

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING & FINANCE

ASSESSMENT OF COST ACCOUNTING PRACTICE: THE CASE OF SEGON MARILL INTERNATIONAL MOVERS PLC IN ETHIOPIA

A Thesis Submitted to the Department of Accounting and Finance

In Partial Fulfillment of the requirement for the Master of

Science Degree in Accounting and Finance

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Date: July 2024

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STATEMENT OF DECLARATION

I, Goytom G/egziabher, hereby declare that this thesis entitled "Assessment of Cost Accounting Practice: The Case of Segon Marill International Movers PLC in Ethiopia" submitted by me for The award of the Degree of Master of Accounting and Finance, to Addis Ababa University, Ethiopia, to the best of my knowledge, is my original work prepared under the guidance of Kelifa Sromolo (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted in any other higher learning institution for the purpose of earning any degree.

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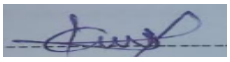
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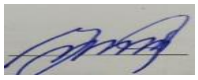
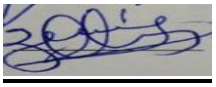
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ACKNOWLEDGEMENTS

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

Most importantly, I am deeply indebted to my research supervisor Kelifa Sromolo (PhD) for his essential guidelines and unwavering patent assistance in doing the thesis. I have benefited greatly and have retained the knowledge of accounting and research that my supervisor readily shared with me. Great appreciation also goes to Addis Ababa University, department of accounting and finance for offering me the opportunity to do this study and all my lecturers and administration staff of the department who contributed in one way or another in fulfilling my interest of knowledge.

Finally, my deepest thanks and appreciation is to my family, for being understanding, patience, kind, and giving full and moral support throughout the period of my study.

Lastly and not least, am also indebted to my class of Master of Science in Accounting and Finance colleagues and friends and all those who assisted me in one way or another throughout this period of study and though I may not name each one of you individually, your contribution is recognized and appreciated immensely. I owe you my gratitude.

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LIST OF ACRONYMS

DMC Direct Material Cost
PLC Private Limited Company
MOHC Manufacturing Overhead Cost
ABC Activity-Based Costing
ABCM Activity-Based Costing Management
GAAP Generally Accepted Accounting Principle
IFRS International Financial Reporting Standard
CIMA Chartered Institute of Management Accountant
SCM Supply Chain Management
ERP Enterprise Resource Planning
EDI Electronic Data Interchange

ABSTRACT

This study aimed to assess the cost management practices of Segon Marill International Movers P.L.C. The sample size of this study is 12 employees of the company. The researcher used both open-ended and close-ended questionnaires and interviews to collect data from the company's employees and top management. The findings revealed that the company has a separate cost accounting department with professionally qualified and efficient staff, although the department lacks adequate personnel. The company utilizes Marginal, Standard, and Job Order costing approaches, but the current costing method is perceived to be complex, lacking in transparency, and in need of better integration and automation. The study found that the company extensively uses cost accounting information to support operational efficiency, control, and strategic decision-making, but there are opportunities to further optimize its application. The company has a strong focus on cost reduction and control through strategies such as operational efficiency, inventory management, employee engagement, and supplier negotiation. Based on the findings, the study recommends that the company should ensure the cost accounting department has sufficient staff, empower the department to collaborate across the organization, regularly review and streamline the costing approaches, invest in robust cost accounting systems, and foster cross-functional collaboration. Additionally, the company should simplify the costing processes and optimize the system's structure to improve transparency and ease of use.

Key Words: Cost Accounting, Cost Accounting Information, Costing Approaches

CHAPTER ONE
1. INTRODUCTION

1.1. Background of the Study

According to the Chartered Institute of Management Accountants in London, cost is the amount of expenditure (actual or notional) incurred on, or attributable to a specified thing or activity. Costing is the process of determining the cost. It contains regulations and guidelines that control how the cost of goods and services are determined. It aims to compute the cost per unit as well as the total cost. (CIMA,n.d.).

The Costing terminology of C.I.M.A. London defines cost accounting as "The establishment of budgets, standard costs and actual costs of operations, processes, activities or products, and the analysis of variances, profitability or the social use of funds". (CIMA,n.d.).

According to Wheldon, cost accounting is the process of "classifying, recording, and appropriate allocation of expenditure for the purpose of calculating the costs of goods or services and for the presentation of data that is ready for management control and direction. Thus, it is a formal process for determining and managing the costs of products and services. (Wheldon, 2016)

Cost accounting attempts to determine the cost of each good or service that a company manufactures or provides by methodically recording and analyzing its expenses. An understanding of the costs related to each good or service would aid management in making decisions about where to make cost reductions, how to set prices, and how to boost profits. (Horngren, 2003)

Logistic costs are the monetary value sacrificed by the businesses in order to carry out the logistic activities. The emergence of logistical costs is contingent upon logistical operations, and the proportion of these expenses to overall operating costs has been steadily rising. Given that they are considered the most significant logistical activities, transportation-related costs are thought to account for the largest portion of all logistical costs. Due to the fact that the logistic triangle's speed, quality, and cost components are all substantially affected by transportation-related operations, as well as the logistic costs overall. Based on the main logistic operations, the following costs can be identified as logistic cost elements: transportation costs, storage costs, handling costs, order recognition and information management costs, stock management costs, and other logistic costs (Tokay et al. 2011,).

Stated differently, logistic costs encompass all expenses associated with a product from the time it is attempted to be provided until it is delivered to the customer. These expenses include storage, packaging, shipping, transportation, assembly, and any applicable service costs, as well as the costs associated with creating invoices, marking transactions, and collecting payments (Gürsoy, 1997: 334-335).

Even though costing techniques vary by industry and rely on the nature and size of the company, it is advised to create an efficient costing system in order to effectively manage and control organizational expenses. Thus, Segon Marill International Movers PLC's cost accounting procedure is investigated in this study. Policy makers wishing to foster cost accounting proficiency among Ethiopian logistics companies and contemplate national cost accounting standards may find particular value in the study's conclusions. It will also promote interest among Ethiopian researchers as well as other researchers to make the logistics sector a focus of interest in cost accounting research.

1.2. Background of the Company

Since its establishment in 2000, Segon Movers PLC has been marking its pathway in the country and internationally as the leading Ethiopian moving company specialized in household effects, antique and fine art packing as well as intercity moves of personal effects and office furniture. Through the years, the company earned worldwide recognition and became the leading provider of international moving services to corporate clients who require consistently high level of service quality.

Based in Djibouti since 1896, Marill has been serving Djibouti and all neighboring countries. Its century old presence in the horn of Africa and in the business has enabled the latter to earn worldwide recognition and excelled all customers' expectations. Its wide and enlarged knowledge and deep expertise in transit, logistics and forwarding supplemented with highly qualified and experienced assets have contributed to the company's well-being, expansion and international fame.

After a decade of collaboration, shared values and ambitions, Segon & Marill International Movers decided to tie the knot and signed a partnership effective as of January 1st, 2011 to operate as Segon-Marill Movers PLC.

Segon-Marill Movers PLC has been renowned for delivering high quality services with its own vehicles, warehouse facilities, and equipment and packing materials. Segon-Marill International

Movers PLC's Head Office is housed in MACCFA HOUSE, located in front of the St. Joseph church on the Bole-Kality ring road. As the company expanded its services, the management decided to establish its headquarters at the current location which is right in between the Addis Ababa Airport Cargo Terminal and the Kality Custom's warehouse. The head office is also in close proximity to the company's two warehouses at Gofa and Kality which gives it an additional leverage in delivering swift services to its customers.

Segon-Marill Movers PLC is dedicated to providing its customers with the best, most efficient worldwide transportation and logistics services. Using an established and proven chain of operations, it offers its customers customized moving services via sea, and air from and to all points around the globe at the most competitive prices.

Segon-Marill Movers has been rendering a wide spectrum of services that meet the demands of its customers. The company's prestige in the industry emanates from the innovativeness of its service offerings and the dedication of its staff. Segon-Marill Movers service offerings are Packing and moving, Relocation, Storage and Record management.

1.3. Statement of the problem

Financial accounting does not provide a detailed explanation of all the information that cost accounting can handle. Ali's (2010) study indicates that cost accounting procedures are now more crucial than ever. The reasons for this are the domestic and global competition getting severer by globalization, decreases profit margins, increasing input prices due the tightening energy sources, economic crises, etc. As a result, businesses in developing nations have started utilizing cost accounting techniques, which were initially adopted by businesses in developed nations. Research studies that were first carried out in developed nations are being followed by studies carried out in developing nations in tandem with these developments. However, according to Lin and Yu (2002), there aren't many studies in the literature on this topic, and the application of cost accounting in less developed nations is still inadequate. They go on to say that this might be because less developed nations' business and economic administrations are still in relatively primitive states.

Costs may rise above manageable levels as a result of uncertainty. In profit maximization, cost control and reduction play significant role. Any kind of business that can successfully manage costs and cut expenses without sacrificing quality can charge less for its goods than its rivals. The company can increase its market share and establish itself as the industry leader by using its

price competitive advantage (Akeem, 2017). He further stated that in good or bad periods, cost-control and reduction plan doesn't change in good times or bad. These days, organizations are having trouble keeping up with the rising operating costs. Therefore, a cost-control and reduction strategy is required. As a result, an organization must use efficient cost-reduction and control tools and techniques to minimize costs in order to avoid going over budget, turning a profit, or sacrificing the quality of their output.

Numerous countries have conducted studies on cost accounting practices. Anand (2004) examined the cost accounting practices of Indian corporations to determine whether adopting Activity Based Costing (ABC) differed significantly from traditional cost systems. Sarawu (2012) conducted a survey on the adoption of ABC among Nigerian manufacturing companies. In order to investigate the cost and management accounting techniques used by manufacturing companies operating in AP, India, (Rao, 2015) conducted an empirical study. The study's goal was to look at how cost-control and cost-reduction strategies affected organizational performance (Akeem, 2017). The cost and account management procedures of publicly traded manufacturing companies in Sri Lanka were examined by (Kariyawasam, 2018). (Kubrom, 2019) The study's objective was to evaluate and investigate Des General Trading PLC's cost accounting procedures in Ethiopia. (Alemu, 2019) The study's goal was to evaluate how well National Alcohol and Liquor Factory's cost accounting procedures controlled and decreased manufacturing costs. Since cost accounting in logistics differs from that of other industries in a number of ways—such as the complexity of logistics operations, the significance of customer service, and the requirement for visibility—it has not, however, been studied in Ethiopian logistics companies. In addition, logistics firms must deal with particular issues like variable costs, indirect costs, and international operations. Thus, this research will look at and assess cost accounting principles.

Therefore, Studying the cost account practice of Segon Marill International Movers PLC has economic importance as it enables effective cost control, pricing strategies, decision-making, performance evaluation, contracting, and regulatory compliance. As a result, the logistics sector experiences enhanced profitability, increased competitiveness, and long-term growth. This investigation will also close the gap in the body of literature. The goal of the researcher's study is to promote the advancement of cost accounting practices through better understanding of current ones.

1.4 Research Questions

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

1. What is the current cost accounting practice adopted in the company?
2. What are the challenges faced by the company regarding the costing method that the company currently uses?
3. What are the roles of cost accounting information in managerial decision making?
4. What are the cost control and cost reduction mechanisms used by the company?

1.5. Objective of the study

1.5.1. General Objective

The general objective of this study is to evaluate the effectiveness, accuracy, and efficiency of their cost accounting system used by Segon Marill International Movers PLC. This assessment supports informed decision-making, identifies areas for improvement, enhances cost control measures, and ensures compliance with accounting standards and regulations.

1.5.2. Specific objectives

The major objectives of the study are:

a) To assess the current status of the current cost accounting practice of the company?

b) To identify the challenges faced by the company regarding the costing method that the company currently uses?

c) To evaluate whether the company's cost accounting information prepared help managers to be effective in their decision making?

d) To assess the cost control and cost reduction mechanisms used by the company?

1.6 Significance of the Study

Significance of the study are as follows:

- Evaluate the Application of Cost Management Practices: Determine how well cost management techniques are applied in Ethiopian logistics companies. Analyze the ways in which these practices aid in cost control and reduction.
- Establish a Framework for Further Research: Construct a framework that can serve as a basis for upcoming studies on cost management practices in the logistics industry. This framework should enable researchers to work with more comprehensive data sets and expand on the findings of this study.

- Encourage more research on cost management techniques used by Ethiopian logistics companies by igniting interest in the field. In order to enhance cost management tactics and performance, emphasize the significance of continued research in this field.
- Give Shareholders Useful Insights: Show how efficient cost control techniques affect investment returns in order to provide shareholders of logistics companies with useful information. Demonstrate how enhancing cost management can boost profitability and benefit various stakeholders, including governments, creditors, and shareholders.
- Assist with Decision-Making: Provide business managers in understanding cost behavior and making informed decisions related to planning and managing costs at different levels of activity. Offer advice on deciding which actions will have the biggest financial impact.
- Find Opportunities for Improvement: Assess the entire costing system and pinpoint areas that could use improvement. Provide recommendations for enhancing the cost control and overall goal achievement of logistics companies through improved cost management practices.
- Improve Organizational Performance: Show how putting successful cost management techniques into place can greatly increase the achievement of organizational objectives in logistics firms. Emphasize the possible advantages of improving costing methods.
- Promote Knowledge Sharing: Assist other researchers who are interested in researching cost accounting practices by disseminating research findings and insights. Offer insightful data and act as a reference for upcoming studies in the area of cost accounting practice.

Overall, the significance of the study are to evaluate cost management practices, establish a framework for subsequent studies, encourage further research, provide insights to stakeholders, support decision-making, identify areas for improvement, enhance organizational performance, and facilitate knowledge sharing among researchers.

1.7. Scope of the study

The study will attempt to cover every aspect of cost accounting practice with a particular emphasis on Segon Marill International Movers PLC. The purpose of this research paper is to evaluate the company's cost accounting system. Due to limitation of time and resource constraints, the student researcher has limited the study's scope to a sample, which might not be entirely representative of the population.

1.8. Limitation of the study

This study is restricted to evaluating only Segon Marill International Movers PLC's cost management practices. The results are solely derived from the logistics perspective. The lack of prior research on cost management strategies in Ethiopian logistics companies is another obstacle the researcher will have to overcome. The lack of prior research and literature on this particular topic presents a number of difficulties and restrictions for the current study.

CHAPTER TWO
2. LITERATURE REVIEW

2.1. Introduction

In this section, the literature related to the subject is briefly reviewed with a view to showing vividly the gap in knowledge and for easy interpretation of the research result. It reviews the cost definitions of many authors in their book, the cost element and also briefly defines cost accounting.

This section provides a review of relevant literature to provide a basis for implementing cost accounting practice.

2.2. Definition of Cost

Cost measures the amount of financial resources that have been or will be sacrificed in order to accomplish a particular goal (Shim & Siegel, 2000, p. 2). Cost can be defined as the amount of inputs used to create something, or as the amount of work, effort, or sacrifice required to achieve a goal. Following profit measurement, cost measurement is the second most crucial task performed by accountants. (Tracy & Laurin, 2007, p. 221).

Cost can be defined as an economic resource that includes labor, real estate, machinery, supplies, and any other resource needed to carry out tasks or generate results. (Stewart, 1995a). Usually, typically expressed as a monetary value. As a result, costs are the monetary value assigned to the resources used in the creation of an output or provision of a service.

2.3. Cost accounting

The definition of cost accounting, as given by various authors, is as follows:

Cost accounting provides product cost information to external parties (stockholders, creditors, and various regulatory bodies) for reporting and investment and credit decisions, as well as internal managers for planning, controlling, decision-making, and performance evaluation. This fulfills the informational demands of both financial and management accounting. (Kinney et al., 2011)

Cost accounting, also known as costing, is the process of gathering, organizing, allocating, and assessing the expenses related to an organization's operations (Blocher, 2005).

The process of measuring, evaluating, and reporting financial and non-financial data pertaining to the expenses of obtaining or utilizing resources within an organization is known as cost accounting. For instance, the cost of a product calculation is a cost accounting function that satisfies the needs of both the management accountant (who makes decisions about which

products to promote and at what price) and the financial accountant (who values inventories). The majority of accounting professionals nowadays, however, view cost data as a component of the management accounting data that is gathered in order to make management choices. As a result, it is difficult to distinguish between cost accounting and management accounting. (Horngren et al, 2018).

According to the definitions mentioned above, cost accounting serves as a method of presenting essential non-financial and financial data for management and financial accounting. Therefore, this study has adopted the (Horngren et al., 2018) definition which suggests that the cost accounting task is to provide information for both Management and financial accounting.

2.4. Purpose of Cost Accounting

The main objectives of cost accounting are as follows (Samaha and Abdallah, 2011):

❖ **Ascertainment of Cost:** This is the main reason for using cost accounting. Different cost accounting systems and techniques are applied in different situations for cost ascertainment.

❖ **Control of Cost:** The main objective of cost control is to raise efficiency by lowering and managing costs. It is becoming significantly important due to the growing completion. A variety of managerial decisions, such as make or buy, selling below cost, maximizing the use of idle plant capacity, and introducing a new product.

❖ **Determination of Selling Price:** Cost accounting provides cost data that can be used to set selling prices for goods and services. Cost accounting provides guidance when determining how much to lower selling prices during recessions in order to make ends meet.

❖ **Determine and Control Efficiency:** Cost accounting performance is measured and improved by categorizing and evaluating cost data, and then suggesting different approaches to improve performance in order to boost profitability.

❖ Determine the value of closing inventory for preparing financial statements of the concern.

❖ Establish a foundation for operating policies, such as the calculation of the cost-volume relationship, whether to close down or continue operating at a loss, whether to manufacture products internally or purchase them from the market, and whether to stick with the current production process or switch to a better one and so forth.

2.5. Cost Accounting Practices

Historians have reportedly long supported the theory that cost accounting originated with the industrial revolution (Jonson, 2001). For instance, (Wilson and Chua, 2003) asserted that the automated, multi-process cotton textile factories that sprang up in the United States and England around 1800 were the originators of cost accounting. This viewpoint was in line with Garner's (2004) observation that the industrial revolution's growth of the factory system delayed the emergence of cost accounting, which occurred only after the eighteenth century. According to the conventional wisdom, the rise in fixed capital during the industrial revolution led accountants to graft cost accounting onto the double entry system, which is how cost accounting originated (Johnson, 2001).

The history of cost accounting can be divided into three periods: the first, which began with its introduction and ended before industrialization; the second, which began with industrialization and ended in the twentieth century; and the third, which followed. (Antonelli and Vetal, 2009). The activity may have been known by different names in the early days, and cost accounting may not have been a distinct and widely accepted concept as it is now. The history of cost accounting dates back to the fourteenth century at the latest. (Thukaram, 2012). Cost accounting had to grow as a result of the business's expansion, particularly in manufacturing activities where small businesses began to produce trade goods like books, woolens, coins, and wine. (Cunagin and Stancil, 1992).

A range of cost accounting techniques are used by today's organizations to control expenses and increase profits (King, Premo, & Cas, 2009, p. 21). Every business team aims to optimize its profit margin through cost control. A department responsible for cost accounting can reduce expenses by giving management all the information they require.

Because of the comprehensive nature of supply chain management (SCM) and logistics, cost data are usually spread throughout the organization. Concerns arose midway through the 1980s that senior management, viewing distribution merely as a necessary cost and service, was failing to recognize its potential for increasing profits. According to a report, businesses' accounting and financial resources had not kept up with the developments in distribution, and most distribution managers were unaware of how crucial financial data is to improving distribution performance. Similar problems still exist today (Tyndall & Busher 1985). The Finnish Association of Purchasing and Logistics Professionals (LOGY) expressed concerns that supply chain

management (SCM) professionals are unable to show how their work impacts the bottom line. As a result, it's possible that upper management views supply chain management as a set of operational tasks unrelated to organizational strategy.

Although the majority of administrative costs in logistics are related to labor and wages, a more thorough analysis of the distribution of resources among activities may encourage reorganizing procedures to remove duplication and pointless work. Insufficient data regarding logistics and supply chain management expenses also hinders communication and cooperation amongst supply chain participants. The application of management accounting techniques such as activity-based costing, target costing, total cost of ownership, or balanced scorecard, as well as non-financial performance measurement in a supply chain context, has been the main focus of a large portion of the literature on supply chain management and logistics costing since the 1980s.

2.6 Techniques of costing

Executives can implement a number of strategies that will surely improve the organization's operations when creating an efficient cost accounting system. It is imperative for executives to comprehend the significance of these techniques in creating an effective cost accounting system that can reduce expenses while generating high-quality outputs. Management can use techniques like standard costing, target costing, ABC, and the just-in-time approach to create a better cost accounting system so they can compete in the global market. (Hansen, 2009). The following techniques of costing are used by the management for controlling costs and making managerial decisions:

2.6.1 Traditional Costing

2.6.1.1 Historical (or Conventional) Costing

It is the process of calculating costs after they have been incurred. This implies that a product's cost cannot be determined until after it has been produced. This technique is helpful simply for figuring out how much things will cost; it is not helpful for controlling expenditures in any way. It can only be used as a guide for production in the future if the same conditions persist.

2.6.1.2 Standard Costing

It describes the process of creating standard costs, using them to calculate deviations from the standard, and evaluating the deviations in order to keep production efficiency as high as possible. In this instance, the expenses of each object are ascertained beforehand under the present and projected circumstances, albeit occasionally they are ascertained beforehand under the ideal or typical circumstances. Then, discrepancies, also known as variances, between the actual and

projected expenses are compared and recorded. After that, the causes of the variations are identified, and the required actions are done to keep them from happening again. One of the most popular and extensively utilized product costing methodologies is standard costing. Because the requirements of a conventional manufacturing environment are very different from those of a modern production environment, standard costing was created to meet those needs. An organization whose operations are a sequence of routine or common tasks where the input needed to create each unit of output can be stated is best suited for this costing approach. Businesses that create a wide range of goods using a number of common processes might also benefit from standard costing. Standard costing is a popular accounting system because it generates data that can be used for many different tasks, including making decisions, setting difficult goals to meet, helping to create budgets, acting as a control mechanism by drawing attention to undesirable behavior, and making it easier to trace costs to individual products for inventory valuation and profit calculation. (Drury, 2004)

2.6.1.3 Marginal Costing

The notion of marginal costing, sometimes referred to as direct costing or variable costing, is predicated on the idea that each cost unit should only be charged for costs that it directly caused to occur (Layne, 1984). It talks about calculating marginal costs by separating fixed and variable costs, as well as how changes in output volume or type affect profit. In this instance, the profit and loss account of the period in which the expenses arises is charged with fixed costs, while only the variable costs are charged to the goods or operations.

2.6.1.4 Target Costing

Target costing aids in cost reduction over the whole product life cycle, whereas standard costing only lowers expenses during the production phase. The gap between the sales price required to obtain a certain market share and the intended profit per unit is known as the target cost (Hansen, 2009). This discrepancy is the permissible expense that managers allow for the product's cost. If current costs exceed the goal cost, management will need to discover ways to reduce costs during this phase. This guarantees that in order to attain these kinds of outcomes, management modifies the way the entire company operates. In order to ensure that everyone is on the same page, target costing also necessitates close communication between the accounting, marketing, and production departments (Kaplan, 2006). This cost management techniques helps to reduce costs in each stage of the development of the product.

2.6.1.5 Absorption Costing

The foundation of absorption costing is the idea that, in order to calculate the total cost of each unit, a company's regular expenses should be assigned to each one separately. The cost units absorb the entire costs through this process. In addition to the direct cost, the product units are also assigned a proportionate amount of the overhead cost (Layne, 1984). According to GAAP, absorption costing treats all manufacturing inputs—direct labor, direct materials, variable overhead, and fixed overhead—as inventoriable or product expenses. Full costing is another name for absorption costing. Costs incurred in the organization's non-production sectors are referred to as period costs in absorption costing, and they are reported as an expense in a manner that precisely matches revenues. Furthermore, expenses are shown in the income statement based on their functional classification when using absorption costing. An assortment of expenses that were all incurred with the same main objective is known as a functional classification. Selling costs, administrative costs, and cost of goods sold are examples of functional classifications. (Kinney and Rail-born, 2011)

2.6.2 Activity-based costing (ABC)

Instead of using allocation, the ABC accounting system uses direct measurements to try and uncover costs. As a result, the overall cost of the product is depicted more accurately. By concentrating on this task, this management tool not only lowers expenses but also raises the final price that consumers pay for the product. ABC's guiding principle is to deliver value to customers at a price that is less than what they would otherwise pay for that same value. Any specific task carried out by an organization in order to generate or provide goods or services is called a function. Resources are consumed by activities, which are consumed by products or services. The two-step ABC method of product costing divides expenses into activities and then into products according to how each product is used. ABC has four stages (Kinney, 2006).

First, resource-consuming activities are recognized and corresponding costs are allocated to them. Finding activities that use up a resource can occasionally be intriguing and challenging. Activities can be categorized as value-added or non-value-added after they have been identified. When managers follow the production process through to the very end, they frequently find a lot of non-additive activities that can be dropped from this initial step. Second, each activity's related cost factors are determined. Third, by using the cost factor, the cost factor is determined. The estimated indirect cost divided by the estimated amount of the allocation base yields the predetermined rate. Lastly, the cost factor ratio is multiplied by the quantity of cost factor units

that the product uses to determine the cost of the product. Compared to traditional costing, ABC uses more data but produces more accurate production cost estimates. Managers are able to decide on prices more effectively with effective cost information.

Managing activities to lower costs is the main goal of activity-based management. It can be challenging to determine ABC users for a variety of reasons. It's important to remember that this costing system is centered on an organization's activities and accrues costs according to the type and extent of those activities. Next, a number of cost drivers for organizational activities are used to calculate a few preset overheads. In ABC, the costs associated with producing, executing, distributing, and supporting goods and services are shared among the parties involved.

The three fundamental aspects of activity-based costing are

- considering that costs are incurred at various organizational levels,
- assembling costs into associated cost pools, and
- Allocating costs to goods and services using a variety of cost drivers. (Michael & Cecily, 2011)

The Activity-Based Costing (ABC) system is a cost accounting technique that allocates costs to cost objects by first tracking expenses to activities and subsequently following activities to products. It utilizes both unit and non-unit-based cost drivers (Hasenn, 2009).

Instead of using allocation, the ABC accounting system uses direct measurements to try and uncover costs. As a result, the overall cost of the product is depicted more accurately. By concentrating on this task, this management tool not only lowers expenses but also raises the final price that consumers pay for the product. ABC bases its business strategy on offering its customers value at a price that is less than what they would otherwise pay for that value.

2.7. Method of cost system

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

2.7.1. Job Order Costing System

The cost object in this system is a single unit or multiple units of work, which is a good or service. One kind of costing system that has a separate record of the cost of each specific amount of product that passes through the plant is the job order costing system.

Generally, businesses with shareable and unique products use a job order costing system. Costs are allocated in this system to a specific good, lot, batch, or service. A job is an activity that involves the use of resources to launch a specific good or service (Cherington, 2008, P, 277).

A technique for calculating costs in industries where products are manufactured or services are rendered in accordance with a customer's order is called job order costing. Material, labor, and manufacturing costs are gathered by a job manufacturing costing system for individual orders, jobs, lots, or batches. A task, or a unit or several units of a district's product or service, is the cost object in a job cost system. In industries such as construction, furniture, printing, and others where the cost of a specific task is determined by the order specifications, a job order costing system is commonly employed (Willamsan, 2009).

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

2.7.2. Process Costing System

This costing system is applied in a production process that continuously produces a single product or a single combination of products over an extended length of time. Under this system, the cost of similar units produced for general sale, as opposed to individual customers, is used to calculate the price of a good or service. Using a process costing system, the average costs of several nearly identical manufacturing companies are as follows. P. 278 in Cherrinqton, 2008).

✓ Cement factories

✓ Petroleum refineries

✓ Flour companies

✓ Beer factories

✓ Textile factories

✓ Beverage companies.

The mass of equivalent or comparable units of a good or service serves as the cost object in this scheme. The cost center that expenses are allocated to is the main focus of a process costing system. Usually a department, but it can also refer to an operation or a process. The unit cost of a cost center is determined by dividing its total costs by the number of units produced there. The primary goals are to determine the unit costs of completed goods and the costs allotted to finishing work in process inventory, just like in a job costing system (Vanderbeck, 2010).

Each unit receives the same or comparable amounts of direct labor costs, direct material costs, and indirect manufacture costs in a manufacturing process costing setting (Horngren, 2003).

Arora (2003) states that a process costing system adheres to the subsequent steps: A factory is first split up into multiple processes, with a separate account kept for each process. Secondly, all costs related to materials, labor, and direct and indirect expenses that are specifically associated with the process are included in each process account. Third, the process's output is transferred to the following one in the series. Ultimately, the final product from the previous procedure is moved to the account for finished goods

2.8 The Concept of Logistics

The French military term "logistics" refers to the activity of preparing armies for battle and supporting them throughout it by offering all necessary logistical support to ensure victory (Demir, 2006). As well as being a military term, the lexical meaning of logistic is “the effective and productive planning and implementation of the transfer of all kinds of product, service and information flow from the point of origin to the point of destination” (www.tdk.gov.tr, 2012). For businesses, the term "logistics" refers to a broad range of activities, including the procurement, storage, and internal movement of raw materials, machinery, intermediate goods, and other services, as well as any tasks required for the delivery of manufactured goods to customers and the return of those goods for any reason (Tokay et al., 2011). Logistics is a concept related to the operational functions, as its definition makes clear. The marketing, sales, accounting, finance, and production functions are all related to logistics, which both directly influences and is directly impacted by these functions' operations. As a result, it becomes clear that this idea is essential for businesses to gain a competitive edge (Parlakkaya et al., 2010:306).

Businesses that engage in logistical activities will acquire a number of benefits, including a rise in sales, a reduction in distribution costs, a stable and balanced level of production and consumption, and a favorable effect on price stabilization (Çevik and Gülcan, 2011).

2.9. Logistics Cost Management

Logistic costs are the monetary equivalent of the costs incurred by the businesses in order to carry out the logistical tasks. The cost of logistics operations determines the cost of logistics, and this cost component of operating costs is growing daily. Transportation-related expenses make up the majority of the total costs of logistics, and transportation is the primary function of logistics activities. Due to the fact that transportation activities have a direct impact on the overall costs of logistics as well as the speed factor of the triangle formed by the factors of

quality, cost, and speed. It is possible to define logistics cost elements, such as transportation costs, storage costs, handling costs, order identification and data management, warehouse management costs, and other logistics costs, based on the fundamental operations of logistics (Tokay et al., 2011).

Stated differently, logistics costs encompass all expenses related to a product's delivery from the point of origin to the end user, including storage, packaging, transit, assembly, and any other pertinent services. Fees associated with recording transactions, issuing invoices, and collecting them. (Gürsoy, 1997: 334-335).

In logistics management, the planning of logistics operations based on the customer, market, and distribution channel is done, along with the choice of whether to carry out the activity and procedure internally or through an external supplier. The creation of a product-based cost and revenue analysis of scheduled logistics operations is known as logistics cost management. There are two aspects of logistics management: the market (or external environment) and the company (or internal environment). In contrast, logistics cost management necessitates a three-dimensional analysis comprising the other two dimensions, which are based on product- and service-based performance analysis. Stated differently, it necessitates creating logistics plans and models that incorporate a thorough cost analysis based on operational activities (Delivand et al., 2011). To compare the actual costs of the planned logistics activities and conduct a performance analysis, the situation necessitates integrating the costs resulting from these activities into the accounting information system.

In today's competitive environment with the expansion of the market to a large area, the optimal way, especially for import and export companies, is to manage their logistics activities through in-house outsourcing. Because changing business and competitive conditions require the allocation of scarce resources (capital, labor, etc.) to perfectly perform core skills. Otherwise, inefficient management of both time and scarce resources results in a competitive disadvantage and the risk of not achieving the desired performance.

Seen from this perspective, outsourcing logistics functions creates an opportunity to focus on operational activities, transfer scarce resources to active and productive areas, and thus increase the company's performance (Liu and Lyons, 2011).

Consequently, logistics costs resulting from outsourcing remain low during favorable economic and business times. During peak economic and business times, logistics operations can cause a

huge financial burden on a company. The number of services to be purchased, the unit price and the duration of the contract depending on the outsourcing should be determined taking into account future economic and sector-specific developments (Aktaş et al., 2011).

In order to provide continuous, feasible, optimal and scalable logistics services, the continuity of all operations of the company must be ensured during the planning, design and implementation phase (Jane, 2011). Otherwise, if costs such as late delivery of goods and services to the market/customer, delay costs, transport costs etc. increases, disruption will cause customer dissatisfaction, reduce profitability, and thus lead to poor time management and reduced performance. . In other words, as long as the products and services of a well-functioning and well-managed company do not reach the market/customer in the desired time, the desired result cannot be achieved.

2.10. Components of Logistics Cost

2.10.1. Transportation Cost

The most common cost that is understood as a logistics cost is probably transportation and costs related to warehouse and warehouse maintenance. In a survey conducted in the late 1970s, 87% of 300 North American respondents reported that information on transportation costs was readily available, and in the mid-1980s, transportation and warehousing combined were estimated to account for approximately 80% of distribution costs in most companies.

Specifically, in the reviewed literature, transportation costs include inbound and outbound transportation and theft or damage during transit. Gunasekaran et al suggest that the total transport cost should be considered as transport cost plus local delivery costs [paid by the concentrated firm].

Weber (2002) discusses in detail the accounting of transport costs and distinguishes between internal (e.g. transport from one warehouse to another) and external transport; transport with own vehicle fleet and third party transport services; and regular and as-needed transportation. It depends on the company which transport cost classification is required; a closer examination by mode of transport may also be necessary.

2.10.2. Inventory Related Costs

Although storage costs are one of the most well-known components of logistics costs, next to transportation costs, the classifications of storage costs are slightly different. Definitions typically include warehouse operations costs: goods handling (receiving, moving, order picking, packing, shipping and inventory); as well as inventory maintenance costs.

As a general rule, Lambert (1994) suggests that inventory costs should include only those costs that change with changes in inventory levels, i.e., they vary with inventory levels.

Storage costs, on the other hand, should include those costs that vary depending on the number of (the company's) warehouses or warehouses - that is, those that are incurred by keeping a warehouse independent of inventory - and the costs that were done transfer or move the goods out of the warehouse. In contrast, storage space costs for third-party logistics providers are allocated to carrying costs, as they are usually charged based on the quantity of goods. (Lambert 1994).

Packaging costs and refurbishing costs (i.e. modifying packaging to meet consumer needs, e.g. packaging into smaller units, adding address labels or adding instructions for use (van Amstel 1985) have sometimes been treated as a separate category, but here they is However, if the renovation is extensive (e.g. installation of software or sealing of clothes) and value added to the extent that the customer is willing to pay extra for it, renovation costs are best treated as a separate category to better match value added cost service revenue.

According to another classification, the total cost of holding inventory (Timme 2003) consists of

1) The inventory non-capital carrying cost (including warehousing, obsolescence, pilferage, damage, insurance, taxes, administration and other), and

2) The inventory capital charge (i.e., the capital tied in inventory): the inventory value and the cost of capital (Timme 2003).

Lambert (1994) classifies inventory carrying costs as

1) Inventory service costs (taxes and insurance paid as a result of holding inventory;

2) Storage space costs of the firm’s own or leased warehouse;

3) Inventory risk costs, including obsolescence, damage, pilferage, shrinkage and relocation (shipping from one warehouse to another to avoid obsolescence) and

4) Capital costs. All these costs are expected to correlate with the amount of inventory units.

2.10.3. Administrative Cost

In the reviewed literature, administrative costs are a rather vague category of costs and are rarely described. Lancioni (1991) divides distribution costs into two areas: line/operational costs and personnel/administrative costs. Operational costs are defined as cost centers that deal with the functional areas of logistics, while administrative costs are cost centers that are involved in supporting line or operational functions. Examples of distribution personnel management tasks

include customer service, forecasting, production and transportation planning, inventory and distribution planning, and supplier, systems, transportation, and analysis.

However, order processing and purchase costs, as well as the aforementioned costs related to transportation and storage, are classified as operating costs. (Lancioni 1991, 12.) This classification divides daily activities pertaining to material flow into functional functions and planning, scheduling, analysis, and problem solving (also known as customer service20) as administrative functions. Consequently, associated expenses may be classified as operational or administrative expenses. Although order processing is a daily activity and overlaps with logistics management as well as transportation and inventory management, Mentzer and Konrad (1991) recommend that it be measured separately.

With the increasing prevalence of enterprise resource planning (ERP), electronic data interchange (EDI), and other IT systems, (customer) order processing tasks include ordering and editing, planning, shipping, and invoicing (Mentzer and Konrad 1991, 43). It's likely that order processing expenses have decreased overall and have lost significance. It is advisable to have a preliminary estimate of the order cost in order to evaluate the customer's profitability, even though standard orders typically require less time and have an easier ordering process than special orders daily operations pertaining to material flow are operational functions, and service20) are administrative functions. Consequently, associated expenses may be classified as operational or administrative expenses.

Mentzer and Konrad (1991) advise measuring order processing independently even though it is a daily task that overlaps with inventory control, transportation, and logistics management. Ordering, processing, planning, delivery, and billing are all included in the processing of (customer) orders (Mentzer and Konrad 1991, 43). Order processing costs have generally declined and become less significant as enterprise resource planning (ERP), electronic data interchange (EDI), and other IT systems become more widespread. In order to evaluate the customer's profitability, it is helpful to have at least a ballpark estimate of the order cost, even though standard orders typically take much less time and are simpler to order.

2.10.4. Purchasing Cost

In the academic literature, procurement costs are often treated as a separate concept from logistics costs; on the other hand, cost items such as freight purchase and acceptance and inspection costs can also be considered typical logistics costs. In these cost categories, there is

overlap between procurement and logistics management, and in some cases procurement and production.

The common point of the purchase pricing approaches seems to be that it includes the cost of materials, excluding the cost of purchasing freight and shipping the product to the customer. An accounting textbook (Drury 1990) recommends that freight costs incurred by suppliers be reported as direct costs of purchased material, apportioned by weight or value among different SKUs when shipments contain different materials.

As a simpler alternative, however, the book recommends transferring transportation costs to a factory overhead account and assigning them to a "factory overhead procedure," especially if the costs are relatively small. (Drury 1990, 58–59). Biggs et al. (1990) examine purchase processing costs as an essential cost of purchasing activities: tasks include selecting a supplier, requesting quotes, and tracking and expediting an order.

Yet, the appropriateness of ordering expenses may vary depending on the kind of purchase (repeated or initial), the complexity of the ordered product, and the supplier relationship (e.g., long-term contract or spot sale).

Furthermore, purchase order costs may frequently only be marginal as supply chain management techniques like Kanban and EDI (Electronic Data Interchange) become more widespread. It was discovered that the nature of the production process (continuous vs. batch), as well as the cost and characteristics of the raw materials (perishable and available), had an impact on the relative importance of each cost. The increased volatility of the material price resulted in a shorter material price monitoring interval. While the prices of goods with long-term relationships were monitored less frequently, the prices of goods with variable market prices were continuously monitored.

2.11. Logistics Cost by Cost types

Cost type is another way to categorize logistics expenses. This is in line with the accounting viewpoint (natural accounts or typical cost accounts), and cost data is probably present in many businesses that are categorized as such. Nevertheless, describe the operational aspects of the account, such as marketing functions, which can vary greatly depending on the type of business.

Whether in a purely operational logistics task in a warehouse or in logistics management, labor or labor costs likely make up a significant portion of logistics. Many businesses allow for the outsourcing of warehouse staff, changing the cost group based on the volumes handled.

Whether they are owned or leased, buildings used for logistics operations are included in facility costs. You can include land costs here or as a separate entry. (Kivinen and Lukka, 2003; Mentzer and Konrad, 1991) Pallets, racks, forklifts, and other equipment used in logistics operations are examples of equipment. Computers and IT systems may fall under this group or, as of right now, another. Fuel, electricity, water, maintenance, insurance, phone costs, printing and copying costs, and other expenses are examples of operating costs. (Lukka and Kivinen, 2003) The depreciation of buildings, machinery, and transporters—all logistics assets—is another expense that influences the outcome. The comparability of logistics costs between companies can be impacted by the use of different depreciation methods by different companies.

2.12. Cost Control

The executive regulation of an undertaking's operating costs, especially when that regulation is informed by cost accounting, is known as cost control.

Cost control, according to (Agara, 2005), is a procedure wherein goals are established and the daily occurrence of costs is compared with them to make sure that the goals are not unduly surpassed. According to (Adeniyi, 2008), costs are controlled and kept within a reasonable range in order to maintain the standard of cost of operating an organization. According to him, these restrictions will frequently appear in an operating plan or budget. When actual costs diverge significantly from budgeted costs, cost control strategies become crucial. He went on to say that the process involves setting objectives and obtaining feedback to make sure that actual performance aligns with the goals, and if not, corrective action is implemented.

They continued by explaining that management actions in both short- and long-term planning and cost control are determined by cost management. They continue by saying that revenue and profit planning is frequently intricately linked to planning and cost control.

The following actions are part of cost management, which encompasses many management domains:

❖ Planning: Setting goals and plans is the first stage in cost control. Budgets, standards, estimates, and even past actuals can all be used to express the plan or target in both monetary and physical terms. These act as benchmarks by which the intended goal can be evaluated.

❖ Communication: All individuals tasked with implementing the management's plan and policy are informed of them. There are two ways that communication is established: lower-level

executives report performance to the higher level, and the upper level of management issues directives to the lower level for compliance

❖ Motivation: Performances begin as the strategy is implemented. Performance is assessed, expenses are determined, and data regarding accomplished outcomes is gathered and presented. Individuals are motivated to improve their performances by the fact that costs are incurred in order to measure performance.

❖ Appraisal and Reporting: Differences, or departures from the plan, are evaluated for their reasons after the actual performance is compared to the predefined plan. The appropriate management level is notified of the deviations.

❖ Making Decisions: After reviewing the variances, choices are made. When necessary, corrective actions, remedial measures, or target revisions are made.

Managing costs is a crucial aspect of manufacturing companies' operations to ensure efficient utilization of material resources. Cost management also entails management practices that guarantee costs stay within the parameters of the management plan. It is impossible to overstate the significance of cost management as a strategy for manufacturing businesses since it guarantees accurate cost tracking in the budget and fixes the organization's financial shortcomings. Although the term "cost management" is frequently used, no single definition exists for it (Horngren et. al, 2012).

2.13. Cost Reduction

Cost reduction can be defined as a real and permanent reduction in the cost of goods produced or services provided without affecting appropriate use. As can be understood from the explanation, the reduction in costs must be real and permanent. Disruptions due to unexpected coincidences, changes in revenues, taxes or government policies such as tax cuts, or temporary measures taken to solve economic problems are not covered by the

Cost reduction method. At the same time, the cost reduction program should never compromise product quality or reduce business performance.

A systematic process used by companies to reduce costs without adversely affecting the quality of their products or services. CIMA (2005) stated that cost reduction is the achievement of a real and permanent reduction in the cost of goods produced or services provided, without compromising the appropriate use of the product or reducing the quality of the product. Real and lasting cost reductions can be achieved through higher productivity, lower input costs, and

simplification of the production process without compromising product quality, better execution and elimination of waste and duplication in the production process. Cost reduction is a continuous process of careful evaluation of various cost factors in each part of the business process and improvement of policy guidelines and procedures, work instructions, operational design, and improving performance or the best tools to use.

Interest is the result of two different factors; sales and prices. The greater the distance between these two things, the greater the interest. So profit can be increased by increasing the product or decreasing the price. In a competitive market or when a product is monopolized, it may be possible to increase the price to make more profits and the need to reduce prices may not be unreasonable. But essentially such situations may not exist, and when competition begins to manifest itself, it may not be possible to increase the selling price without negatively affecting sales volume, which reduces profits. Moreover, the increase in the prices of goods ultimately has the effect of increasing basic costs, workers' wages and all other expenses aimed at increasing prices.

In the long run, substitute products may enter the market, resulting in job losses. Therefore, ways to reduce costs, thus reducing the cost of products, must be found and planned. Simply put, cost reduction means maximizing profits by reducing costs through economies of scale and savings in production, management, sales and distribution.

2.14. Use of Cost Information

Manufacturing companies use cost of goods sold calculations for two purposes: first, to gauge internal profitability, and second, to gauge the demand from external auditors for lower production costs during the interim between costs of goods sold.

Secondly, it functions as a source of valuable data for making decisions. Finding precise prices for some products might not be required in order to comply with accounting regulations (Drury and Tayles, 2005). The manager should use financial statements and his or her understanding of fixed and variable costs to aid in decision-making. For external reporting, a traditional income statement is mostly utilized. When making decisions in the future, an estimated value or contribution to sales is helpful (Lanen, Anderson, and Maher, 2010). A company can use cost information for two purposes;

A. Cost Planning and Control: Business information systems provide the information necessary to plan and execute budgets and establish standard costs.

B. Cost Target Analysis: Different types involve different concepts in management decision analysis; for example, different decision-making analyses.

2.15. Empirical Literature Review

Many researchers have previously conducted research on "Evaluation of Cost Management Applications"; Most of these articles focus on the manufacturing industry. Researchers examined various organizations that purchase accounting practices and drew conclusions based on their findings.

Some of these include “Evaluating cost accounting performance in a quality food distribution company.” Girum Ketema et al in 2014. The purpose of this article was to evaluate and evaluate the company's acquisition process to determine the real reasons. Is a basic research problem. According to the survey, current purchasing, pricing and pricing systems are generally in good shape, with some problems. Moreover, the food quality is p. C. Uses appropriate control methods to capture and record relevant products.

(Alamo Fleece, 2019) worked in one of the studies conducted in a brewery in the country, and the aim of the study was to evaluate the effectiveness of accounting in reducing management and production costs. The researcher collected data through unstructured interviews with the department head and a survey among the organization's employees. The data obtained were analyzed using descriptive statistics. Finally, it concludes that the company did not allow

employees to participate in the budget and set standards, the budget was not used as a method and technique to control and reduce costs, and it did not provide accurate and predictable information in the reports. Rewards are not assigned to specific reward elements, and each reward element does not have a specific measurement scale. Just use traditional pricing methods and send cost information to external users. A comparative analysis of ABC and traditional purchasing systems in

Analysis (Sameha K. and Abdallah S., 2011): An example of an Egyptian manufacturing company comparing ABC and traditional (quantity-based) accounting results in an Egyptian industrial company. . ; Traditional accounting can even lead to price distortions. In particular, the study highlights that the voice-based method underestimates import and overestimates scale, while ABC, which tracks common

Usage, produces more accurate results.

Meskud Arebo also worked on the same issue for food sharing company Kality. At Jimma University in 2011; the aim was to evaluate the system for calculating the cost of goods. To achieve this aim, the researcher used primary and secondary data sources. Primary data was obtained through in-depth interviews, while secondary data was obtained from annual industry statistics, documents and financial reports. The researcher comes to the following conclusion. The company uses the purchasing process and the accounting system. The company's biggest problem is the price difference for the same product.

Kubrom Negash also worked on the same topic at des general trade plc in 2019. The purpose of the study is to examine and evaluate the accounting practices used by Des General Trading PLC in Ethiopia. A quasi-experimental design was used in this study. In addition to personal interviews, the researcher also used interviews with accountants selected from the finance department and other department personnel. Main findings of the research; common goods purchasing method is the purchasing method and the technical input used is the cost; The most commonly used portion of the surface area is manufactured parts; The main area where cost information is used is in financial accounting, stock comparison and to some extent pricing decisions, to a lesser extent in other decisions and price control.

(Kariyawasam, 2018) examined the cost management and accounting management of listed industrial companies in Sri Lanka. The research method used in this study is the research method used, and the research strategy is the research method. The sample of the research consisted of 70 companies operating in Sri Lanka. The findings revealed that the major cost accounting method used by listed industrial companies in Sri Lanka is asset costing, followed by process and labor costs. The findings also showed that companies operating in publicly traded industries use price information mainly for pricing decisions, followed by decisions regarding customer benefits and performance measurement; The increase in profits and the use of cost accounting in these companies is due to the decrease in company profits, the increase in prices, intense competition and the high bargaining power of consumers; and these companies appear to value traditional accounting functions such as planning and control, budgeting, goal setting, and cost-benefit analysis.

Akeem's (2017) study aimed to investigate the impact of cost management and cost reduction techniques on organizational performance. Ask to investigate the problem of data collected from primary source. To test the hypothesis, data were analyzed by regression analysis using SPSS.

The researcher found that cost control has a positive impact on management performance. The researcher suggests that cost control and cost reduction programs in organizations should be managed effectively by establishing effective standards.

Anand et al (2004) examined the responses of 53 CFOs of Indian companies in a study on cost management in India. Their research aimed to identify the evolution of cost management practices such as overhead, budget management and standard costing in Indian companies. The question also sought to identify possible differences in encouraging management to implement and use standard accounting as a control tool between companies using activity-based accounting (ABCM) and companies using standard costing methods. Research has shown that companies effectively capture the true costs and benefits of ABC purchasing systems for valuation and market analysis. The results show that companies using the ABC costing system have a better understanding of benchmarks and budgets, but lack consistency in prioritizing budget goals, unlike companies using the traditional costing system. Adebayo et al. quality of products and services. They used a research method based on 190 employees from Cadbury Nigeria PLC, Friesland Foods Wamco Nigeria PLC and Nestle. Primary data sets and secondary surveys were used. The collected data were tested with chi-square statistics through the Statistical Package for Social Sciences (SPSS). Studies have shown that manufacturing companies can reduce costs and maintain quality products. The research showed that more effective measures were needed, better planning and increasingly better measures were needed.

Caroline (2014) examined the impact of cost management on the financial performance of industrial companies. The study aimed to determine the impact of purchasing management, workforce management and inventory management on the financial performance of industrial companies. Six industrial zones on the Nairobi safety list were selected to conduct the research. Both statistical methods and standard cross-sectional surveys were used in the study. Data were obtained from primary and secondary sources, including interviews and financial audits. Research has shown that cost control is positively related to the financial performance of industrial companies. This study suggested that management should focus on controlling distribution costs, labor costs, and stock prices.

Despite the fact that the majority of the research mentioned above focus primarily on studies pertaining to the various components and features of cost accounting systems. To the best of the researcher's knowledge, no comprehensive study has been carried out that covers significant

aspects of the cost management practices related to Ethiopian logistics companies, particularly with regard to Segon Marill International Movers PLC. Other studies have addressed cost systems and techniques. A literature search revealed gaps in the current research, indicating the need for a study that takes Ethiopian logistics companies' cost accounting systems into account.

Therefore, the main purpose of this article is to investigate and evaluate the cost management performance of Segon Marill International Movers PLC. This article also aims to integrate different research perspectives, present some points from existing knowledge, and also contribute to filling this gap.

CHAPTER THREE
3. RESEARCH METHODOLOGY

Research is a systematic and organized process of inquiry that aims to discover new knowledge or validate existing knowledge. It involves collecting, analyzing, and interpreting information to answer questions and solve problems. There are many different fields in which research can be done, including business, social science, humanities, and science. A good research methodology has features such as problem identification, problem definition, research objectives, research design, data acquisition, data collection, data and information analysis, and presentation of results.

The techniques used in this investigation are described in this section. It discusses the research design and research method, data source, research group and sample, data collection and analysis methods

3.1. Research Design

Research design, according to Fraenkel, Wallen, and Hyun (1993), is the strategy used by the researcher to address the research problem. It contains the instruments the researcher plans to use for gathering data as well as the methods for data analysis. Using a descriptive research design that tries to depict the current state of the study items, the researcher sought to answer the research question (cooper and schidler, 2006). The primary goal of research is to determine "what is." When examining correlations and the impact of one variable on another, it is appropriate. Unlike exploratory research, which examines completely new relationships, it examines relationships that already exist.

The aim of this investigation is to evaluate Segon Marill International Movers PLC's cost management procedures. Because it enables the completion of a thorough analysis utilizing a variety of data sources, the descriptive case study was selected for this investigation. Data collected from multiple sources is crucial for the success of a case study investigation (Gerring, 2007).

3.2. Research Approach

Both quantitative and qualitative data are used in descriptive research designs. The quantitative approach uses numerical data that is subjected to quantitative analysis, while the qualitative approach uses textual data that is concerned with the subjective evaluation of behavior, attitude, and thoughts (Kothari, 2004).

Schweitzer (2009) claims that a quantitative approach was adopted because it is appropriate for defining the research questions and for the kind of numerical data needed for the study. Both qualitative and quantitative data were used in this study. Both qualitative and quantitative research are needed to analyze case study descriptive research. Yin (2003) said. To optimize the advantages of a mixed methods approach and reduce the potential for bias associated with solely utilizing a quantitative or qualitative approach, the current study integrates both research methodologies.

3.3. Population & Sampling Techniques

The study target population focused on employees of the organization who are working in cost accounting department, other financial departments and managers of other functional units. Therefore, the total employees of the organization working in department of cost accounting, finance & management are 12 and the population for this study that helped to get accurate data was the whole employees. The researcher collected data for the study through a census. This was favored because it allowed for the possibility of collecting precise data and looking at the entire population.

3.4. Data Type & Source

Source of data selection to conduct the study is important because the more valid the information source, the reliable would be the information receive, which leads to accounts and good communication to the organization. For this study, the researcher has used only primary source of data. The primary data has collected from those employees of the organization. Both quantitative and qualitative data are used by the researcher.

3.5. Method of Data Collection

Unstructured interviews and questionnaires were used in this study to collect data. Semi-structured questionnaires were utilized to gather primary data from the cost accounting department and other financial departments. To gather uncomplicated and unambiguous data, structured questionnaires were employed. An unstructured survey used to gather data that necessitates a thorough comprehension of the topic being researched. It can be challenging to measure and classify, though. It needs to be carefully interpreted as a result.

Each of the questionnaires has certain restrictions. Semi-structured questionnaires are preferred to overcome the limitations of both types, according to Dawson (2002), and researchers would be better off combining the two. The researcher used both structured (closed ended) and unstructured (open ended) questionnaires in this investigation.

For the purpose of enhancing the validity of the results, the interview served as support for the information gathered through the questionnaire. With the appropriate manager, interviews were held. Cross-checking the validity of the questionnaire responses is done with it. Sreejesh, Mohaoatra, and Anusree (2014) suggested that three categories of in-depth interviews can be distinguished: semi-structured, unstructured, and structured, based on the degree of direction provided by the interview host. Unstructured interviewing was used in this investigation.

3.6. Data Analysis & Interpretation

Applying logic to comprehend gathered data is known as data analysis. Summing up important details that surfaced during research and spotting recurring patterns are two of the most basic forms of analysis. The information requirements of management, the features of the research design, and the type of data collected all influence the choice of analytical technique for data analysis. According to Zikmund et. al. (2009).

The collected data were analyzed using qualitative and quantitative data analysis methods. Qualitative data analysis was performed using content analysis. This study collected qualitative data in the form of descriptive text. As stated by Bernard (1995, referenced in Armfield S. 2007), "the term content analysis refers to a broad range of methods used to derive conclusions from texts. Utilizing a descriptive statistical approach, a quantitative analysis of the data was conducted, with a focus on percentage and frequency distribution, and the results were displayed in tables. For comparing different figures, percentages work well. In order to present the data they have gathered more quickly and in an understandable manner, researchers use frequency distribution tables in their data analysis.

3.7. Reliability, Validity and Ethical Consideration

3.7.1. Reliability

It is the trustworthiness of the measuring instrument that is used to conduct the study. The questionnaire will be drafted with a strong base from literature in order to be more up-to- date and relevant.

3.7.2. Validity

It refers to whether or not the research instrument measures what the researcher intends to measure. Attention will be given to show how the measurement covers the intended domain of the concept. To maintain the validity of the data, the student researcher makes sure that correct answers are gathered and ensure that the analysis is summarized based on the factual data.

3.7.3. Ethical Consideration

Both interview and questionnaire can be seen an intrusions into the life of the respondent.

That is why the following ethical consideration will be considered when conducting the research.

➢ Interviewees will be offered a chance to leave the review at any stage;

➢ Factors in questionnaire, i.e. the avoidance of bias and assurance of validity and reliability in the questionnaire must be considered with needed methodological rigor;

➢ Interviewees should be ensured that the examination won't hurt them and their security will stay safe;

➢ Interviewees will be made sense of how precisely they will be benefit from taking part in the exploration;

➢ Data information should be processed according to the objective information acquired, not the personal views of the student researcher.

CHAPTER FOUR
4. DATA PRESENTATION AND ANALYSIS

4.1. Introduction

This chapter presents the data analysis, discussion and findings of the study to answer the objective of the research using descriptive analysis. To do this study a total of 13 questionnaires were distributed through email, Telegram and other social media platforms to the targeted group of employees. These questionnaires were distributed to employees of Segon Marill International Movers PLC. Out of the total 13 questionnaires 11 were fully responded and returned, thus achieving 84 percent response rate.

4.1.1. Respondents Personal Information

The respondents were asked a series of questions in relation to their biographic designed to determine fundamental issues including the demographic characteristics of the respondent.

The findings are discussed below.

Gender

According to the above data in table 4.1 the majority of respondent are female that is 8(73%) of the respondents and the remaining 3(27%) respondent are male. This indicated that dominant numbers of the employees in the organization are female.

Age

According to table 4.1 8(73%) of the respondents are between the age of 26 - 35, 2 (18%) of the respondents are between the age of 36 – 45 and the rest of respondent 1(9%) are below 25 years old. This shows that majority of the respondents are young and on the age of productivity.

Education Qualification Level

With regard to education qualification level, according to table 4.1 presented, 2(18%) of the respondents have second degree and above the rest 9(82%) of the respondents have bachelor degree. Accordingly, most of the respondents had some form of academic qualification. This indicates that the dominance of respondents with a 1st Degree education indicates that the sample represents individuals with a solid educational foundation. This could imply a certain level of technical competence, problem-solving ability, and potential for career growth and advancement within their respective fields.

Work Experience

As can be seen from item table 4.1, 2(18%) of the respondents have below 5 years and 6(55%) have between 5-10 years of work experience, 1(9%) of the respondents have between 10-15

years of work experience and also 2(18%) have above 15 years working experience. This implies that the concentration of respondents with 5-10 years of work experience suggests that the data is capturing the perspectives of professionals who have had sufficient time to develop practical, hands-on experience in their roles. This could provide valuable insights into the real-world challenges, best practices, and potential areas for improvement within the industry or organization.

Table 4.1 Personal information

Personal information		
Age	No of respondents	Respondents in %
Below 25 years	1	9%
26-35 years	8	73%
36-45 years	2	18%
above 45 years	-	-
Total	**11**	**100%**
Sex	No of respondents	Respondents in %
Male	3	27%
Female	8	73%
Total	**11**	**100%**
Educational status	No of respondents	Respondents in %
Certificate	-	-
Diploma	-	-
1st Degree	9	82%
2nd Degree & above	2	18%
Total	**11**	**100%**
Work experience	No of respondents	Respondents in %
Below 5 years	2	18%
5 – 10 years	6	55%
10 – 15 years	1	9%
Above 15 years	2	18%
Total	**11**	**100%**

Source – own survey

4.1.2. Respondents Specific Information

According to the below table we can see that 8(73%) of the respondents indicated that the company has a separate cost accounting department (section), while 3(27%) said it does not. suggesting that most companies recognize the importance of having a dedicated team for cost management. The data collected also states that 7(64%) of the respondents agreed that the company use this department to control cost, 2(18%) agreed that the department help the company during operational decision making and the rest of the respondents 2(18%) responded that the department also help the company in product/service costing. This highlights the crucial role of cost accounting in controlling expenses and informing business decisions. Even though the company has separate cost accounting section 7(64%) of the respondents said that the department hasn't adequate staff members but most of the respondents believes that the current members are professionally qualified in accounting & they are fairly efficient in their work & 10(91%) of the respondents indicated that the cost accounting staff members are professionally qualified in accounting & all 11(100%) of the respondents believe that the organization is benefiting from the cost accounting function. According to the study all 11(100%) of the respondent states that the department provides cost accounting report every month to finance manager and general manager. 8(73%) which is the majority of the respondents agreed the organization is benefiting from the cost accounting function. This implies that the department is providing valuable insights and supporting decision-making. Finally All (100%) of the respondents believe that cost accounting can make significant contributions to the survival and growth of the organization. Overall, the data suggests that the organization has a well-established and functioning cost accounting department that is generally seen as effective and beneficial to the organization. The department is staffed by professionally qualified personnel, and its reports are prepared monthly and used for various purposes, including cost control, operational decision-making, and product/service costing. The respondents overwhelmingly believe that the cost accounting function is crucial for the organization's survival and growth.

Table 4.2 Specific information

S.N	Items	Alternatives	No of resp.	Resp. in %
1.	Does the company have a separate cost accounting department?	Yes	8	73%
		No	3	27%
2.	If yes, what purpose do you want the department to serve?	Determining profit	-	-
		Providing MIS	-	-
		For operational decision making	2	18%
		Preparation of budget	-	-
		Product/service costing	2	18%
		Controlling cost	7	64%
3.	If your answer is yes for question "1" does it has adequate staff members?	Yes	4	36%
		No	7	64%
4.	If the department has adequate staff members in number, are they efficient?	Yes	8	73%
		No	3	27%
5.	Are the cost accounting staff members professionally qualified in accounting?	Yes	10	91%
		No	1	9%
6.	Do you think the organization is benefiting from the cost accounting function?	Yes	11	100%
		No	-	-
7.	How frequently cost accounting reports are prepared?	Daily	-	-
		Semi-annually	-	-
		Monthly	11	100%
		Annually	-	-
8.	Do you think the costing department is Properly discharging its responsibility?	Yes	8	73%
		No	3	27%
9.	Do you think that cost accounting can make significant contributions to the survival & growth of an organization?	Yes	11	100%
		No	-	-

Source – own survey

According to the interview made, I asked the interviewees if the company has a separate cost accounting department. The interviewees said that the company has a separate cost accounting section. I also asked in what frequency you prepare a cost accounting report & for whom do you report? The interviewees replied they prepare the report on monthly basis & provide this report to the general manager. The other question raised was in what ways the co. classifies its costs. The interviewees replied they classify their costs as direct & indirect cost.

4.1.3. Cost accounting method

According to the interview I have made I have asked the respective managers what method of costing does the company uses in order to track its costs, the interviewees said that As the logistics industry has a complex nature regarding cost related activities the company uses more than one costing methods. The company uses marginal costing for outsourced services. Again, the company uses standard costing while producing both special, sea size and air size wooden boxes for their moving activity. They also use job order costing to track the costs incurred by each job starting from the opening of the file until it's closed. I also asked the respective managers if the company has established a standard costs for their packing and moving activities. The interviewees replied that it is difficult to set a standard for packing materials as different good used different packing materials because of their nature but the company sets standard costs based on the goods volume (by CBM for air shipments and by Container size for sea shipments). They also replied that they perform a variance analysis by comparing the actual cost against the standard one after each move is completed in order to know the profitability of each moves.

4.1.4. Challenges faced by the company regarding the costing method

4.1.4.1. Complexity and Transparency

Regarding the complexity and difficulty of the current costing method the majority of respondents 5(45%) indicate that the current costing method is considerably complex and difficult to understand, even for trained personnel. An additional 3(28%) of respondents say the method is complex and difficult to understand to a very great extent. Only a small percentage (9%) say the method is not at all complex or difficult to understand.

Regarding the difficulty in Interpreting and applying the data produced by the current costing method the largest percentage of respondents 6(55%) state that the data produced by the current costing method is considerably difficult to interpret and apply for practical purposes. 2(18%) of respondents say the data is difficult to interpret and apply to a very great extent. Again, a small percentage 1(9%) indicates that the data is not at all difficult to interpret and apply.

The data suggests that the current costing method used by the organization is perceived to be highly complex and lacking in transparency, even for trained personnel. A significant majority of respondents believe the method is difficult to understand and the data it produces is challenging to interpret and apply effectively.

According to the interview I have made, I have asked the respective managers what their challenges in maintaining accurate are and efficient cost accounting method. They replied that the major challenge the company faced is the industry type as it uses different types of costing methods.

4.1.4.2. Integration and Automation

Regarding the Integration of the current costing system with other operational systems a significant percentage of respondents 4(37%) indicate that the current costing system is considerably not well-integrated with other operational systems, causing data silos. 3(27%) of respondents say the system is somewhat not well-integrated, and 1(9%) say it is greatly not well-integrated. Only a small percentage 1(9%) believes the costing system is not at all poorly integrated with other systems.

Regarding the limitation of the current costing method in automation opportunities for data collection and analysis the largest percentage of respondents 5(46%) state that automation opportunities for data collection and analysis are considerably limited with the current costing method. An additional 2(18%) of respondents say the automation opportunities are greatly limited. 2(18%) of respondents indicate that the automation opportunities are somewhat limited.

Regarding the Impact of lack of automation on workload and errors 4(36%) of respondents say the lack of automation in the current costing system somewhat increases the workload and risk of errors. 3(28%) of respondents believe the lack of automation considerably increases the workload and risk of errors. 2(18%) of respondents state that the lack of automation greatly increases the workload and risk of errors.

The data suggests that the current costing system used by the organization is not well-integrated with other operational systems, leading to data silos. Additionally, the system offers limited automation opportunities for data collection and analysis, which appears to significantly increase the workload and risk of errors.

According to the interview I have made I have asked the respective managers if the company uses any cost accounting software or technology to automate the data. The interviewees replied

that for now they are recording their cost data in an excel database. But for the future they said the company has a plan to automate its cost recording.

4.1.4.3. Management and Support

Regarding management's understanding of limitations and challenges of the current system 4(36%) of respondents indicate that management somewhat lacks sufficient understanding of the limitations and challenges of the current costing method. 3(28%) of respondents believe management considerably lacks this understanding. 2(18%) of respondents say management greatly lacks this understanding.

Regarding support for employees to use and Interpret cost data over half of the respondents 6(55%) state that there is somewhat inadequate support for employees to effectively use and interpret the cost data generated by the current method. 2(18%) of respondents believe there is considerably or greatly inadequate support.

Regarding exploration of alternative costing methods 3(27%) of respondents say the company is somewhat not actively exploring alternative costing methods that could address current challenges. Another 3(27%) of respondents believe the company is considerably not actively exploring alternative methods. 2(18%) of respondents indicate that the company is greatly not actively exploring alternative methods.

The data suggests that there are some gaps in management's understanding of the limitations and challenges of the current costing method, as well as inadequate support for employees to effectively use and interpret the generated cost data. Additionally, the company appears to be not actively exploring alternative costing methods that could address the current challenges.

According to the interview I have made I have asked the respective managers what movements do they made to improve their cost accounting practices. They replied that they working with a consultant to modernize their cost accounting practice.

Table 4.3 Challenges faced by the company

Complexity and Transparency							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
The current costing method is complex and difficult to understand, even for trained personnel	No of res	1	1	1	5	3	11
	Res in %	9%	9%	9%	45%	28%	100%
The data produced by the current method is difficult to interpret and apply for practical purposes	No of res	1	1	1	6	2	11
	Res in %	9%	9%	9%	55%	18%	100%

Integration and Automation							
Items	**Measurement**	**Not at all**	**Little**	**Somewhat**	**Considerably**	**Very great extent**	**Total**
The current costing system is not well-integrated with other operational systems, causing data silos	No of res	1	2	3	4	1	11
	Res in %	9%	18%	27%	37%	9%	100%
Automation opportunities for data collection and analysis are limited with the current method	No of res	1	1	2	5	2	11
	Res in %	9%	9%	18%	46%	18%	100%
The lack of automation in the current system significantly increases the workload and risk of errors	No of res	1	1	4	3	2	11
	Res in %	9%	9%	36%	28%	18%	100%

Management and Support							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
Management lacks sufficient understanding of the limitations and challenges of the current method	No of res	1	1	4	3	2	11
	Res in %	9%	9%	36%	28%	18%	100%
There is inadequate support for employees to effectively use and interpret cost data generated by the current method	No of res	1	-	6	2	2	11
	Res in %	9%	-	55%	18%	18%	100%
The company is not actively exploring alternative costing methods that could address current challenges	No of res	1	2	3	3	2	11
	Res in %	10%	18 %	27%	27%	18%	100%

Source – own survey

4.1.5. Roles of cost accounting information in managerial decision making

4.1.5.1. Operational Efficiency and Control

Regarding use of cost accounting Reports for Cost Optimization 6(55%) of respondents indicate that the organization considerably uses cost accounting reports to monitor production costs and identify areas for cost optimization. 2(18%) of respondents say the organization greatly uses these reports for this purpose. However, 3(28%) of respondents believe the organization only uses these reports to a little extent for this purpose.

Regarding cost variance analysis for corrective actions 6(55%) of respondents state that cost variance analysis considerably helps the organization to track deviations from standard costs and take corrective actions. 2(18%) of respondents believe this analysis somewhat helps with tracking deviations and taking corrective actions. 2(18%) of respondents indicate that cost variance analysis does not help at all.

Regarding use of cost accounting Information for performance evaluation 6(55%) of respondents say the cost accounting information is considerably valuable for evaluating the performance of different departments and teams. 3(27%) of respondents believe the cost accounting information is greatly valuable for this purpose. 1(9%) of respondents indicate that the cost accounting information is not valuable at all for performance evaluation.

The data suggests that the organization is leveraging the cost accounting reports and variance analysis to some extent for monitoring production costs, identifying cost optimization opportunities, and tracking deviations from standard costs. However, there is room for improvement in fully using these tools and information to drive operational efficiency and control.

4.1.5.2. Pricing and Product Decisions

Regarding dynamic pricing strategies 4(36%) of respondents indicate that the organization implements dynamic pricing strategies that adjust pricing based on factors like distance, complexity, and demand to a very great extent. 3(28%) of respondents say the organization implements such dynamic pricing strategies to a considerable extent. However, 2(18%) of respondents believe the organization does not implement dynamic pricing strategies at all.

Regarding use of cost accounting Information for pricing strategies, 4(37%) of respondents state that cost accounting information is considerably essential for determining and revising product pricing strategies. 3(27%) of respondents believe the cost accounting information is very greatly essential for this purpose. 3(27%) of respondents say the cost accounting information is somewhat essential for pricing strategies.

The data suggests that the organization is employing dynamic pricing strategies to a significant extent, with over 60% of respondents indicating that the organization implements such strategies to a considerable or very great extent.

4.1.5.3. Resource Allocation and Investment

Regarding use of cost data for resource allocation 4(36%) of respondents indicate that the organization considerably utilizes cost data to make informed decisions about resource allocation

between departments or projects. Another 4(36%) of respondents say the organization uses cost data to a very great extent for this purpose. However, 2(19%) of respondents believe the organization does not use cost data at all for resource allocation decisions.

Regarding cost accounting analysis for Investment prioritization, 4(36%) of respondents state that cost accounting analysis considerably helps the organization to prioritize investments based on expected cost-benefit ratios. Another 4(36%) of respondents say the cost accounting analysis greatly helps with investment prioritization. 1(10%) of respondents indicate that the cost accounting analysis does not help at all with investment prioritization.

Regarding use of cost Information for return on investment tracking, 4(37%) of respondents believe the organization very greatly uses cost information to track the return on investment for different initiatives and service types. 3(27%) of respondents say the organization somewhat uses cost information for this purpose. 1(9%) of respondents state that the organization does not use cost information at all to track return on investment.

The data suggests that the organization is leveraging cost data and cost accounting analysis to a considerable or very great extent for resource allocation decisions, investment prioritization, and tracking the return on investment for various initiatives and service types.

Table 4.4 Role of cost accounting information

Operational Efficiency and Control							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We use cost accounting reports to monitor production costs and identify areas for cost optimization	No of res	1	3	-	6	2	11
	Res in %	9%	28%	-	55%	18%	100%
Cost variance analysis helps us to track deviations from standard costs and take corrective actions	No of res	2	-	2	6	1	11
	Res in %	18%	-	18%	55%	9%	100%
Cost accounting information is valuable for evaluating the performance of different departments and teams	No of res	1	1	-	6	3	11
	Res in %	9%	9%	-	55%	27%	100%

Pricing and Product Decisions							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We implement dynamic pricing strategies that adjust pricing based on distance, complexity, and demand	No of res	2	1	1	3	4	11
	Res in %	18%	9%	9%	28%	36%	100%
Cost accounting information is essential for determining and revising product pricing strategies	No of res	1	-	3	4	3	11
	Res in %	9%	-	27%	37%	27%	100%

Resource Allocation and Investment							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We utilize cost data to make informed decisions about resource allocation between departments or projects	No of res	2	-	1	4	4	11
	Res in %	19%	-	9%	36%	36%	100%
Cost accounting analysis helps us to prioritize investments based on expected cost-benefit ratios	No of res	1	1	1	4	4	11
	Res in %	10%	9%	9%	36%	36%	100%
We use cost information to track the return on investment for different initiatives and service types	No of res	1	-	3	3	4	11
	Res in %	9%	-	27%	27%	37%	100%

Source – own survey

4.1.6. Cost reduction and cost control

4.1.6.1. Operational Efficiency and Control

Regarding standardized packing and moving processes 4(36%) of respondents indicate that the organization has standardized packing and moving processes to a considerable extent to optimize efficiency and minimize wasted time and resources. Another 4(36%) of respondents say the organization has standardized these processes to a very great extent. However, 2(19%) of respondents believe the organization has not standardized these processes at all.

Regarding Investment in efficient equipment and tools, 5(45%) of respondents state that the organization considerably invests in efficient equipment and tools to maximize productivity and minimize labor costs. 3(27%) of respondents say the organization invests in such efficient

equipment and tools to a very great extent. 2(19%) of respondents believe the organization does not invest in efficient equipment and tools at all.

The data suggests that the organization is taking steps to improve operational efficiency and control through the use of standardized packing and moving processes, as well as investments in efficient equipment and tools.

4.1.6.2. Inventory Management

Regarding maintaining optimal Inventory levels of packing materials, 7(64%) of respondents indicate that the organization maintains optimal inventory levels of packing materials to a very great extent to avoid unnecessary costs and waste. Only 1(9%) of respondents believe the organization maintains optimal inventory levels to a considerable extent. 2(18%) of respondents state that the organization does not maintain optimal inventory levels at all.

Regarding Implementing, recycling and reuse programs for packing materials 4(36%) of respondents say the organization implements recycling and reuse programs for packing materials to a considerable extent to reduce purchasing costs. Another 4(36%) of respondents believe the organization implements such programs to a very great extent. However, 1(9%) of respondents indicate that the organization does not implement any recycling or reuse programs at all.

The data suggests that the organization is actively managing its inventory of packing materials to a considerable or very great extent, with a focus on maintaining optimal levels and implementing recycling/reuse programs.

4.1.6.3. Employee Training and Engagement

Regarding training on efficient packing techniques and cost-saving practices, 7(64%) of respondents indicate that the organization provides training to employees on efficient packing techniques and cost-saving practices to a very great extent. 2(18%) of respondents believe the organization provides such training to a considerable extent. Only 1(9%) of respondents state that the organization does not provide any training to its employees at all.

Regarding Incentivizing employees to suggest and Implement cost-saving Ideas 6(55%) of respondents say the organization incentivizes employees to a very great extent to suggest and implement cost-saving ideas. 3(27%) of respondents believe the organization incentivizes employees to a considerable extent. 1(9%) of respondents indicate that the organization does not provide any incentives at all.

Regarding fostering a culture of cost awareness and responsibility 6(55%) of respondents state that the organization fosters a culture of cost awareness and responsibility among all employees

involved in moving operations to a very great extent. 3(27%) of respondents believe the organization does this to a considerable extent. (9%) of respondents say the organization does not foster such a culture at all.

The data suggests that the organization is actively investing in employee training, incentives, and fostering a culture of cost awareness to support its operational efficiency and cost control efforts.

4.1.6.4. Negotiation and Sourcing

Regarding negotiating with suppliers for discounts 5(45%) of respondents indicate that the organization effectively negotiates with suppliers for discounts on packing materials and transportation to a considerable extent. 4(37%) of respondents believe the organization negotiates to a very great extent. However, 1(9%) of respondents state that the organization does not negotiate at all.

Regarding partnering with other moving companies for better rates, 4(37%) of respondents say the organization partners with other moving companies to negotiate better rates for shared resources or subcontracting services to a considerable extent. 3(27%) of respondents believe the organization partners to a very great extent. But 3(27%) of respondents indicate that the organization does not partner with other companies at all.

The data suggests that the organization is actively leveraging the costing system to negotiate with suppliers and explore partnerships to optimize its costs related to packing materials and transportation.

Table 4.5 Cost reduction and control

Operational Efficiency and Control							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We have standardized packing and moving processes to optimize efficiency and minimize wasted time and resources	No of res	2	-	1	4	4	11
	Res in %	19%	-	9%	36%	36%	100%
We invest in efficient equipment and tools to maximize productivity and minimize labor costs	No of res	2	-	1	5	3	11
	Res in %	19%	-	9%	45%	27%	100%
Inventory Management							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We maintain optimal inventory levels of packing materials to avoid unnecessary costs and waste	No of res	2	1	-	1	7	11
	Res in %	18%	9%	-	9%	64%	100%
We implement recycling and reuse programs for packing materials to reduce purchasing costs	No of res	1	2	-	4	4	11
	Res in %	9%	19%	-	36%	36%	100%

Employee Training and Engagement							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We provide training to employees on efficient packing techniques and cost-saving practices	No of res	1	1	-	2	7	11
	Res in %	9%	9%	-	18%	64%	100%
We incentivize employees to suggest and implement cost-saving ideas	No of res	1	1	-	3	6	11
	Res in %	9%	9%	-	27%	55%	100%
We foster a culture of cost awareness and responsibility among all employees involved in moving operations	No of res	1	1	-	3	6	11
	Res in %	9%	9%	-	27%	55%	100%

Negotiation and Sourcing							
Items	**Measurement**	**Not at all**	**Little**	**Some what**	**Considerably**	**Very great extent**	**Total**
We effectively negotiate with suppliers for discounts on packing materials and transportation	No of res	1	-	1	5	4	11
	Res in %	9%	-	9%	45%	37%	100%
We partner with other moving companies to negotiate better rates for shared resources or subcontracting services	No of res	3	-	1	4	3	11
	Res in %	27%	-	9%	37%	27%	100%

Source – own survey

CHAPTER FIVE
5. SUMMARY, CONCLUSIONS AND RECOMENDATION

5.1. SUMMARY OF FINDINGS

The title of this study is an assessment of cost management practice in the case of Segon Marill International Movers P.L.C. The main aim of this study is to assess cost management practice of Segon Marill International Movers P.L.C. Thus, the researcher raised four research questions. The first question asked by the researcher is the current cost accounting practice adopted by the company, the second question the researcher asked are the challenges faced by the company regarding the costing method that the company currently uses, the third question asked is what are the roles of cost accounting information in managerial decision making and the last question raised by the researcher is what are the cost control and cost reduction mechanisms used by the company. In order to find answers for these research questions, the researcher has designed both open-ended & close-ended questionnaire & interview questions as tools for data collection. The data collected from employees of the company was collected using a questionnaire and the data collected from top management was collected using interview. The questionnaire was prepared by google form and distributed to 12 respondents and 11(92%) of them have filled out the questionnaire but one respondent didn't make it as she leaves the researched company. The findings are analyzed, interpreted and summarized in chapter four. Based on the presentation, analysis and interpretation made, the major findings of the study are summarized as follows:

5.1.1. Current cost accounting system used by the company

The first objective of this study is to assess the status of the current cost accounting practice adopted by the company. The result shows that most of the respondents are female & young aged. Also, most of the respondents have first degree & above and they are well experienced.

Regarding to cost accounting department, most of the respondents agreed that the company have separate cost accounting section. Regarding the purpose of the costing department, most of the respondents agreed that the major role of the department is controlling the costs. On the other hand, even if the company has separate cost accounting department majority of the respondents agreed that the company hasn't adequate staff members. But, they agreed that these staff members are professionally qualified in accounting & they are fairly efficient in their work. Majority of the respondent agree that cost department prepares report monthly and they submit the report to the general manager. And also, most of the respondents believe that the department is discharging its responsibilities. Similarly, all respondents (100%) believe that cost accounting

can make significant contributions to the organization's survival and growth, showing a strong recognition of its strategic importance.

The findings of this study shows that the company uses Marginal, Standard and Job order costing approaches.

Previous study by (Drury, 2004) states that an organization whose operations are a sequence of routine or common tasks where the input needed to create each unit of output can be stated is best suited for standard costing approach. As the company produces pallets and wooden boxes (special, standard sea size and standard air size wooden boxes) for their moving activity the standard costing method would be preferable over other costing methods regarding box and pallet productions.

According to C.I.M.A. Marginal costing highlights the variable costs associated with each outsourced service used for a specific move. This allows the company to understand the direct cost impact of taking on a job that requires additional labor or supplies. And also by comparing the revenue from a job with the marginal cost (variable cost) of outsourced services, the company can assess profitability. This helps them decide if a smaller job with outsourced labor is worthwhile considering the cost of the external service itself. As the company uses outsourced services like freight, transportation, custom clearance and other services the marginal costing approach is a more relevant and beneficial costing method compared to other costing methods.

Previous study by (Williamson, 2009) states that a technique for calculating costs in industries where products are manufactured or services are rendered in accordance with a customer's order is called job order costing. Material, labor, and manufacturing costs are gathered by a job manufacturing costing system for individual orders, jobs, lots, or batches. A task, or a unit or several units of a district's product or service, is the cost object in a job cost system. In industries such as construction, furniture, printing, and others where the cost of a specific task is determined by the order specifications, a job order costing system is commonly employed. As the company typically handle a wide variety of jobs, each with unique requirements in terms of the number and type of items, the distance and mode of transportation, the level of specialized packing required, etc. And also services given by the company are often customized to the client's needs. Job order costing allows the company to track the unique costs for each customer's job, rather than other costing methods.

5.1.2. Challenges faced by Current cost accounting system used by the company

Regarding the challenges faced by the company while using the current costing method most of the respondents agreed that the key challenges faced by the company are related to the complexity and transparency of the costing system, the lack of integration and automation, and the need for better management understanding and employee support. And also currently the company isn't using any automated software and technology to improve its cost recording process.

Previous study by Gomez, J., & Ramirez, L. (2021) argues that manual, spreadsheet-based cost accounting systems in professional services firms can become overly complex and lack transparency, underscoring the need to adopt specialized accounting software and technologies to automate cost data collection, improve cost visibility, and foster better management understanding and employee support for more sophisticated cost accounting practices.

5.1.3. Role of cost accounting information

Regarding the role of cost accounting information, most of the respondents agreed that cost accounting information is widely used by the company to support operational efficiency, control, and strategic resource/investment decisions. However, there are opportunities to further leverage this data, especially for more sophisticated pricing and product strategies. Addressing the concerns of the significant minority who perceive limited use of cost accounting could also enhance the company's data-driven decision-making capabilities.

Previous study by Samaha and Abdallah, 2011 indicates that the key objectives of cost accounting information is Cost ascertainment, cost control, pricing determination, performance measurement and improvement, inventory valuation, and establishing the foundation for critical operating decisions such as make-or-buy, capacity utilization, new product introduction, and process optimization. The company appears to be on the right track in utilizing cost accounting to drive key operational and strategic decisions. But there is likely room for improvement in fully capitalizing on the depth and breadth of insights this data can provide - from pricing optimization to production process improvements and beyond.

5.1.4. Cost control mechanism used by the company

Regarding cost reduction and cost control, most of the respondents agreed that the company has a strong focus on operational efficiency, inventory management, employee engagement, and supplier negotiation as key strategies for cost reduction and control.

Previous study (Adeniyi, 2008) states that costs have to be controlled and kept within a reasonable range in order to maintain the standard of cost of operating an organization. Overall, the company's current approach regarding control seems positive.

5.2. CONCLUSIONS

Having seen the major findings of this study, the following conclusions have been made in line with the research items.

- ✓ The Company has a separate cost accounting section & professionally qualified & efficient employees. However, the department hasn't adequate staff members. On the other hand, the department provides cost related reports monthly to the general manager.
- ✓ The primary purpose of the department is to serve as a cost control and management function.
- ✓ The Company uses Marginal, Standard and Job order costing approaches.
- ✓ Based on the study of the current costing method used by the organization is perceived to be highly complex and lacking in transparency, even for trained personnel
- ✓ Based on the study of the current costing method used by the organization has significant integration and automation deficiencies, which are creating operational inefficiencies, data quality issues, and increased workload for the organization.
- ✓ The Company has a solid foundation in its utilization of cost accounting information, but there are opportunities to further optimize its application and unlock greater value for the business. By addressing the identified challenges and expanding the use of cost data, the company can enhance its operational efficiency, pricing strategies, and overall strategic decision-making, ultimately strengthening its competitive position in the market.
- ✓ The Company is proactively and systematically addressing cost reduction and control across various aspects of their operations. By taking a multifaceted approach, they can drive efficiency, optimize resource utilization, and negotiate favorable terms - all of which contribute to a more sustainable and competitive cost structure.

5.2. RECOMMENDATION

Having identified the summary of findings and conclusions made earlier, the following recommendation were suggested.

- ✓ Since employees are the most valuable asset in any organization, thus the cost department should have sufficient number of staff members to generate the accounting data that users

require. The business should also provide its staff with training on how to maximize their expertise and improve their performance.

- ✓ The department should be empowered to collaborate closely with other business units, identify opportunities for revenue enhancement, and support investments in innovation and organizational transformation. This holistic approach will enable the department to contribute to the overall financial well-being and competitiveness of the organization.
- ✓ The company should regularly review and streamline the costing approaches to ensure they remain relevant and aligned with the company's strategic objectives.
- ✓ The company should invest in a robust cost accounting software system that integrates with its existing enterprise systems, automates data capture and input, provides advanced analytics and reporting capabilities, and is supported by comprehensive training and a culture of continuous improvement. This will enable the company to improve cost control, optimize resource allocation, and make more informed strategic decisions in response to evolving market demands and competitive pressures.
- ✓ The company should provide comprehensive training and support to the finance and operations teams to ensure consistent understanding and application of the costing methods.
- ✓ The company should foster cross-functional collaboration and communication to promote a shared understanding of the cost information and its implications.
- ✓ The company should periodically assess the effectiveness of the costing approaches and be open to adopting more integrated or innovative cost management practices as the business evolves.
- ✓ The company should comprehensively review of the costing system to identify areas of complexity and lack of transparency. And the company should also simplify the costing processes and optimize the system's structure to improve transparency and ease of use.

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APPENDIX I

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING & FINANCE (MSc. in Accounting and Finance)

Questionnaire

Dear respondent

This questionnaire is designed in order to collect data for the research entitled "**ASSESSMENT OF COST ACCOUNTING PRACTICE IN THE CASE OF SEGON MARILL INTERNATIONAL MOVERS PLC**." to be prepared in partial fulfillment of MSc degree in Accounting & Finance. Your genuine response for the following question is extremely important for the successful completion of this paper. I assure you that the information obtained from this questioner will keep confidential and will not transfer to other parties for any other purpose. Therefore, you kindly requested genuinely to fill these questionnaires.

'I would like to thank you in advance for your cooperation and scarification of your time.'

The Objective of the Study

The general objective of this study is to examine the cost accounting practice of Segon Marill International Movers PLC

Basic rules

- writing your name is not needed
- making (√) mark in your appropriate response
- If you have additional idea to add, kindly comment on the space provided

A. Personal information

1. AGE

Below 25 years 36-45 years

26-35 years above 45 years

2. SEX

Male Female

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

_____

4. Educational status

Certificate 1stdegree

Diploma 2nd degree & above

5. Work experience

Below 5years 10-15 years

5-10 years above 15years

B. SPECIFIC INFORMATION

I. Questions related to cost accounting practice.

SECTION I

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

Yes No

2. If yes, what purposes do you want the department to serve?

A. Determining Profit B. Providing Management Information System

C. For operational decision making D. Preparation of Budget

E. Product / Service costing F. Controlling cost

3. If your answer is yes for question "1" does it has adequate staff members?

Yes No

4. If the department has adequate staff members in number, are they efficient?

Yes No

5. Are the cost accounting staff members professionally qualified in accounting?

Yes No

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

Yes No

7. How frequently cost accounting reports are written?

Daily Semi annually

Monthly Annually other (specify) _____

8. To whom does this report provide?

_____

9. Do you think the costing department is properly discharging its responsibility?

Yes No

10. Do you think that cost accounting can make significant contributions to the survival and growth of an organization?

Yes No

11. If you do not have a cost accounting department, do you feel the need for having it to your organization?

Yes No

12. Why don't you have the department yet?

A. Unavailability of qualified employee D. Limited resources

B. management did not fully understand the benefits of cost accounting

C. lack of organizational set-up (manpower, system, etc.) E. other (specify) _____

13. Do you have any suggestion for improvement of cost accounting practices in the organization?

_____

_____

SECTION II

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

A. Questions regarding challenges faced by the company regarding the costing method that the company currently uses

1. Complexity and Transparency

	1	2	3	4	5
The current costing method is complex and difficult to understand, even for trained personnel					
The data produced by the current method is difficult to interpret and apply for practical purposes					

3. Integration and Automation

	1	2	3	4	5
The current costing system is not well-integrated with other operational systems, causing data silos					

Automation opportunities for data collection and analysis are limited with the current method					
The lack of automation in the current system significantly increases the workload and risk of errors					

4. Management and Support

	1	2	3	4	5
Management lacks sufficient understanding of the limitations and challenges of the current method					
There is inadequate support for employees to effectively use and interpret cost data generated by the current method					
The company is not actively exploring alternative costing methods that could address current challenges					

B. Questions regarding roles of cost accounting information in managerial decision making

1. Operational Efficiency and Control

	1	2	3	4	5
We use cost accounting reports to monitor production costs and identify areas for cost optimization					
Cost variance analysis helps us to track deviations from standard costs and take corrective actions					
Cost accounting information is valuable for evaluating the performance of different departments and teams					

2. Pricing and Product Decisions

	1	2	3	4	5
We implement dynamic pricing strategies that adjust pricing based on distance, complexity, and demand					
Cost accounting information is essential for determining and revising product pricing strategies					

3. Resource Allocation and Investment

	1	2	3	4	5
We utilize cost data to make informed decisions about resource allocation between departments or projects					
Cost accounting analysis helps us to prioritize investments based on expected cost-benefit ratios					
We use cost information to track the return on investment for different initiatives and service types					

C. Questions regarding cost control and cost reduction mechanisms used by the company

1. Operational Efficiency and Control

	1	2	3	4	5
We have standardized packing and moving processes to optimize efficiency and minimize wasted time and resources					
We invest in efficient equipment and tools to maximize productivity and minimize labor costs					

2. Inventory Management

	1	2	3	4	5
We maintain optimal inventory levels of packing materials to avoid unnecessary costs and waste					
We implement recycling and reuse programs for packing materials to reduce purchasing costs					

3. Employee Training and Engagement

	1	2	3	4	5
We provide training to employees on efficient packing techniques and cost-saving practices					
We incentivize employees to suggest and implement cost-saving ideas					
We foster a culture of cost awareness and responsibility among all employees involved in moving operations					

4. Negotiation and Sourcing

	1	2	3	4	5
We effectively negotiate with suppliers for discounts on packing materials and transportation					
We partner with other moving companies to negotiate better rates for shared resources or subcontracting services					

Interview questions

General:

- Does your company have a dedicated cost accounting department or staff?
- Who is responsible for overseeing and managing cost accounting activities?
- How often are cost accounting reports and analyses generated?

Costing Methods:

- What costing method does your company use for estimating and tracking job costs?
- Why was this specific method chosen, and how well does it suit your business model?

Cost Management:

- Does your company have established standard costs for packing and moving services?
- How are actual costs compared to standards, and what variance analysis is performed?

Decision Making:

- How does cost accounting information influence pricing decisions for moves?
- Do you use cost analyses to evaluate the profitability of different service options or customer segments?

Technology and Automation:

- Does your company utilize any cost accounting software or technology to automate data collection and analysis?

Challenges and Improvements:

- What are the biggest challenges you face in maintaining accurate and efficient cost accounting for your moving business?
- What are some ways you are working to improve or modernize your cost accounting practices?