data was analyzed and conclusions were made basing on the mode.
- Chapter five gave a summary, conclusions and recommendations and suggestion for further studies.

5.3 Major Research findings

5.3.1 The objective of cost control

- Findings from the research showed that reducing costs directly reflect an increase in the level of profits of an organization. It is clear that profit can be increased by manipulating costs thus cost control measures have a positive impact on business profitability to a larger extent. Also, cost control increase chances of an organization to sale its products at a lower price than its competitors. There is a general consensus that the manufacturing sector's performance is being affected by very high cost of production and operational cost thus leadership in this sector are learning towards controlling costs.

The researcher concluded that the objective of cost control is to regulate and reduce unwanted costs. Therefore, cost control measures have a positive impact on business profitability as it is clear that profit can be increased by manipulating costs. Also, cost control increases chances of an organization to sale its products at a lower price than its competitors.

5.3.2 The requirements needed to ensure an effective cost control system

- Findings from the research showed that cost control relies heavily on the existence of a sound and effective cost control system. To ensure an effective cost control system, every employee should be involved in suggesting cost control initiatives within organization's departments. Although, findings from the research showed that there is lack of inclusion of lower level employees in suggesting cost control initiatives.
- Findings from the research concluded that companies should carry out educational awareness on cost control issues.

The researcher concluded that requirements needed to ensure an effective cost control system, companies should carry out educational awareness on cost control issues, every employee should be involved in suggesting cost control initiatives within organization's

departments as managers alone cannot control cost and an effective cost control system is formed on the back of strong cost consciousness.

5.3.3 Cost control techniques that are involved in the cost control process

- The research showed that management cost control techniques such as budgets and budgetary control, standard costing and variance analysis helps in reducing costs. It is evident that element of costs such as materials, labor and overhead cost can be strategically controlled with measures like budgetary control, standard costing and variance analysis, accounting to achieve higher profit levels.

The researcher concluded that budget and budgetary control, standard costing and variance analysis are cost control techniques that are involved in the cost control process. Also, kaizen costing and target costing are management techniques that can be used to control costs and gain competitive advantage in the market.

5.3.4 The effects of implementing weak cost control techniques

- Findings from the research showed that, effects of implementing weak cost control results in increase in labor costs, material wastages, increase in repairs and maintenance cost and decrease in operational performance.

The researcher concluded that increase in labor costs, material wastages, increase in repairs and maintenance cost and decrease in operational performance are the effects of implementing weak cost control techniques.

5.4 Conclusions

The study sought to analyze cost control measures and their impact on profitability of manufacturing companies. An increase in cost which added to reduced profitability in the manufacturing sector motivated the study. The research objectives were to understand the objective of cost control, to understand the requirements needed to ensure an effective cost

control system, to examine cost control techniques that are involved in the cost control process and to determine the effects of implementing weak cost control techniques.

All the research objectives were achieved and it was concluded that cost control measures have a positive impact on business profitability as it is clear that profit can be increased by manipulating costs. It was evident that element of costs such as materials, labor and overhead costs and workers behavior could be strategically controlled with measures like budgetary control, standard costing and variance analysis, accounting to achieve higher profit levels. In controlling costs a good cost control system is required to minimize costs as wastages are eliminated and inefficiencies reduced during production and throughout an organization. Also from the findings, increase in labor costs, material wastages, increase in repairs and maintenance cost and decrease in operational performance were the effects of implementing weak cost control techniques.

5.5 Recommendations

- Findings from the research showed that there is lack of inclusion of lower level employees in the decision making and initiatives concerning cost control measures. Management should involve all workers in suggesting cost control initiatives within departments as management alone cannot control costs and cost control is a recurrent process that requires the support and involvement of all employees at all times.
- Also, companies should carry out awareness campaigns programs on the importance of cost control within the organization. These meetings and campaigns should be occasionally carried out monthly or quarterly and importance of cost minimization should be explained to employees. Findings from the research concluded that the majority of the respondents were uncertain on whether costing techniques such as Value engineering and Kaizen can be used to gain competitive advantage in cost control.
- Companies should employ other management techniques such as kaizen costing, value analysis and target costing used to control costs and gain competitive advantage in the market as from the research findings majority of the respondents were uncertain on whether costing techniques such as value engineering and kaizen can be used to gain competitive advantage in cost control.

5.6 Areas for further research

The researcher recommends a further study on the role budgetary control as a tool to control costs to aid organization's competitive advantage. From the research findings, it is argued that budgets and budgetary control are important in identifying opportunities to minimize costs.

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APPENDIXES

APPENDIX 1 (COVER LETTER)



Faculty of Commerce
Department of Accounting
P. Bag 9055
Gweru

16 April 2018

The Finance Manager
Primeseed.co
1 Shamwari road
Stapleford
Harare
Zimbabwe

Dear Sir

RE: REQUESTING PERMISSION TO COLLECT RESEARCH DATA FROM YOUR ORGANISATION

I was once a student on attachment at Primeseed.co, in the finance department from 12 September 2016 to 31 July 2017. Currently, I am in my final year at Midlands State University and I am carrying out a research on cost control measures and their impact on profitability of manufacturing companies. The research is carried out in partial fulfilment of the Bachelor of Commerce Honours Degree in Accounting, the researcher is currently undertaking.

May you kindly grant me permission to collect research data from your organization. The data sought is solely for academic purposes. Your assistance is greatly appreciated.

Yours faithfully

Gregy Vambe (R144349C)

APPENDIX 2: QUESTIONNAIRE

Dear Respondent

My name is Gregy Vambe, a student at Midlands State University studying towards the Bachelor of Commerce Accounting Honours Degree. I am carrying out a research on cost control measures and their impact on profitability of manufacturing companies. I am interested in your views or opinions regarding the questions which shall follow and this shall be used for academic purposes only.

Instructions

1. Do not write your name.
2. Tick in the boxes provided.
3. If you are not certain about how to respond to any given question, please skip the question and go to the next one.

Section A: Background Information

1. Gender

Male []

Female []

2. Specify your job position.....

3. Specify your department.....

4. How long have you be in the organization?

Less than 1 year []

1-5 years []

6-10 years []

Above 10 years

[]

Section B

5. Manufacturing sector's performance is being affected by very high cost of production and

Strongly agree	agree	disagree	Strongly disagree	Uncertain

operational costs

Othercomments.....
.....
.....

6. Reducing costs directly reflect an increase in the level of profits of an organization

Strongly agree	agree	disagree	Strongly disagree	Uncertain

Othercomments.....
.....
.....

7. Cost control is important to an organization as it regulates and reduce unwanted expenses

Strongly agree	agree	disagree	Strongly disagree	Uncertain

Othercomments.....

8. Cost control increases chances of an organization to sale its products at a lower rate than its

Strongly agree	agree	disagree	Strongly disagree	Uncertain

competitors

Othercomments.....

9. Cost control relies heavily on the existence of a sound and effective cost control system

Strongly agree	agree	disagree	Strongly disagree	Uncertain

Othercomments.....

Strongly agree	agree	disagree	Strongly disagree	Uncertain
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10. Every employee should be involved in suggesting cost control initiatives within the department:

Othercomments.....

11. To what extent do you agree that companies should carryout educational awareness on cost

Strongly agree	agree	disagree	Strongly disagree	Uncertain

control issues

Othercomments.....

12. Which of the following management techniques are employed by your organization?

Budgets and Budgetary control	
Standard costing and Variance Analysis	
Kaizen costing	
Value analysis	
Life cycle costing	

Any

other.....

	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
Budgets and Budgetary control					
Standard costing					
Variance analysis					

13. The following management techniques help in reducing costs

Any

other.....

	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
Increase in labor cost					
Increase in material wastages					
Increase in repairs and maintenance cost					
Decrease in operational performance					

14. The impact of weak cost control techniques are identified as follows:

Any

other.....

.....

15. Which other actions are being taken within your organization to control costs?

.....
.....
.....

Thank you very much for your co-operation

APPENDIX 3 INTERVIEW GUIDE

Questions

1. In your opinion, is the manufacturing sector's performance being affected by very high cost of production and operational costs?
2. What do you attribute as the cause of very high cost of production and the other operating cost in the manufacturing sector?
3. In your opinion, what do you think is the objective of cost control?
4. In your opinion, does reducing costs directly reflect an increase in the level of profits of an organization?
5. In your opinion, what do you think are requirements needed to ensure an effective cost control system?
6. Does your company carry out educational awareness on cost control issues?
7. Is every employee involved in suggesting cost control initiatives within the departments?
8. Does your organization implement cost control techniques such as budgeting and budgetary control, standard costing and variance analysis?
9. In your own opinion, what are the effects of implementing weak cost control techniques?
10. Which other actions are being taken within your organization to control or reduce costs?