ST. MARY's UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DEPARTEMENT OF ACCOUNTING AND FINANCE

DETERMINANTES OF COST MANAGEMENT PERFORMANCE: THE CASES OF AWASH WINE SHARE COMPANY

BY

SARON G/KIDAN

ID NO: SGS/0673/2015A

ADVISOR: - ASMAMAW GETIE (ASST. PROF.)

JUNE 2024

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DEPARTMENT OF ACCOUNTING AND FINANCE

A THESIS TO BE SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES, DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER IN ACCOUNTING AND FINANCE

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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies	**Signature**
Asmamaw Getie (Asst. Prof)	
Advisor	**Signature**
Demis H/Gibreal (PhD)	
Internal Examiner	**Signature**
Shemiles Zewdie (PhD)	
External Examiner	**Signature**

JUNE,2024

Addis Ababa, Ethiopia

Acknowledgement

First and foremost, I am immensely grateful to the Almighty God for granting me the ability to successfully complete this thesis. I would like to express my sincere gratitude to my advisor, Asmamaw Getie (Asst. Prof.), for his invaluable comments, feedback, and guidance throughout the entire thesis. His expertise and support have been instrumental in the completion of this research. I would also like to extend my heartfelt appreciation to the Awash Wine Share Company and its employees, particularly the respondents, for their unwavering contribution during the data collection process. Their cooperation and dedication have been crucial to the success of this study. Furthermore, I am deeply grateful to my family, friends, and all those who have encouraged me in completing this research. Your unwavering support has been invaluable, and I am truly thankful for your faithful encouragement. In conclusion, I am honored to have had the opportunity to work with such an extraordinary team of professionals. Your support and direction have been imperative to the success of this study, and I am deeply grateful for your contributions.

Abstract

The aim of this thesis is to evaluate the effectiveness of cost management practices in controlling and reducing manufacturing costs at Awash Wine Share Company. This research looks at how Awash Wine share company's production costs were reduced and controlled by the application of cost management techniques. The research design was used descriptively with qualitative and quantitative approach. Using Watson formula, there are survey sample selections of participants were responded 240 valid questionnaires in company. Data analysed and presented with descriptive statistics such as frequencies, percentages, mean and standard deviation through statistical tool SPSS. To examine the cost management practices, it was focused on cost control and reduction methods and procedures including management support, employee involvement, accounting responsibility, standard costing, product quality control, and target costing production organizations. The analysis ranked the cost management practices for cost reducing and cost control in the Awash Wine S.C Relative Importance Index (RII). The respondents' perceived criticality of the traits was used to score them using the Relative Importance Index. The findings of the study shed light on factors influencing cost management practices and cost control, as revealed by a measurement tool distributed across all departments of the company. Based on these insights, the following recommendations were proposed: management should actively lead and support cost management practices to effectively manage production costs. Additionally, departmental managers should establish and communicate standard costs and budgets clearly to ensure all staff understand their roles and contributions towards achieving organizational goals. Furthermore, employee engagement and comprehension of cost standards are identified as crucial performance indicators for enhancing operational success and efficiency.

Keywords: - Cost management, Cost reduction, Cost management tools & techniques

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List of Acronyms

ACCA: Association of Certified Chartered Accountants

CIMA: Chartered Institute of Management Accountants

PLC: Private Limited Company

SPSS: Statistical Package for the Social Sciences

Wine SC: Wine Share Company

CHAPTER ONE

1. Background of the study

Cost management is essential to maintaining firm profitability and competitiveness in the current era of fast technological development, intense global competition, and local rivalry Makarov, Y. (2015). Profit is what every company organization wants to achieve in the end. Consequently, it is necessary to consider any option that might improve the concern's advantage Ekundayo, O. A. (2017). Because management is concerned about profitability, particularly in the manufacturing sector, there will be a greater demand for sales, which will enable a larger production volume, which will ultimately result in higher costs. Cost management should be necessary for every company to make a reasonable profit since a company with a solid and acceptable cost structure has a good probability of meeting its profit objective Oyerogba, Olaleye and Solomon, (2014). According to Siyanbola and Raji, (2013), businesses should focus more on costs than profits because the latter would take care of itself. According to Adeleke (2014), an organization will remain successful if all the components that maximize revenue and cut expenses are clearly and well understood.

Companies are focusing more on cost control, which has always been a fundamental element of every successful company strategy, because of pressure from the global competitive landscape. Instead of cutting costs by using non-scientific methods, which might degrade product quality, costs should be managed Hempel, C., Will, S., & Zander, K. (2019). These days, to survive, each business must handle three interconnected fundamental operational issues: product cost, quality, and performance, Mitchell, and Sinclair, (2000). Customers want things to perform better and are of higher quality, but they also want them to be priced. Owners' primary concern is a necessary rate of return on their investment Oyerogba et al., (2014). Any kind of organization's goal of maximizing profits depends on effectiveness.

Now, cutting costs is even being prioritized by industry executives as a strategic need. They must continuously increase the difference between their cost and that of their rivals to stay ahead of the market. Caroline (2014), notes that cost management makes it easier to estimate costs properly and can aid in forecasting future costs. Therefore, to control costs, businesses must give careful thought to their cost structure. Effective and efficient cost management depends on the accurate collection of cost data for managerial decision-making. Moreover, to control and cut expenses and reach the goal of the company, top management support, efficient cost reduction and control tools and methodologies, and employee engagement are needed.

The rising cost of inputs is the most prevalent issue facing the manufacturing sector. If manufacturing expenses are not correctly detected and handled, they become intolerable and have an impact on the company's profitability. According to Biruk (2009), one aspect of Ethiopian manufacturing companies' declining competitiveness is their production cost management system. He went on to say that the Ethiopian manufacturing cost management system sets misleading goals for managerial attention and shouldn't be created to support business operations and strategy.

1.2. Statement of problem

In a manufacturing industry, cost management refers to a range of tactics and procedures intended to maximize profitability by controlling and lowering costs. This is a thorough examination of cost management, covering both broad concepts and specialized strategies of forecasting and budgeting. Standard Costing to gauge performance, set standard costs for goods and distribute overhead expenses according to the activities that determine costs as opposed to volume. Studies on cost management techniques to lower and regulate industrial costs have been conducted in several nations; Caroline (2014), cost management's impact on manufacturing firms' financial performance Adeleke (2014) examined the relationship between cost management techniques and the performance of Nigerian banks; Olalekani & Tajudeen (2015) examined the impact of cost control on the survival of Nigerian firms using Nigeria Bottling Company Plc as a case study; Akeem (2017) examined the impact of cost control and cost reduction techniques on organizational performance.

As outlined in the study's background, cost management has become increasingly important due to the complexities of modern industry. Unlike financial accounting, cost accounting provides detailed information that addresses various aspects of business operations. According to Ali (2010), the significance of cost accounting practices has grown significantly. This is attributed to intensified domestic and global competition resulting from globalization, declining profit margins, rising input costs driven by constrained energy resources, economic crises, and other factors. Consequently, companies in developing countries have started adopting cost management practices initially involved by their counterparts in developed countries. As these trends evolve, research that initially focused on developed countries is now extending to include studies conducted in developing countries. However, Lin and Yu (2002) observe that the application of cost management in less developed countries remains inadequate, with limited literature on the subject. They suggest this scarcity may stem from the relatively underdeveloped state of economic and business administration in these countries.

Uncertainty can lead to costs rising above acceptable thresholds. In the pursuit of maximizing profits, effectively managing and reducing costs is crucial. A company that excels in cost management without compromising quality can offer its products at lower prices compared to competitors. This competitive pricing advantage enables the company to increase its market share and potentially become a market leader (Akeem, 2017). Furthermore, Akeem asserts that the strategy of controlling and reducing costs remains consistent regardless of economic conditions. Due to the current rise in operational costs, organizations are facing challenges. Therefore, implementing cost reduction and control measures as cost management practice has become necessary. To avoid exceeding their budgets, operating at a loss, or compromising product quality control, organizations must employ effective tools and techniques for minimizing costs to the greatest extent possible.

As a business organization, particularly within the manufacturing sector the primary goal is to maximize profits (Biruk, 2009). Awash Wine S.C, as manufacturing sector, focused on the cost managements to control costs and maximize profit. Profitability inherently pivoted on maintaining low costs while meeting customer expectations for quality. Failure to minimize costs while satisfying customers can result in a loss of market share to competitors offering similar products, ultimately reducing profits. Therefore, effective cost management plays a crucial role in achieving this objective by minimizing costs and delivering high-quality products that exceed customer expectations.

This research delves into this multifaceted problem within the Ethiopian context. Firstly, there appears to be a lack of awareness and adoption of sophisticated cost management tools. Traditional methods might not be sufficient for complex manufacturing processes, leading to inefficiencies and missed opportunities for cost reduction (Worku, 2018). Secondly, the potential of employee involvement in cost control efforts remains largely unexplored. While employee participation can be a powerful tool for identifying and addressing cost issues, a structured approach to employee engagement may be lacking in Ethiopian companies.

Addressing these challenges is crucial for the continued success of Ethiopia's manufacturing sector. Implementing robust cost management practices can lead to significant benefits for companies like Awash Wine S.C. Improved cost control can translate to increased profitability, allowing for reinvestment in growth and innovation. Additionally, effective cost management practices can enhance a company's competitive edge by enabling them to compete more effectively in the global market.

This study investigates the challenges of cost management practices in the Ethiopian manufacturing sector, focusing on Awash Wine S.C. The lack of sophisticated tools, limited employee involvement, and absence of a structured approach to cost control hinder the company's ability to compete effectively. By addressing these challenges, Awash Wine S.C. can improve profitability, gain a competitive edge, and foster a culture of efficiency.

1.3. Research questions.

I. How do managers support the application of cost management practices to improve the performance of Awash Wine S.C?

II. How the importance of employees' involvement in the process of cost control and cost reduction?

III. How responsibility accounting system helps Awash Wine S.C manage cost budgeting, cost reduction and cost controlling?

IV. What types of cost management reduction cost tools and techniques does Awash Wine S.C uses in its cost saving and profit increase?

1.4. Objective of the research

1.4.1. General objective

General objective of this study is to examine cost management practices Awash Wine Share Company

1.4.2. Specific Objective

1. To analyze managers, support application of cost management practices to improve the performance of Awash Wine S.C
2. To evaluate the importance of employees' involvement in the process of cost control and cost reduction.
3. To assess the benefit of responsibility accounting in cost budgeting, cost reduction and cost controlling.
4. To identify various cost management tools and techniques that help to control and reduce costs.

1.5. Significance of the study

This research will look at and assess how cost management techniques are used to cut and control production costs. It is possible to create a framework for later investigations that may use larger data sets. Additionally, the research will investigate the relationship between the utilization of cost management information and the operational effectiveness of manufacturing firms in Ethiopia. The cost management performance study is particularly crucial due to the limited research in this country and other developing nations. In summary, this study will serve several purposes: Manufacturing firms can utilize the findings to enhance the effectiveness and efficiency of their cost management practices, policymakers within companies can use the insights to measure the adoption levels of cost management and identify factors influencing its use, thus enabling evidence-based policy decisions and other researchers can reference this study to further investigate and propose solutions related to cost management practices.

1.6. Scope of the research

The study's boundaries are limited to Awash Wine S.C. The study focuses on how effective cost management techniques are at lowering and managing Awash Wine companies' production expenses. The executives and employees of the finance and production divisions provided data for this study. This study attempted to investigate the reasoning behind cost-control and reduction strategies as well as how they affect the profitability of the business.

1.7. Limitation of the study

The research was restricted to Awash Wine S.C, and the conclusions only considered the viewpoint of effective cost management practices. The researcher was unable to get recent empirical data on Awash Wine S.C. One of the biggest issues throughout the survey-based data gathering period for the respondents was their unwillingness to complete the questionnaires business.

1.8. Organization of the paper

There are five chapters in this paper. The first chapter covers the introduction, which includes the study's background, the organization's history, the problem statement, the research questions and objectives, the significance of the study, its scope, and the paper's organization. The review of the literature is covered in the second chapter. The research design and methods are covered in the third chapter, while data analysis and interpretation will be covered in the fourth. The fifth and last chapter includes findings, conclusion and suggestions.

CHAPTER TWO

2. REVIEW OF RELATED LITRATURE

2.1. Introduction

To provide a foundation for the implementation of cost management practices in Awash Wine S.C, this section reviews relevant literature. The chosen subtopics will examine the broad theory of cost reduction and manufacturing businesses' control strategies and tools. The review addressed prior theoretical literature, empirical research on this topic carried out in different nations, the study's conceptual framework and research gaps.

2.2. Theoretical review

When it comes to the analysis and data used to assist managers in decision-making and support managerial cost control, cost management techniques are concerned. According to quoted in Ghanshyam & Radhe, (2016), it is a tool, not an end in and of itself that a company may use to achieve its goals. In this highly competitive global economy, companies frequently want to enhance their performance Ghanshyam and Radhe, (2016).

Research ideas on cost management and control measures have been developed. These are value-engineering programmer theory, contextual theory of cost, and classic cost theory. The traditional idea of cost distinguishes between long- and short-term expenses. A short run is when some elements remain constant. In the short term, capital equipment is regarded as fixed. All components become changeable over an extended period. The entire cost of the business is divided into total fixed costs and total variable costs in the conventional theory of the firm.

A company may determine the output level that yields the maximum profit at the lowest cost using the conventional theory of costs Weitzman, M. L. (2018). According to the contextual theory of cost, expenditures are often recognized as expenses in the income statement during the time in which they are most advantageous. According to the value-engineering programmed philosophy, a systematic review and assessment of techniques for raising performance while lowering product costs.

2.2.1. Cost management practices

Business performance is impacted by management techniques. Costs can grow when more production activities are introduced, and it becomes necessary to keep costs under control since real output will deviate from standards set for production, which can be reduced or eliminated with efficient cost control. To accomplish the goal, it will be necessary to incur suitable expenditures and regulate them to guarantee the effective use of resources. According to Ghanshyam and Radhe (2016), a lot of studies do not understand the importance of management practices in explaining variances in organizations' performance. Syverson (2011) discussed how profit maximization might save costs. Generally, instead of cutting costs, management must implement a variety of approaches and strategies. The company's expenses and costs have an impact on its revenue. Pricing decisions so heavily depend on the cost data that is gathered and provided. They have minimal control on the product's selling price, regardless of whether the price is determined by supply and demand in the market.

An organization must often adopt a few strategies and procedures to control costs rather than reduce them. One method of assessing the value of the actions taken by the company's management is through cost control. Costs are increased by several production activities, and keeping an eye on costs is necessary since variations may occur when comparing production standards with actuals. Only efficient cost control will be able to minimize or eliminate these variations. Any business's primary goal is profitability, thus, to meet the established standard or objective, the administration must ensure that resources are used carefully and efficiently and that appropriate expenditures are incurred.

2.2.1.1. Manufacturing overhead

Manufacturing overhead costs are expenses not directly related to a particular product, such as direct labour and material costs Hague, R. (2016). The cost of indirect labour, indirect materials and indirect costs are all included in the overheads. Operational, general, and administrative overheads make up most overhead expenses. Expenses incurred in the factory during the production of goods and services are known as manufacturing overhead expenses. These comprise all indirect materials, such as grease, oil, tread costs, etc.; indirect labour, such as factory managers' salaries and warehouse workers' salaries; and indirect expenditures incurred in the factory, such as building rent, fuel and power costs, insurance for the factory, etc.

2.2.1.2. Behavior Cost and Revenue

Understanding how expenses vary in response to variations in the organization's level of activity is related to cost behavior. The study of cost behavior examines how expenses change or remain constant in relation to an organization's level of activity Ramasubramanian, H. (2023. The quantity of work completed, or the number of occurrences was used to determine the degree of activity.   Costs in accounting are the monetary amounts that a business must spend to create, acquire, and complete any task. Another way to think about costs is as the amount of money spent on producing income. Profit or loss is the difference between income and expenses. As a result, the connection between revenue and costs is linear. In management accounting, the terms "fixed" and "variable" refer to how costs vary according to variations in activity level. Within a specific time, frame and scope of activities, fixed costs do not vary with changes in production.

The fixed cost per unit changes as the manufacturing volume does. The fixed cost per unit is lowered with increasing output and increases with decreasing production. The volume of activity directly affects short-term variable costs; hence raising the activity level will increase the overall variable costs proportionately. Oyerogba et al. (2014) as saying that raising variable costs increases profit.

According to Adeniji (2011), the unit variable cost is constant, and the overall variable costs are linear. According to Hornren et al. (2012), fixed costs do not fluctuate significantly in relation to the overall level of activity or volume over the course of a specific time. Instead, they stay constant overall. Additionally, they elaborated on how costs are either constant or variable in relation to a certain cost object and time frame. Adeniji (2011) further on this idea by stating that, all expenses are changeable in the long term. Over an extended duration, a decline in demand will be accompanied by decreases in nearly every expense category. For instance, certain manufacturing equipment might not be changed, and structures might be sold.

2.2.1.3. Cost control

To efficiently use the material resources in the production process, cost control management is a critical problem for firms. Furthermore, cost control encompasses the management strategies put in place to guarantee that expenses persist in line with the management strategy. It is impossible to overstate the importance of cost management as a survival strategy for manufacturing organizations since it guarantees proper cost monitoring against budget and rectifies any financial irregularities inside the organization. There is no standard meaning for the word "cost control," despite its widespread usage Horngren et al., (2012). They went on to say that the actions of a manager in both short- and long-term cost planning and management are defined by cost control. They go on to say that revenue and profit planning and expense control are frequently intertwined. According to Mitra, A. (2016), cost control involves setting objectives and comparing the daily occurrence of costs to them to make sure the targets are not surpassed excessively. According to Adeniyi (2007), cost control refers to the norm for an organization's operational expenses and is concerned with keeping costs within a reasonable range. He added that a formal operating plan or budget would usually include these limitations. If the difference between real and anticipated costs is too great, cost management measures will become crucial. To make sure that actual performance is in accordance with stated objectives and, if not, take corrective action, he went on to explain that "is a process of setting targets and receiving feedback information."

Systems for costing and cost control share the same characteristics and are equivalent Lockyer, (2000). An organization's control plans, and three-level structures are all included in the costing system. Establishing standards is the first step in building up a control system. These standards can be expressed quantitatively, for example, in terms of labour hours, goods or services, speed, volume, or cost of capital expenditure, etc., or they can be expressed in terms of values, such as sales volume, profits, or cost of capital expenditure. The portion of the relationship when technology is used to convert raw resources into final items is called the operational phase.

The 13 successes and failures in this area are determined by the predetermined criteria. Failure will occur if the set standard is not properly stated; success will follow from a correctly defined standard. The phase known as "feedback" gathers data for decisions that modify the system. The system is monitored while plans are carried out, regardless of whether performance is the right goal and if the aim is being met. To ensure efficiency, deviations are examined, and actual performance is compared to the standard. To regulate present operations, plan, and assess the previous performance of managers, employees, and related business divisions, an organization needs frequent information about such activities Cooper et.al, (2015). Administration directs staff members' actions in the running of the company in accordance with pre-established goals and objectives for it to be productive. Management's leadership employs two types of controls: performance evaluation and behavior management and supervision.

2.2.1.4. Controlled and uncontrollable cost

There are two types of costs: controlled and uncontrollable. According to Horngren et al. (2012), controllability refers to the degree of authority a manager has over expenses, income, or other relevant factors for which he is responsible. Any expenses that the relevant center manager can change within a specific time frame are considered controllable costs. They went on to say that expenses and income allocated to responsibility centers should be categorized by the management of the responsibility center based on whether they are controlled. According to Drury (2012), a responsibility center is an organizational division where the performance of the division is under the direct supervision of a particular manager.

The establishment of responsibility center is an essential part of management accounting control system. It is significant to differentiate among the various forms of responsibility center. Responsibility centers can be cost or expense centers, revenue centers, profit center and investment centers. A cost or expense center is where the manager is accountable for all costs under his control. The revenue Centre is a responsibility center where the manager is mainly responsible for financial outputs in the form of creating sales revenues. A profit center is a responsibility center where a manager is accountable for both production and sales whereas an investment center is a place where a manager is accountable for cost, revenue, and capital investment decision.

There are two primary parts to the management accounting control systems Drury, (2012). Formal planning is the first step, and responsibility accounting, which entails creating responsibility centers, is the second. Individuals within the organization can be held accountable for financial results thanks to responsibility centers. Every expense can be managed to some degree by management. Top management, for example, has the power to reduce or eliminate the number of managers engaged and dispose of facilities. However, not all expenses can be managed by managers at lower levels. Thus, in the performance reports the accountant creates for each responsibility center, costs must be divided into controllable and non-controllable categories.

An expense over which a person has no direct control is referred to as an unmanageable cost. The idea is most typically used to a department boss whose departmental costs consist of several line items that he cannot change.

Nothing that the company or the management does can affect them. Take the factory's rent, for instance. The management has no control or influence over this expense; hence it is unmanageable. Most overheads and fixed expenditures are unavoidable expenses Qaisar, S. (2021).

2.2.1.5. Cost Reduction

A methodical procedure employed by businesses to save expenses without sacrificing the quality of their output. Cost reduction is defined as "the achievement of real and permanent reduction in the unit of cost of goods manufactured or services rendered without impairing their suitability from the use intended or diminution in quality of products," according to Muluneh, A. (2021). Mass production, reduced input costs, streamlining the manufacturing process without sacrificing product quality, using best practices, getting rid of waste and duplication of labour in the production process all these strategies may lead to real and lasting cost savings. Cost reduction is an ongoing process that involves critically analyzing different cost components in all facets of corporate operations, as well as optimizing resource utilization or efficiency and enhancing workflow diagrams, policy and procedure manuals, job instructions, and operation management.

2.2.1.6. Cost Reduction and Cost Control Relationship

Most individuals have misconceptions about cost reduction and control. Regarding methodology, there is a distinction between cost reduction and cost control. Establishing and upholding standards and performance in relation to them are the foundations of cost control. According to Khan, A. (2017), a cost control system consists of techniques and policies that help control operating expenses for a company and ensure that costs stay within predetermined bounds. One strategy to save costs is cost reduction. Thus, to regulate and minimize unwanted charges, cost control and reduction are crucial cost management applications in manufacturing companies. In terms of a competitive market, these cost management solutions also contribute to an increase in market demand. To make the most use of the material resources available to them, manufacturing organizations must manage cost reduction and control. He goes on to say that actions like value analysis and value engineering, component, and material standardization, better purchasing procedures, production engineering, method and layout improvement, scrap reduction, manpower planning, and system analysis and simplification are examples of cost-cutting measures Khan, A. (2017).

Defined cost reduction as a deliberate, proactive strategy for cutting costs. It is a planned, high-energy action that, at whatever level it occurs, aims to minimize costs. Numerous theories, such as increased production and waste removal, can be used to explain it. Every process is thoroughly examined, and every approach is assessed, to demonstrate the ways and methods of minimizing expenses on each cost element. Moreover, cutting costs doesn't need a one-time effort. It has to do with philosophy, pattern, and mentality. Thus, the goal of creating cost awareness is to keep costs as low as possible while highlighting the function and accountability of each department within the company.

Cost reduction, according to ACCA (n.d.), is the process of lowering the unit cost of products and services without compromising their suitability for the intended use. Consequently, cost management and reduction are critical to an organization's ability to monitor and cut wasteful spending. They also contribute to higher market demand in a competitive market.

2.2.2. Management support

Cost management practices cannot be effectively established without strong endorsement from a company’s top management. When management embraces setting standards and budgeting positively, and provides guidance for implementation and oversight, the company can execute its strategies efficiently. Management involves overseeing the actions of others to ensure tasks are completed as planned. The fundamental process of managerial control includes three stages: setting standards, assessing performance against these benchmarks, and addressing any deviations from the standards and plans. Initially, managers outline desired performance outcomes and then implement procedures to gauge whether actual performance aligns with these goals. Cost control is a continuous process that commences with budgeting. Management compares actual outcomes to those forecasted in the budget and integrates the insights gained from evaluating ongoing operations into plans. By utilizing the budgetary process and accounting controls, management establishes overarching company goals, delineates responsibility centers, sets specific objectives for each center, and devised protocols and benchmarks for reporting evaluation (Adeleke,2014)

2.2.3. Employees Involvement

Worker engagement refers to putting all a company's employees' resources to the fullest to address issues. In a cost-reduction plan, active worker engagement is crucial. Most product costs in manufacturing enterprises are attributed to labour costs. Hence, controlling employee productivity translates into lower labour expenses, which increases the company's profits. There are a few strategies that might be applied to improve employee motivation, which affects workers at all organizational levels Huang and Zhang, (2013). To motivate employees to work, groups and people must be empowered. Many businesses have discovered that forming worker teams is beneficial. Employee empowerment is crucial for inspiring enthusiasm at work.

Offering staff training in areas where costs can be managed is one way to increase worker productivity. Offering rewards to staff members is another way to boost efficiency. For the intended outcome to be realized, the employee must be motivated to work with interest. Employee morale should always be good, according to the organization. Incentive strategies include providing greater salaries and showing concern for the well-being of employees. It is necessary to combine staff performance reviews with the incentive programmer. These days, competition is an unavoidable global trend that cannot be stopped. Offering high-quality items at fair prices and having a competent and experienced labour force are two ways to find the answer. According to Mykolenko (2012), companies should prioritize lean manufacturing and quality initiatives while also improving staff skill levels to boost efficiency. Increased training, work rotation, multitasking, and employee empowerment can all help to accomplish this. This boosts staff morale and can result in significant benefits like best quality and employee ideas for process changes. Employees can put out greater effort if they recognize that they make up a significant part of the manufacturing process.

2.2.4. Cost Control and Responsibility Financing

Under the responsibility accounting system, managers are given the ability and obligation to make choices regarding the activities that take place in that unit. Establishing and disclosing the causal relationships between management actions and their financial outcomes is the goal of accountability accounting. Each supervisory area is solely liable for the expenditures that are incurred in its purview and over which it has authority. Responsibility accounting is a system designed to gather and report costs by each level of responsibility Cashin, (1998). Accounting for responsibility seeks to assist management in achieving organizational objectives. Accounting for responsibility plays a key role in contemporary management. Responsibility accounting is "the type of management accounting that collects and reports both planned and actual accounting information in terms of responsibility centers," according to Robert as cited in Fowzia, (2011).

2.2.5. Cost control and Reduction Tools

Tools for managing costs come in a variety of forms. According to Ayichewu (2011), management control systems play a vital role in boosting profitability and maintaining business continuity. Budgetary control, product quality control, material cost control, labour cost control, production control, standard costing, target costing, etc. are a few of the instruments that management uses to control and reduce costs. Adebayo, Lawrence, and Taofeel (2014) found that the benefits of cost control include: better utilization of available resources; lowering product prices for customers' benefit; increased market competitiveness; increased potential for profit-making for the company; and improved reputation for the company.

2.2.5.1. Standard Costing

The various limitations of historical costing are addressed using standard costing techniques. The management receives an account of the events through historical costing, which is the process of determining expenses after they have been incurred. "The preparation and application of standard costs, their comparison with actual costs, and the analysis of deviations to their causes in order to provide corrective actions" are the components of standard costing techniques Sikka, (2003). A financial control mechanism called standard costing makes it possible to analyses budgetary variances more skillfully Drury, (2012). He went on to say that standard expenses are goal costs that are predetermined and are to be incurred in an efficient operating environment. Therefore, a budget gives the cost expectation for the entire activity, whereas a standard gives the cost expectations per unit of activity. Essentially, standard costing is a cost control technique wherein activity-specific cost data are shown according to the formal level of operation Larry and Crosphopher, (2009). When the pre-established criteria are compared to the effectiveness and real costs incurred, deviations or variances are identified, and their causes are examined to assign blame to the relevant executives. The management receives a report on this study to help with corrective action so that real costs are consistent with standard costs going forward. A standard cost is an output unit's precisely calculated cost Horgren, (2012).

Drury (2012), states that when a standard costing system is used, the managers of responsibility centers who oversee the operations determine the standard costs for the actual production for a certain time. The responsibility center bears the cost of the real expenses incurred within the same period. As a result, the standard and real costs are contrasted, and the difference is reported.

2.2.5.2. Target Costing

A management technique called target costing helps lower an output's total cost over the course of its life cycle Jalaee, (2012). The link between cost, pricing, and profit is established by target costing. According to Helms, Ettkin, Baxter, and Gordon (2005), target costing is a component of the overall strategic profit management system, which also includes value engineering and value analysis. It is not the same as cost reduction strategies or control outlines. It starts with a product's intended sales price. The pricing of this product is determined by considering the customer's willingness to pay.

Target costing, according to Jalaee (2012), is a technique that makes use of cost information to focus on the superior price leader and avoid wasting time on discussions about the design and re-engineering of the product. It is predicated on looking at every aspect of ownership costs for the product at every point in its life cycle. The purchase price, operation expenses, operating supplies, and repair and maintenance expenditures are some of these components. Reducing the product's life cycle costs is the aim of the target costing system.

Target costing is a broad strategy or set of rules that uses a variety of cost management techniques to help achieve the goal costs. There are several target costing methodologies. Value engineering, just-in-time, comprehensive quality management, material requirement planning, kaizen, lean manufacturing, value analysis, and activity-based costing are a few of them. Companies use different combinations of strategies or another methods CIMA, (2005). Following the determination of the goal costs, actual expenses are tracked and managed in relation to the targets using basic costing and other common budgeting techniques. Value analysis is a methodical management approach that works with cost reduction through value analysis. The current product is described through value analysis.

Value analysis, also known as value engineering, is the methodical review and appraisal of an organization's operations and procedures with the goal of identifying opportunities for performance enhancement to determine the worth of a certain product Horgreen et al., (2012). It is a methodical analysis of every link in the value chain with the goal of cutting costs and reaching a level of quality that meets consumer expectations Akeem, (2017). Established, real expenses were tracked, and administration was done in relation to the goals using normal costing and other common budgeting techniques.

2.2.5.3. Quality Control

All the tasks or operations required to meet the organization's quality goals are referred to as quality control. The operational methods for identifying, documenting, and taking action to resolve quality issues are the focus of quality control Obeidat, A. (2020). The goal of quality control is to identify the underlying causes of faults found during inspection and implement remedial measures to make future productions defect-free. It contributes to lowering the price of rejection and inspection. Instead of focusing on fault detection, quality control aims to avoid defects.

Cutting inspection expenses translates into lower labour costs, and cutting waste translates into lower material prices. According to Stan and Klein (2012), industrial businesses bear the responsibility of rectifying, mitigating, or eradicating losses resulting from several stages of a product's life cycle, including design, implementation, usage, and recycling. This approach also lowers expenses associated with quality.

2.2.5.4. Budgetary control

Planning, observing, and managing financial resources are all part of the process of budgetary management in manufacturing organizations, which makes sure that the company's outlays match its financial targets Hartmann, S. (2020). The following are the main elements and purposes of budgetary control in a manufacturing setting Simons, R. (2019). Budget preparation entails drawing up comprehensive spending plans for all the company's divisions and undertakings. Estimates for sales, manufacturing costs, labor, materials, overhead, and other expenses are usually included in these budgets. Senior management reviews and approves the budgets when they are created. By taking this step, the budgets are guaranteed to be in line with the company's budgetary limits and strategic goals. Budget implementation is distributed to the appropriate agencies and people Obi, J. (2015). It is required for managers and staff to work within the limitations of their own budgets. It is crucial to regularly evaluate and report on actual performance in comparison to planned amounts. To find variations, this entails monitoring expenses, income, and other financial indicators Olando, C. (2021).

2.2.6. Cost Elements

Costs in manufacturing organizations are divided into manufacturing and non-manufacturing expenses. Selling and distribution expenses and administrative and office costs are categorized as non-manufacturing costs, whereas direct labour costs, direct material costs, and manufacturing overhead costs are classed as manufacturing costs Hogan, R. S. (2020).

2.2.6.1. Material cost

The purchase of materials and the associated, directly traceable expenses are included in the direct production material costs Horngren, Datar, and Rajan, (2012). Examples of direct materials are wood for furniture construction and fabric used to make clothing.

2.2.6.2. Labour Cost

Paying all manufacturing labour that can be linked to the cost object work in progress, followed by finished goods in an economically viable manner is referred to as direct manufacturing labour costs Horngren et al., (2012). Labour is the phrase for the human resource required for the conversion of raw materials into finished commodities. The primary component of a product or service's cost is labour. It is simple to link direct labour costs to certain items. Direct labour expenses may be easily and specifically linked to certain items. The quantity of production directly affects direct labour.

2.3. Empirical Review

The goal of Akeem's (2017) study was to investigate how cost-control and cost-reduction strategies affect the functioning of a company. Data were gathered from primary sources, surveys, to analyze the problem. Regression analysis was used to examine the data and test the hypothesis using SPSS. The study discovered that organizational effectiveness is positively impacted by cost control. The researcher advises that an organization's cost management and reduction plan be correctly implemented by establishing reasonable standards.

Siyanbola and Raji (2013) investigated how West African Portland Cement PLC (WAPCO)'s profitability was affected by cost control in the manufacturing sector. The study was carried out using primary data from 74 randomly chosen respondents through direct interviews, observations, and questionnaire usage. The survey was conducted with respondents who worked in the company's buying, accounting, manufacturing, sales, and warehousing departments as well as with consumers. From a strategic perspective, the budget was seen in this study as the primary tool for attaining successful cost control. They emphasize that cost control is the most important issue in a company, and that ignoring it will always have an impact on profit.

Olalekan and Tajudeen (2015) used the Nigerian bottling company PLC as a case study to examine cost containment and its effect on the survival of Nigerian businesses. The approach of descriptive research design was applied. To investigate the case, the researchers employed both primary and secondary data sources. Primary data were obtained from Nigeria Bottling Company Plc's randomly selected employees as well as additional targeted employees via the use of a structured questionnaire. Journal papers, books, newspaper stories, corporate financial reports, and the internet were among the secondary data sources.

Adebayo et al. (2014) investigated whether manufacturing companies could cut costs without sacrificing the quality of their goods and services. They also looked at how budgetary control affected cost control, profitability of manufacturing companies, the reasons behind deviations, and how these variances are reported as a means of control in budgeting. They employed a survey approach based on 190 employees from Nestle, Friesland Foods, Wamco Nigeria PLC, and Cadbury Nigeria PLC. A questionnaire was utilized to gather data from primary and secondary sources. Using chi-square statistics and the Statistical Package for Social Sciences (SPSS), the gathered data were examined. The study found that industrial organizations might save expenses while still producing high-quality goods.

Descriptive research approach was used in a study by Azeez and Adelabu (2015) that was carried out in Nigeria to investigate the nature of the link between cost management and profitability. In this study, 230 randomly selected employees of five different organizations provided data for the primary data questionnaire. Employees in the administrative, warehousing, production, and procurement divisions provided information on cost management, while management and account personnel provided information on profit management-related matters. Descriptive and non-parametric statistics such the Spearman's rank correlation coefficient, Kendall's tau rank correlation, and Chi-Square Test were used to analyze the gathered data.

Caroline (2014) looked at how cost control affected manufacturing businesses' financial results. The goal of the study was to determine how supply chain management, labour management, and stock management affected manufacturing businesses' bottom lines. Six manufacturing businesses that are listed on the Nairobi Security Exchange were chosen to be the subject of the investigation. The study employed a multivariate linear regression model with a casual research design in addition to a quantitative approach. Data came from audited financial accounts and a questionnaire, two primary and secondary sources of information. The study discovered a favorable correlation between manufacturing company’s' financial success and cost management. This study suggested that management concentrate on controlling labour, stock, and distribution costs.

Oyadonghan and Ramond (2014) also looked at the impact of quality cost management on a company's profitability in the hotel sector. The survey design was employed by the researchers. The correlation analysis approach was used to examine the gathered data. The outcome showed that profitability and high-quality cost management systems are significantly correlated. When Adeleke (2014) examined the connection between cost management strategies and Nigerian banks' performance from 2002 to 2012, he came to the same conclusion.

2.4. Research Gap

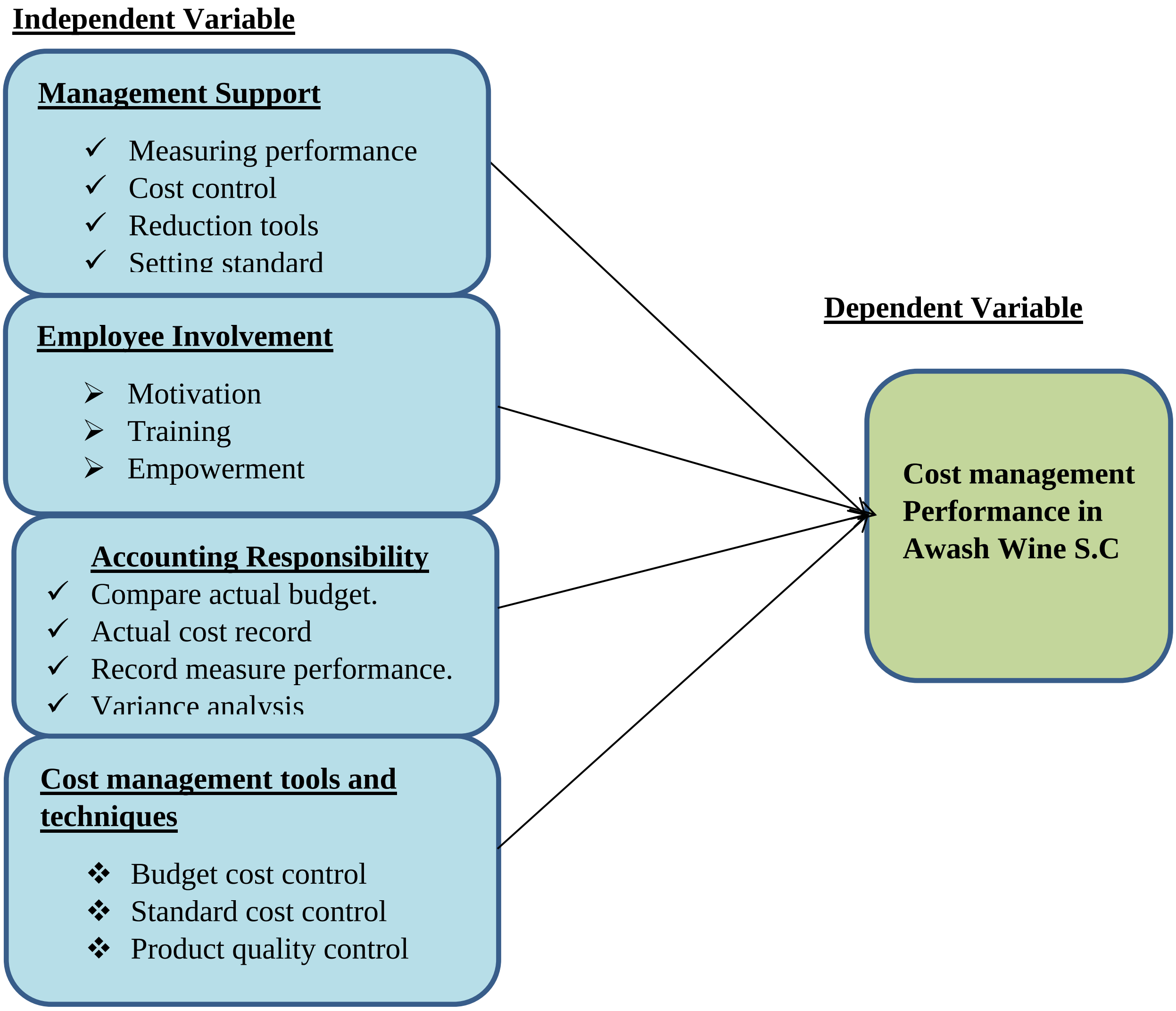
Many researchers have worked hard to determine the relationship between cost management practices and firms' profitability as well as the best cost reduction strategies for manufacturing companies and their impact on profitability. Caroline W. (2014) studied the effects of cost management on manufacturing companies' financial performance; Olalekani and Tajudeen (2015) examined cost control and its effect on Nigerian firms' survival using Nigeria Bottling Company Plc as a case study; Oyerogba, Olaleye, and Solomon (2014) examined the relationship between cost management practices and firms' performance in manufacturing companies; Adeleke (2014) examined the relationship between cost management techniques and performance of Nigerian. There is disagreement among scholars over the practice of cost management and how it affects a company's profitability. There is disagreement among scholars over the practice of cost management and how it affects a company's profitability. Awash Wine S.C prioritize cost structure above pricing to obtain a greater return on investment. Cost control thus became a critical concern for Ethiopian Awash Wine S.C. Therefore, this paper's primary goals are to analyze and assess cost management strategies to regulate and lower production costs for Awash Wine S.C. In addition, the paper attempts to bring these research' divergent viewpoints into harmony, adds a few points to the body of knowledge, and fills in this knowledge gap with its own contribution.

2.5. Conceptual Framework

Establishing a cost management technique requires the active assistance of a company's senior management. There are three phases in the basic management control procedure. They are creating benchmarks, gauging performance against them, and addressing deviations from plans and benchmarks. By indicating substantial deviations from the original plan and drawing attention to them from the individuals who can make the necessary corrections, a well-designed management control system encourages action. The term "employee involvement" describes the process of applying all available resources to address issues inside the company Burnett, J. R., & Lisk, T. C. (2021). The purpose of employee participation is to harness the energy, inventiveness, and ideas of a company's workforce to address issues and promote ongoing development. One management technique that increases productivity is trained labour. Reducing labour expenses through worker productivity management increases the company's return on investment. This may be achieved by providing them with ongoing on-the-job training, job rotation, rewards, and motivation so they will see themselves as an integral component of the manufacturing process Twaissi, N. M. (2022).

Managers in manufacturing companies employ various tools and approaches to manage and minimize the expenses associated with their products. While cost reduction tries to lower the targeted expenses themselves, cost control focuses on bringing real costs down to the desired level. The process of determining and cutting business expenditure to boost profit is known as cost control and reduction. Numerous methods and instruments are now in use for cost management and reduction. Among these are value analysis, value engineering, standard costing, target costing, budgetary control, and quality cost management. Cost control begins with the budgeting process, and budgetary control is management control. Establishing standards, comparing performance to established criteria, and addressing deviations from plans and standards are all part of the budget control process Al Bayati, Q. A. O. (2022).

Target costing is a management approach that starts with design and finishes with distribution, considering financial, production, and consumer factors. It considers the entirety of the product life cycle to guarantee that overall expenses are kept to a minimum for the producer and the consumer. These consist of the selling price, running expenses, and distribution expenses. Another strategy used by factory managers for cost management is quality control. Obeidat, A. (2020), asserts that lowering production costs through quality improvement requires the support of upper management. The accountability accounting system makes it possible for the cost control system to accomplish its goals. It functions as a management control device. The responsibility accounting system provides ongoing, pertinent information to the company's management. Siyanbola and Raji (2013) assert that strategies such as responsibility accounting, data collection, and reporting may be used to assess and regulate worker behavior as well as cost components including labour, material, and overhead expenses. In summary, the following are associated cost management practices of cost decreasing and cost control activities: top management support; workers' engagement; managerial cost control and cost reduction tools and techniques, marketing, and responsibility finance system.



Source: - Adapted from Ashvine, (2012)

Figure 1Conceptual framework.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

This chapter provides an explanation of the methods used in the implementation of the study to address the research questions and accomplish the study's goal. This special goal demonstrated how to analyze the qualitative influence of Awash Wine S.C cost management practices as a case study.

3.2. Research Design

Research design, according to Almaki (2016), is a method that aids in organizing the where, when, and how of gathering and analyzing data. Research on case studies is done to investigate and comprehend complex problems. According to Zainal (2007), a case study uses both quantitative and qualitative data by meticulous observation, reconstruction, and analysis of the instances under consideration helps explain the process and consequence of phenomena. Case study method enables a researcher to closely examine the data within a specific context.

Case studies that are descriptive and explanatory are among them. In an exploratory case study, every scenario in the data that piques the researcher's curiosity is explored. According to Sekaran and Bougie (2013), descriptive research is a design used to answer the questions, how and what. Therefore, descriptive research design was chosen for this study because it provides theoretical answers to the concerns a descriptive case study for the investigation.

3.3. Research Approach

Descriptive research design utilizes both quantitative and qualitative data. The quantitative approach involves numerical data that undergoes statistical analysis, while the qualitative approach deals with textual data that explores subjective evaluations of attitudes, thoughts, and behaviours (Kothari, 2004). Schweitzer (2009) suggested the use of a quantitative approach in this study due to its suitability for developing research questions and analysing numerical data required for the research. This study integrates both qualitative and quantitative data for a comprehensive analysis, which is typical in descriptive research involving case studies, as noted by Yin (2003). Thus, the researcher employed both research approaches in this study.

3.4. Procedures of Data collection

A questionnaire consists of a few questions printed or typed in a definite order on a form or set of forms. The questionnaire for this research was prepared by giving the required care. Proper considerations were considered while constructing the contents of the questionnaires. Evaluation questionnaires were prepared for the management accounting, production and finance department. The score ranges between 1 and 5. Each number represents a particular level of cost management for the given indicators.

Table 1the score ranges between 1 and 5.

Score	1	2	3	4	5
Interpretation	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

The sample questionnaire survey has varying sections. The first Section considered the general personal information of the respondents which included Gender, job location, jobs description, educational level, and experience, etc. The second part of the questionnaire focuses on obtaining information about the main cost management practices in Awash Wine S.C. A five-point Likert scale is used to gauge the significance of variables contributing to cost overruns to maintain consistency and facilitate data processing. The third phase of the survey examines gathering data from a sample of the population's responses using open-ended questions.

3.5. The Study of Population, Sample size and Sampling Techniques

3.5.1. Target population

According to O'Gorman and McIntosh (2014), population is the total collection of all elements that researchers were study. Population can be defined the total collection of individuals whom researchers seek to make inference on Cooper and Schindler, (2014). The population of this study is all employees in Awash Wine S.C. The study population included **728** Awash Wine S.C employees, they are management, finance head, production manager, experienced and supervisory level technical experts and supervisors of account and production staffs who are responsible to cost management practise.

3.5.2. Sample Size

The number of employees in Awash Wine S.C were involved in the study obtain (sample size) are obtains by from a total population of 728. Using Watson formula, there are sample selections of 252 employees in company, comprising 14 management staff, 67 financial employees and 171 production workers.

The Formula states:

$$n = \frac{\frac{A^2}{Z^2} + \frac{p(1-p)}{N}}{R}\left[p(1-p)\right]$$

$$n = \frac{\left[0.5(1-0.5)\right]}{\frac{0.05^2}{1.96^2} + \frac{0.5(1-0.5)}{728}} \Big/ 0.96 \quad \boxed{= 252}$$

Where: N = 728 = Number of populations

252= Sample size required (n)

P = 0.5 = Estimated variance in the population

A = 0.05 = Margin of error

Z = 1.96 for 0.95 confidence = Confidence level

R = 0.96 = Estimated response rate

Table 2Sample size for determination

No	Awash Wine S.C sections	Total no of employees	Sample size	Percentage (%)
1	Management Accounting	44	14	5.6
2	Production department	520	171	67.8
3	Finance department	164	67	26.6
	Total employees	**728**	**252**	**100**

Source: from field survey, April 2024

3.5.3. Sampling Techniques

Data for this study were gathered using a combination of questionnaires, interviews, and document reviews. Questionnaires were particularly chosen for their ability to efficiently collect consistent and reliable data from a broad range of respondents. Specifically, the study employed a stratified random sampling technique for distributing questionnaires among employees at Awash Wine S.C. This method involved dividing the workforce into distinct strata based on departmental affiliations (Management Accounting, Finance and production department) to ensure proportional representation in the sample. Both formal and informal questionnaires were utilized to gather primary data, facilitating comprehensive insights into various aspects of the organization relevant to the research objectives.

3.6. Observation

In this research, an unstructured observation type was used for assessing areas of the company. The main reason for observation is balancing information from employees of the respondents. And it may be somehow exaggeration or partially difficult to represent the actual condition Czasonis, M. (2022).

3.7. Method of data analysis

The analysis method that was used by the researcher is descriptive. After all the relevant data are collected, data preparation including editing, coding, and data entry were made. This step includes activities that ensure the accuracy of the data and their conversion form raw from to reduce and classify forms that are more appropriate for analysis. Preparing a descriptive statistical summary was another preliminary step that the researcher is conducted to carry out that lead to an understanding of the collected data. The coded data by assigning symbol to responses of the population, to group into limited number of categories; data entry was made to Microsoft Office Excel. Statistical instrument like measures of central tendency and measure of variability is used (SPSS).

To visualize the data frequency tables, bar graphs and charts are used. These instruments were applied to facilitate interpretation process of the research. Finally, from the premises were indicated in the analysis and discussion the research derives finding and conclusion which in turn help to recommend the possible action to be taken. To provide a more concise picture of the data, the descriptive statistics employed frequency distributions, percentages, mean, and standard deviation.

3.8. Reliability and Validity of the research

3.8.1. Reliability

According to Maslakçi (2020), an instrument's degree of reliability is determined by how consistently it produces the same score when used on several occasions. Reliability is therefore related to the consistency of measurements. Furthermore, the capacity of a measuring device to measure what it is intended to measure is a key component of its dependability. Pandey, (2021) asserted that a measurement tool is dependable if it yields consistent findings. The researcher was direct applicable by the information gather from many sources to provide proof when developing conclusions about the topic. This coefficient provides a unique quantitative estimate of the scale's internal consistency (Zikmund, 2009). According to Cooper and Schindler (2007), a coefficient of over 0.7 is necessary for the instrument to be considered reliable.

Table 3Reliability Statistics

Dimensions	Reliability Statistics			Comments
	Cronbach's Alpha	Percentage	No of Items	
Management	0.992	99.2	6	Reliable
Production	0.996	99.6	29	Reliable
Finance	0.995	99.5	10	Reliable
Overall average	**0.994**	**99.4**	**45**	Reliable

Source: from field survey, April 2024

3.8.2. Validity

Validity on the other hand refer to whether an instrument measures what is supposed measure, given the context in which it is applied Bless &Higson-Smith, (1995). To assure validity, researcher was designed based on previous studies questionnaires and review of related literatures.

3.9. Ethical considerations

The researcher was considered the research values of voluntary participation, confidentiality, Anonymity to ensure protection of respondents from any possible harm that could arise from participating in the study. Thus, the researcher clearly introduces the purpose of the study as a partial fulfillment of a master's study programs in accounting and finance and requests the respondents to participate in the study on a voluntary basis such that refusal or abstaining from participating are permitted. The researcher also assures the respondents confidentiality of the information given and protection from any possible harm that could arise from the study since the findings are used for the intended purposes only. The respondents were promised to be provided with feedback about the findings of the study.

3.10. Testing for data dependability

Testing for data dependability is done up to the Cronbach's Alpha coefficient. Each of the average metrics for the management, production and finance was examined using the Cronbach's alpha coefficient. Every dimension's data, as shown in Table3, has a Cronbach's alpha greater than 90%. This demonstrated that the data is accurate and well-presented through analysis.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATIONS

4.1. Introduction

Formal interviews, questionnaires and observations were used to gather the data. The primary and secondary data was gathered, presented, examined, and interpreted from the management department, production department, finance department and marketing department in the Awash Wine S.C. The study used structured questionnaires that included both open-ended and closed-ended question categories. Using various methods such as frequency, relative important index, percentage, mean, Standard deviation, correlation, and regression, the researcher arranged, evaluated, and examined the data obtained to provide a condensed collection of analyzed data. Awash Wine S.C success reports on cost management practices over the previous five years served as the secondary source of data. Table 4 illustrates that 260 questionnaires were distributed to Awash Wine S.C employees, who also succeeded in gathering the surveys. Only 240 (92.3%) of the surveys that were found to be genuine after data cleaning were utilized in the study.

Table 4 Target population and required sample size.

Target population	Population Number	Distributed questionnaires	Target population for Awash Wine S.C		Required sample size	Valid questionnaire	%
			Filled, Returned questionnaire	%			
Management Accounting	44	15	15	100	15	15	100
Production department	520	185	176	95.1	180	171	95
Finance department	164	60	56	93.3	57	54	94.7
All departments	**728**	**260**	**247**	**95**	**252**	**240**	**95.2**

Source: from field survey, April 2024

Data from the interview and survey was examined using SPSS and Excel. The study's data analysis method was quantitative. Closed-ended and open-ended questions were used to collect data on the study questionnaire. Of the 247 (95%) targeted respondents in the Awash Wine S.C cost management practices survey, 240 correctly completed the questionnaire, yielding a validity response rate of 95.2%. A response rate of more than 70% is sufficient for both descriptive analysis and drawing conclusions about the target demographic, according to Omwenga, J. Q. (2023). To get meaningful conclusions, both descriptive and inferential statistics were calculated from the data.

4.2. Characteristics of respondents

Table 5 Demographic characteristics of the respondents

1. Gender		**Frequency**	**Percent (%)**
Valid	Male	148	61.7
	Female	92	38.3
Total		**240**	**100**
2. Age group			
Valid	Below 25 years	25	10.4
	26 to 35 years	148	61.7
	36 to 45 years	51	21.3
	46 to 55 years	16	6.7
Total		**240**	**100**
3. What is your highest level of Education			
Valid	PHD	2	0.8
	Master's degree	34	14.2
	Bachelor's degree	102	42.5
	Diploma	74	30.8
	Below diploma	28	11.7
Total		**240**	**100**
4. What is your work experience			
Valid	Less than 5 years	28	11.7
	6 to 10 years	156	65.0
	Above 11 years	56	23.3
Total		**240**	**100**
5. What is your position			
Valid	Management Accounting "Upper & Middle"	15	22.5
	Production department (Employee, Budgeting, Standard costing, and Production quality)	171	51.3
	Finance department (Finance, Cost & budget, Treasury, supply chain and Information technology Department)	54	26.3
Total		**240**	**100**

Source: from field survey, April 2024

According to table5, a description of the target population's demographic features provides some basic information regarding gender. A total of 240 respondents took part in the survey; the respondents' age, position, level of education, and job experience were all based on their demographic profiles. Male respondents made up 61.7% of the sample, while female respondents made up 38.3%. This suggests that there are somewhat more men than women employed by the Awash Wine S.C.

Most responders (61.7%) belonged to the 26 to35 age range. The second largest age group (21.3%) consisted of those aged 36 to 45. Many responders (42.5%) had a bachelor's degree; diploma level respondents were 30.8% while 14.2% had a master's degree. This suggests that a large proportion of the organization's employees are highly educated. Given the high level of education among respondents, it can be inferred that nearly all employees are capable of comprehending and responding to questionnaire items effectively, thereby enhancing efficiency and reducing costs. While 11.7% of respondents worked less the 5 years' experience and more than 11 years was the second larger number which is 23.3% most respondents (65%) worked for six to ten years. This indicates that most of the respondents possess a solid understanding of the organizational environment and are well-informed about its operations, particularly regarding the practice of cost management. This heightened awareness enhances the reliability of participants' responses.

Most responders were in the production department (control tools and techniques, production quality and employee involvement) and which recorded 51.3%. The respondent of the financial department was the second, recording 26.3% while 22.5% recorded the management team. In this section included all management units as well as top management.

4.3. Cost management practices and Cost Control in the company

The goal of the study is to assess how well Awash Wine S.C senior management supports cost management practices in reducing and managing production costs. Establishing standards, creating budgets, implementing cost control tools and procedures inside the organization, assessing profit in relation to established standards, and resolving deviations from plans and standards are all part of management assistance.

The management's leadership commitment to cost control and reduction in cost management practices served as the foundation for the data analysis and interpretation. Several questions were posed to management members to gauge their support for the use of cost management practices in reducing and controlling expenses at Awash Wine S.C. Evidence from survey replies and an interview with the management team were used to address these questions. To support the findings, more data was gathered by looking through pertinent papers (reports, variance analyses, and budget plans).

As per the replies gathered from the interviews, setting manufacturing cost criteria is the first step towards cost management. Cost budgets are developed in accordance with these principles. Documents were examined and management interviews were undertaken to provide a solution to the question. The information gathered from the interview revealed that the regular cost of each individual product for the current lineup is determined monthly. These typical expenses are based on real costs from the preceding month. The company's senior management sets standards, creates budgets, assesses deviations, and measures employee performance.

Respondents define standard cost as a predetermined amount that represents the product's entire cost. The researcher attempted to go through finance manuals and guidelines that explain how standard unit product costs are calculated while document observation was taking place. The new criteria, the researcher discovered, are determined by standard unit product cost. Examining the purchase price from the previous month and the actual material consumption allowed for this. A new standard cost is determined for each new product that is placed into operation, considering the actual cost of purchasing the materials. However, the usual costs for older items are applied to labour and overhead. The responses of the respondents indicate that standard costs are typically determined in a comparable manner.

The analysis ranked the cost management practices for cost reducing and cost control in the Awash Wine S.C Relative Importance Index (RII). Following the entry of the respondents, statistical analysis was performed on 240 questionnaire replies. The respondents' perceived criticality of the traits was used to score them using the Relative Importance Index (RII), which was calculated following equation.

$$\mathbf{RII} = \frac{\mathbf{\varepsilon W}}{\boldsymbol{A*N}}, = \frac{\boldsymbol{5n5+4n4+3n3+2n2+1n1}}{\boldsymbol{5*N}}, \mathbf{W\ (0 \leq RII \leq 1)}$$

Where:

W: - is the weight given to each question by the respondents and ranges from 1 to 5, (where "1" is strongly agree" and "5" is "strongly disagree").

A: - is the highest weight (i.e. 5 in this case) and.

N: - is the total number of respondents

The respondents were asked to rate managers using statements that were given making use of the scale: 1-Strongly Agree, 2-Agree, 3-Neutral, 4- Disagree, and 5- Strongly Disagree

4.3.1. Top Management practices for cost reduction and cost Control.

Table 6Top Management practices for cost control and reducing.

Management practices for cost reducing and cost Control	Frequency Response					N	Total score	RII	Mean	Std. Dev.	Rank
	1	2	3	4	5						
Top management practices applied in this company are effective to enhance the profitability of the organization	24	50	14	92	60	240	834	0.695	3.518	1.1107	5
Management exercises cost reduction and control tools and techniques in managerial decision-making.	12	55	14	97	62	240	862	0.718	3.746	1.024	1
The company efficiently uses cost reduction and control techniques to measure performance.	15	56	16	96	57	240	844	0.703	3.479	1.1014	3
Top management practices have a significant influence on the profit margin of the organization.	12	58	18	94	58	240	848	0.707	3.628	1.0901	2
The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.	13	60	20	98	49	240	830	0.692	3.382	1.2101	6
Company control and reduces cost without affecting the quality of products	27	46	14	88	65	240	838	0.698	3.529	1.1057	4
Grand Mean							**843**	**0.702**	**3.547**	**1.1070**	

Source: from field survey, April 2024

The analysis and information used to managers in making decisions and exercising managerial control are the focus of cost management methods. A series of questions were posed to respondents to evaluate the advantages of cost management practices of cost control and reduction in Awash Wine S.C. The answers of 15 respondents are compiled in table 6with regard to each cost management practices issue. Table 6 presented influencing and contributing to cost management practices of cost control and reduction in Awash Wine S.C. Mbamali and Okotie (2012) interpret the RII values as follows: if the item's RII is less than 0.60.

It is considered to have a minor degree of affect; if it is 0.6 ≤, RII < 0.80, it is considered to have a high degree of affect. RII ≥ 0.80 indicates that the item has a very high degree of influence. All measurement variables under the management department side were more than 0.60 RII values, as explained above. Relative important index (RII) reported from (830) 0.692 to (862) 0.718, as indicated in table6 above. With values of RII>0.60 it was highly influenced to cost control and reduction in the management practices in the company.

The greatest RII values, highest frequency responders' rate, and top ranking were for "Management exercises cost reduction and control tools and techniques in managerial decision-making," with mean values of 3.746 and standard deviation of 1.024. The relative important index (RII) was 0.718 and the overall frequency response score was 862. The second influenced cost control and reduction under management: "Top management practices have a significant influence on the profit margin of the organization." The frequency response scores of 848 were obtained for this component, and the RII value was 0.707. The standard deviation and mean values received scores of 1.10901 and 3.628, respectively.

In terms of frequency response and RII values, "The company efficiently uses cost reduction and control techniques to measure performance" received the third-highest ranking and the highest overall score. 844 frequency responses, 0.703 RII and mean 3.479 values were the outcomes. The fourth-ranked value was "Company control and reduces cost without affecting the quality of products," with 838 frequencies, 0.698 RII, and a 3.529 mean value observed.

The company has utilized cost reduction and control tools and techniques policy to attain its maximal target came in last, but certainly not least. This is the sixth-ranked high influenced to cost control and reduction in the management practices in the company were still high degree of relative significance (RII). The frequency response rate has a total score of 830. The mean value was 3.382 and the relative significance index (RII) was 0.692. The management practices to cost control and improving profitability in the company, as evidenced by the great mean values, lowest standard deviation, and relative significance index (RII).

4.3.2. Cost Reduction Employee Involvement

Using all the company's employees is possible to maximize profit and save expenses while making the best use of its resources is known as employee participation. To inspire employees and teams to work hard, empowerment is crucial. By using questionnaires to ask the respondents about their opinions on cost management and manufacturing cost reduction, the researcher was able to get the following data.

Table 7 Cost Reduction Employee Involvement

Cost reduction and Control tools and Techniques	**Frequency Response**					**N**	**Total score**	**RII**	**Mean**	**Std. Dev.**	**Rank**
Cost reduction and control Employee Involvement	**1**	**2**	**3**	**4**	**5**						
Employees participate in budget preparation and standard setting.	12	55	20	91	62	240	856	0.713	3.777	1.1357	2
Training given by the company to upgrade the skill of the employees enhances employees' skill and this resulted to increase productivity.	18	55	18	93	56	240	834	0.695	3.475	1.2072	4
Trained employees are helpful in reducing labor cost of the company.	23	68	15	76	58	240	798	0.665	3.329	1.2645	7
Trained labor assists to enhance the product quality.	20	54	14	91	61	240	839	0.699	3.598	1.1981	3
Trained labor assists to reduce material wastage and this reduces material cost.	26	68	16	66	64	240	794	0.662	3.309	1.3041	8
Skilled labor in the company produces quality products this in turn inspection cost decreased.	24	60	17	91	48	240	799	0.666	3.27	1.2272	6
Incentives by the company are useful to motivate employees and enhance staff morale to increase productivity.	21	68	13	70	68	240	816	0.68	3.44	1.2107	5
Job rotation in the company is helpful for employees easily train, motivate, and enhance productivity	16	60	12	75	77	240	857	0.714	3.782	1.1345	1
Grand Mean							**824**	**0.687**	**3.498**	**1.2103**	

Source: from field survey, April 2024

The employees' engagement in decreasing and managing manufacturing cost operations was inferred by the overall relative importance index of .0687 with a standard deviation of 1.2103, as shown by each of the eight estimated questions.

Cost reduction employee involvement mean values, relative significance index (RII), and overall frequency of responses were showed in Table7. Mbamali and Okotie (2012) analyzed the relative importance index (RII) values and found that the entire cost reduction employee involvement contributed significantly to the employee involvement to reduction production cost. Because the mean value was likewise reported as being higher than 3.31 and the ranking from first to eighth was bigger than 0.66 RII. The component with the highest score, 857 total frequency answers, 3.782 mean values, and a relative significance index (RII) of 0.714 was shown to be the primary influenced for the production department with employee involvement and profit maximization under the “job rotation in the company is helpful for employees easily train, motivate, and enhance productivity.”
"Employees participate in budget preparation and standard setting." is the second production control that influenced cost reduction under tools and techniques practices. For this component, the frequency response scores were 856, and the RII value was 0.713. Recorded of 1.1357 and 3.777 were assigned to the standard deviation and mean values respectively.

"Trained labor assists to enhance the product quality." is said about frequency response and RII values obtained the greatest total scored and the third-highest rating. The results illustrated 839 frequency responses, a 0.699 RII, and a mean of 3.598 values. The standard deviation of this influenced factor was recorded 1.1981. With 834 frequencies, 0.695 RII, and a 3.475 increased observed, the value "training given by the company to upgrade the skill of the employees enhances employees’ skill and this resulted in increase productivity." came in fourth place with scored values 1.2072 for the standard deviation.

Lastly but not least, “trained labor assists to reduce material wastage and this reduces material cost.” This has an eighth-ranking high degree of relative significance (RII) effect on cost containment and a decrease in the company's production cost and improving profitability. The score for the frequency response rate is 794. The relative significance index (RII) was 0.662 and the mean value was 3.309. The still high standard deviation, lowest mean value, and relative significance index (RII) all attest to the standard cost control used to reduce costs and increase productivity in the company.

4.3.3. Accounting Responsibility in Cost Budgeting and Cost Controlling

As a supplemental cost management tool, responsibility accounting is defined by Fowzia (2011) as a controlling tool that allows expenses to be tracked back to the accountable manager. Questionnaires that were issued were gathered to provide an answer to the question, "How does the responsibility accounting system help manufacturing companies in cost control and cost reduction?" Furthermore, financial documents and reports were seen. As a result, Awash Wine S.C is generally effective in terms of responsibility accounting for budget preparation, budgetary management, cost control, delegation of power, and helpful in monitoring performance. The grand mean score of 3.520 indicated respondents' agreement on numerous predicted issues.

Table 8Accounting responsibility in cost Budgeting and Cost reduction.

Accounting in cost and cost controlling	**Frequency Response**					**N**	**Total score**	**RII**	**Mean**	**Std. Dev.**	**Rank**
	1	**2**	**3**	**4**	**5**						
The accounting system of the company clearly defines the responsibilities and obligations of each department to measure their performance.	12	59	22	92	55	240	839	0.699	3.513	1.1329	4
The accounting system is helpful to regularly report variances of budget and actual cost to measure management performance as a control device.	14	51	18	96	61	240	859	0.716	3.694	1.1305	1
The accounting system is used as a control device.	21	57	21	92	49	240	811	0.676	3.433	1.2029	10
Information released from accounting system of the company helps managers to know whether the company goals achieved or not.	15	59	17	96	53	240	833	0.694	3.458	1.1341	5

The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance	18	58	20	97	47	240	817	0.681	3.483	1.2013	9
The accounting records of the company hold detailed report that shows actual cost incurred in each department, and this assisted mangers for the preparation of department budget.	17	60	19	96	48	240	818	0.682	3.438	1.1395	8
Responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information.	16	60	15	98	51	240	828	0.690	3.449	1.1363	6
Good cost efficiency and innovation in their market strategies	11	58	11	10	58	240	858	0.715	3.691	1.1309	2
sustainability cost reduction in the market strategies within the company	14	57	11	99	59	240	852	0.710	3.604	1.1314	3
It is increased market strategy promotion cost in the company	19	55	18	98	50	240	825	0.688	3.439	1.1387	7
Grand Mean							**834**	**0.695**	**3.520**	**1.1478**	

Source: from field survey, April 2024

Responsibility accounting in cost and cost controlling mean values, relative significance index (RII), and overall frequency of responses were showed in Table8. Mbamali and Okotie (2012) analyzed the relative importance index (RII) values and found that the entire cost responsibility accounting in cost and cost contributed significantly to the financial responsibility to reduction accounting in cost budgeting cost controlling. Since the mean value was likewise reported as being higher than 3.433 and the ranking from first to tenth was bigger than 0.676 RII. The component with the highest score, 859 total frequency answers, 3.694 mean values, and a relative significance index (RII) of 0.716 was shown to be the primary influenced for the finance department with accounting in cost budgeting cost controlling and profit increased under the “accounting system is helpful to regularly report variances of budget and actual cost to measure management performance as a control device.”

"Good cost efficiency and innovation in their market strategies." is the second accounting responsibility that influenced the cost reduction under accounting in cost budgeting cost controlling practices. For this component, the frequency response scores were 858, and the RII value was 0.715. Recorded of 1.1309 and 3.691 were assigned to the standard deviation and mean values respectively.

"Sustainability cost reduction in the market strategies within the company." is said about frequency response and RII values obtained the greatest total scored and the third-highest rating. The results illustrated 852 frequency responses, a 0.710 RII, and a mean of 3.604 values. The standard deviation of this influenced factor was recorded 1.1314. The 839 frequencies, 0.699 RII, and a 3.513 mean value observed, the value "the accounting system of the company clearly defines the responsibilities and obligations of each department in order to measure their performance." came in fourth place with scored values 1.1329 for the standard deviation.

Lastly but not least, “the accounting system is used as a control device.” This has tenth-ranking high degree of relative significance (RII) effect on cost containment and a decrease in the accounting in cost budgeting cost controlling practices and improving productivity. The score for the frequency response rate is 811. The relative significance index (RII) was 0.676 and the mean value was 3.433. The still high standard deviation, lowest mean value, and relative significance index (RII) all attest to the standard cost control used to reduce costs and increase productivity in the company.

4.3.4. Cost Reduction, Control tools and Techniques

The researcher tried to evaluate the various cost management and reduction strategies used by the business in this part. In addition to evaluating audited financial records and examining relevant internal papers, the researcher conducted interviews. Managers of the production and finance departments were questioned. The informants state that although standard costing and target costing were relevant, the company applied budgetary cost management and quality control techniques.

Budgetary cost control, standard cost control, quality cost control, and target costing controls are a few examples of the various kinds of cost control and reduction instruments and procedures. Questionnaires are used to provide an answer to the question. The researcher also asked respondents other questions on budgetary cost management, standard cost control, and quality cost control to see this subject from a different perspective. 171 respondents participated under the production departments which are cost reduction, control tools techniques and employee involvement of the cost reduction practices.

Target costing, according to Imeokparia and Adebisi (2014), is a basic cost management strategy that lowers costs based on the discrepancy between a product's selling price and its intended profit margin to make it competitive in the market. Furthermore, standard costing is a better tool for managerial decision-making and planning. Future real costs should be quite like the norm when management creates suitable cost standards and is successful in keeping production costs under control. Consequently, management can estimate expenditure and create more realistic budgets by using standard costs. For this reason, senior management may find a consistent cost system useful for planning and making decisions.

4.3.4.1. Budgetary Cost Control

To guarantee that they meet their financial goals profit maximization managers need assistance in organizing and regulating the use of resources in a methodical and logical way. This is the goal of budgetary control. A method known as "budgetary control" uses budgets as a planning and controlling tool. Budgetary control is the effective utilization of resources to achieve previously established goals included in a plan Akeem, (2014).

Table 9Budgetary Cost Control

Cost Reduction, Control tools and Techniques	**Frequency Response**					**N**	**Total score**	**RII**	**Mean**	**Std. Dev.**	**Rank**
Budgetary Cost Control	1	2	3	4	5						
The company has a good budgeting process that can effectively control costs.	8	50	20	101	61	240	877	0.731	3.854	1.1649	1
The company budgeting process helped to enhance profitability	24	60	18	90	48	240	798	0.665	3.325	1.3140	7
In this company, budgetary control system serves as a tool to estimate costs	17	61	13	98	51	240	825	0.688	3.438	1.2693	4
In the organization budgetary control used as effective cost control tool and it served to measure performance	21	61	21	94	43	240	797	0.664	3.321	1.2713	8
Budgetary control helps to motivate employees and to enhance productivity.	10	52	16	103	59	240	869	0.724	3.721	1.1901	3
Budgetary cost control serves to establish manufacturing cost budget in each operation function	14	64	19	93	50	240	821	0.684	3.421	1.2451	6
The management of the company communicates budget in decision-making.	15	62	17	97	49	240	823	0.686	3.429	1.2456	5
Helpful to create cost control awareness among department representatives.	11	46	20	105	58	240	873	0.728	3.738	1.1741	2
Grand Mean							**835**	**0.696**	**3.531**	**1.2343**	

Source: from field survey, April 2024

Table9 illustrated that, with mean values of 3.531 and standard deviation of 1.2343, the item “The Company has a good budgeting process that can effectively control costs." had the highest RII values, the highest frequency responders' rate, and the highest ranking. The total frequency response score was 877 and the relative important index (RII) was 0.731. “Helpful to create cost control awareness among department representatives." is the second budgetary cost that influenced the cost reduction under tools and techniques practices. For this component, the frequency response score was 873, and the RII value was 0.728. Scores of 1.1741 and 3.738 were assigned to the standard deviation and mean values, respectively.

“Budgetary control helps to motivate employees and to enhance productivity." is said about frequency response and RII values obtained the greatest total score and the third-highest rating. The results showed 869 frequency responses, a 0.724 RII, and a mean of 3.721 values. With 825 frequencies, 0.688 RII, and a 3.438 mean value observed, the value “In this company, budgetary control system serves as a tool to estimate costs " came in fourth place with scores of 1.2693 the standard deviation.

Finally, “In the organization budgetary control used as effective cost control tool and it served to measure performance”. This has an eighth-ranking high degree of relative significance (RII) effect on cost containment and a decrease in the company's budgetary cost reduction and improving profitability. The score for the frequency response rate is 797. The relative significance index (RII) was 0.664 and the mean value was 3.321. The excellent standard deviation, lowest mean value, and relative significance index (RII) all attest to the budgetary cost control used to reduce costs and increase profitability in the organization.

4.3.4.2. Standard Costing

It entails estimating upfront costs for overhead, direct labour and materials needed to produce a unit of goods Standard costs are these prearranged expenses. Variance analysis is then possible by comparing these standard costs to the actual costs spent during manufacturing in company. Variances can assist managers find areas for improvement and make better judgments regarding pricing, budgeting, and resource allocation by pointing out inefficiencies or locations where expenses have exceeded expectations.

Table 10Standard Costing

Cost Reduction, Control tools and Techniques	**Frequency Response**					**N**	**Total score**	**RII**	**Mean**	**Std. Dev.**	**Rank**
Standard Costing	**1**	**2**	**3**	**4**	**5**						
All organization department representatives participate in setting standard costs of goods and service	27	58	19	89	47	240	791	0.659	3.468	1.2804	4
The company uses standard costing for establishing yardstick in exercising control.	25	60	18	96	41	240	788	0.657	3.411	1.3136	5
Standard costing facilitates in setting budgets.	24	65	17	88	46	240	787	0.656	3.409	1.4006	6
Standard costing useful in evaluating managerial performance	20	66	13	93	48	240	803	0.669	3.521	1.1215	2
Standard cost of the company is helpful in decision making by providing forecast of future cost.	21	55	21	98	45	240	811	0.676	3.524	1.1207	1
Standard costing facilitates delegation of authority and fixation of responsibility	18	62	23	96	41	240	800	0.667	3.513	1.2117	3
Grand Mean							**797**	**0.664**	**3.474**	**1.2414**	

Source: from field survey, April 2024

Nowadays, manufacturing businesses all around the world employ standard costing. Approximately 73% of manufacturing organizations used conventional costing systems, according to research by Moran and Izah, (2012). Table10 illustrated the average response value, which was calculated using a Likert scale, indicating the respondents' recorded about the advantages of standard costing in terms of reduction and control production expenses. Overall respondents scored about the value of the standard costing method was represented by the grand mean value of 3.474 for the benefit of reduction control cost.

The mean values of 3.524 and standard deviation of 1.1207, the item “Standard cost of the company is helpful in decision making by providing forecast of future cost." had the highest

RII values, the highest frequency responders' rate, and the highest ranking. The total frequency response score was 811 and the relative important index (RII) was 0.676. "Standard costing useful in evaluating managerial performance" is the second standard Costing that influenced on the cost reduction under tools and techniques practices. For this component, the frequency response score was 803, and the RII value was 0.669. Recorded of 1.1215 and 3.521 were assigned to the standard deviation and mean values, respectively.

"Standard costing facilitates delegation of authority and fixation of responsibility" is said about frequency response and RII values obtained the greatest total scored and the third-highest rating. The results showed 800 frequency responses, a 0.667 RII, and a mean of 3.513 values. With 791 frequencies, 0.659 RII, and a 3.468 mean value observed, the value "all organization department representatives participate in setting standard costs of goods and service" came in fourth place with scored values 1.2804 for the standard deviation.

Finally, but not least, "Standard costing facilitates in setting budgets". This has sixth-ranking high degree of relative significance (RII) effect on cost containment and a decrease in the company's standard cost reduction and improving profitability. The score for the frequency response rate is 787. The relative significance index (RII) was 0.656 and the mean value was 3.409. The excellent mean values, lowest standard deviation, and relative significance index (RII) all attest to the standard cost control used to reduce costs and increase profitability in the organization.

4.3.4.3. Product quality control

Quality control lowers inspection costs, lowers defect rates, boosts output, and expands market share. Defects, waste, and inspection expenses are known to have an impact on manufacturing cost components. Product, material, and labour costs rise in proportion to defective goods, waste, and inspection costs. According to Stan and Klein (2012), quality measures and lowers expenses associated with quality. The outcome suggested the respondents' opinions on the assessment questions that were given, which focused on the advantages of quality control in lowering and managing manufacturing costs.

Table 11Product quality control

Cost Reduction, Control tools and Techniques	**Frequency Response**					**N**	**Total score**	**RII**	**Mean**	**Std. Dev.**	**Rank**
Product quality control	**1**	**2**	**3**	**4**	**5**						
The company quality control method is effective because it enables to decrease defect products and increase productivity.	25	70	20	86	39	240	764	0.637	3.376	1.2768	7
The quality control method of the company enables to reduce the cost of inspection.	24	68	16	87	47	240	791	0.659	3.445	1.2614	5
The quality control method of the company enables to reduce rejection costs.	18	64	16	92	50	240	812	0.677	3.528	1.1119	1
Cost control tool for decreasing material cost by avoiding wastages.	20	59	23	88	50	240	809	0.674	3.518	1.2514	2
Material quality control techniques of the company used	26	62	20	84	48	240	786	0.655	3.395	1.2757	6
As a cost control tool by avoiding scrapes and therefore manufacturing cost decreased.	20	68	17	90	45	240	792	0.66	3.496	1.2606	4
The company's quality control enables to produce quality products, and this enhance the market share of the company	21	66	18	87	48	240	795	0.663	3.508	1.2532	3
Grand Mean							**793**	**0.661**	**3.467**	**1.2416**	

Source: from field survey, April 2024

The grand mean score of 3.467 and total scored was 793 for the overall benefit of quality control suggested that most respondents agreed with the advantages of quality cost control. Product quality control mean values, relative significance index (RII), and overall frequency of responses were displayed in Table11. Mbamali and Okotie (2012) analyzed the relative importance index (RII) values and found that all the quality control criteria contributed significantly to the quality control and reduction cost. Because the mean value was likewise reported as being higher than 3.38 and the ranking from first to tenth was bigger than 0.64 RII. The component with the highest score, 812 total frequency answers, 3.528 mean values, and a relative significance index (RII) of 0.677 was shown to be the primary influenced for the product quality control and improving profitability under “the quality control method of the company enables to reduce rejection costs”.

"Cost control tool for decreasing material cost by avoiding wastages" is the second product quality control that influenced on the cost reduction under tools and techniques practices. For this component, the frequency response scores were 809, and the RII value was 0.674. Recorded of 1.2514 and 3.518 were assigned to the standard deviation and mean values respectively.

"The company’s quality control enables to produce quality products, and this enhances the market share of the company." is said about frequency response and RII values obtained the greatest total scored and the third-highest rating. The results illustrated 795 frequency responses, a 0.663 RII, and a mean of 3.508 values. The standard deviation of this influenced factor was recorded 1.2532. The 792 frequencies, 0.660 RII, and a 3.496 mean value observed, the value "As a cost control tool by avoiding scrapes and therefore manufacturing cost decreased" came in fourth place with scored values 1.2606 for the standard deviation.

Lastly but not least, “the company quality control method is effective because it enables to decrease defect products and increase productivity.” This has seventh-ranking high degree of relative significance (RII) effect on cost containment and a decrease in the company's product quality control cost reduction and improving productivity. The score for the frequency response rate is 764. The relative significance index (RII) was 0.637 and the mean value was 3.376. The still high mean values, lowest standard deviation, and relative significance index (RII) all attest to the standard cost control used to reduce costs and increase profitability in the organization.

4.4. The most common influenced on cost management practices

Table 12Comparison of the factors

Cost control factors	Total score	RII	Mean	Std. Dev	Ranking
Management support	843	0.702	3.547	1.1070	1
Employee Involvement	824	0.687	3.498	1.2103	4
Accounting Responsibility	834	0.695	3.520	1.1478	3
Budgeting cost control	835	0.696	3.531	1.2343	2
Standard costing	797	0.664	3.474	1.2414	5
Production quality control	793	0.661	3.467	1.2416	6
Grand Mean/ Std. Dev	**820**	**0.684**	**3.508**	**1.1971**	

Source: from field survey, April 2024

The variables influencing cost management are shown in table12 above. Its mean value and relative important index were the greatest, at 3.547 and 0.702, respectively, suggesting that cost management had the most significant cost reduction and improved productivity. Budgetary and cost control was the second most significant influence, contributing to cost management practices in Awash Wine S.C. The frequency response average score was 835, the RII value was 0.696, and the mean and standard deviation were 3.531 and 1.2343, respectively. These average values were used to record this component. Budgeting then, is typically highly influenced by cost reduction. The third most common issue for cost control and reduction was accounting and finance; mean value scored 3.529, average relative significance index scored 0.695, and frequency response rate averaged 834.

The cost control and reduction in cost management practices identified " Employee” as the fourth biggest influenced of cost control and increased profitability. 824 frequency responses rate, 0.687 RII, and 3.498 mean values were the average results that were recorded. The cost management practice ranks fifth and another factor that controls company cost is "standard costing," as determined by the RII values and average frequency of response. A total of 797 frequency responses, 0.664 RII, and 3.474 mean values were recorded as the average findings. Ranking sixth among cost management practices and contributing to cost control within the organization is "production quality," which is based on average frequency of response and RII values. The average results showed 793 frequency responses, 0.661 RII, and 3.467 mean values. Cost control and reduction in cost management practices was mostly caused by all these factors, as the findings indicate that there were serious issues with the company productivity.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

The summary, recommendations, and conclusions drawn from the study's findings are covered in this chapter. As a result, there are three subsections in this chapter. The overview is given in Section 5.1; the conclusions are discussed in Section 5.2, and 5.3 the recommendations of the study.

5.1. Summary

The purpose of this study was to investigate how cost management techniques may be used to lower and regulate production expenses. The study's specific goals are to determine how managers assist in applying cost management practices to enhance the performance of their company, ascertain which cost control and reduction tools and techniques can assist the business in minimizing costs and maximizing profits, and identify various cost management tools and techniques that help in cost control and reduction to the lowest possible level.

The discussion's outcome made it evident that reasons that influenced for cost management practices and cost control since, per a measurement tool distributed to staffs all departments of the company, there were the department of management, finance, employee involvement and cost reduction, cost control tools and techniques under the budgetary control, standard costing, and product quality. Several study questions were used to examine how top managers support the adoption of cost management practices to improve the performance of their organization. The findings showed that management at Awash Wine S.C supports efforts to control and decrease manufacturing costs.

The study's findings indicate that Awash Wine S. C's senior management establishes guidelines for each cost aspect, creates budgets, uses a variety of cost-control and reduction methods and strategies, and tracks employee performance. However, Awash Wine S.C utilizes a technique based on historical data from the past to define standard costs. This approach's drawback is that present standard costs may incorporate prior efficiency. Additionally, the study showed that real material, labour, and overhead costs from the previous month should be used to determine standard prices for each unit rather than engineering studies specific to each item.

The findings of the study indicate that department representatives and senior management prepare the cost budget and standard expenses. Employees do not, however, take part in creating the budget. Performance is directly impacted by budgetary control, while performance is negatively impacted by budgetary participation. According to the study's findings, Awash Wine S. C’s uses the conventional costing approach for its product costing system. Still, this approach begins with the real cost of the goods. The company's competitiveness was lowered by the traditional costing system, which prevented it from seeing the market.

According to the study's findings, responsibility accounting may be used for budget preparation, budgetary management, cost control, delegation of authority, and performance evaluation in addition to cost control and manufacturing cost reduction. Employs involvement quality cost management as a cost control strategy to cut down on material waste, avoid defective goods, and lower inspection expenses. The investigation also revealed that target costing is not used by the business in its cost-control and reduction initiatives.

The study's findings, which evaluated the value of employee participation in cost reduction and control, showed that work rotation, motivation, and incentives may improve employee productivity while lowering waste, improving quality, and saving labour expenses. Job rotation improves productivity and skill levels among employees. The outcome also showed that employees' skills may be improved through training. It also suggested that highly qualified workers could be able to increase output.

The research study found that company budgetary cost control can effectively control costs, measure performance, enhance profitability, be used as a tool to estimate costs, and support in decision making when assessing the benefits driven by the application of cost reduction and control tools and techniques. The outcome also showed that the company’s standard cost control is helpful in determining product costs, creating benchmarks for performance evaluation and management, and providing a foundation for budgetary and administrative decision-making. It is well established that standards and budgets by themselves won't be of any use with cost management until they are combined with standard costing control and budgetary control, which are the monitoring components of standards and budgets. Evaluating the frequency with which management communicates control measures in decision-making by reviewing standard cost and budget, evaluating the advantages of responsibility accounting in cost budgeting, cost reduction, and cost controlling. The researcher analyzed the value of employee participation processes of cost production control. Evaluating the advantages of cost-management practices in Awash Wine S.C and analyzing the advantages of using tools and techniques for cost control and reduction in the manufacturing process.

Primary and secondary data were also used in the study. Primary data for this study were gathered with interviews with department managers and questionnaires for all department workers. Documents and reports served as the source of secondary data. 240 employees' members of the management department, financial department, and production department staff were used in the study.

The significance of cost control and reduction tools and techniques was determined, and the findings of the research showed that these tools and techniques may boost market share, lower costs, improve quality, and raise productivity. The study also showed that cost control plays a major role in helping manufacturing company's management achieve their goals of maximizing profits.

Each parameter's contribution to cost management practices was investigated, and the respondents' perception of each attribute's criticality was used to rank the qualities using the Relative Importance Index (RII) and mean value. Based on the analysis conducted in Chapter four, cost reduction and improved profitability were mostly influenced by the following issues.

Management exercises cost reduction and control tools and techniques in managerial decision-making (RII=0.718 and M=3.746).

Top management practices have a significant influence on the profit margin of the organization. The company efficiently uses cost reduction and control techniques to measure performance (RII=0.707 and M=3.628).

The company has utilized cost reduction and control tools and techniques policy to attain its maximal target (RII=0.703 and M=3.479).

Company control and reduce costs without affecting the quality of products (RII=0.698 and M=3.529).

Job rotation in the company is helpful for employees to easily train, motivate and enhance productivity (RII=0.714 and M=3.782). Employees participate in budget preparation and standard setting (RII=0.713 and M=3.777). Trained labor assists to enhance the product quality (RII=0.699 and M=3.598).

The accounting system is helpful to regularly report variances of budget and actual cost to measure management performance as a control device (RII=0.716 and M=3.694).

Good cost efficiency and innovation in their market strategies (RII=0.715 and M=3.691).

Sustainability cost reduction in the market strategies within the company (RII=0.710 and M=3.604). In this company, the budgetary control system serves as a tool to estimate costs (RII=0.688 and M=3.638). Budgetary cost control serves to establish manufacturing cost budget in each operation function (RII=0.684 and M=3.621).

The standard cost of the company is helpful in decision making by providing a forecast of future costs.

(RII=0.676 and M=3.524). Standard costing useful in evaluating managerial performance (RII=0.669 and M=3.521).

The quality control method of the company enables us to reduce rejection costs (RII=0.677 and M=3.528). Cost control tool for decreasing material cost by avoiding wastages (RII=0.674 and M=3.518). The company's quality control enables us to produce quality products, and this enhances the market share of the company (RII=0.663 and M=3.508).

5.2. Conclusion

The aim of this study is to investigate how cost management may be used to lower and regulate manufacturing expenses and increase profitability of the company. Direct labour costs, direct material costs and manufacturing overhead expenses, all of which fall under the category of manufacturing costs, are the main cost components in manufacturing organizations. From the perspectives of material and labour utilization, waste elimination, Source: from field survey, April 2024 and cost surveillance throughout production, manufacturing costs may be controlled and reduced. All of these contribute to increasing company productivity.

Accountability accounting is a crucial cost information center that supports managers in managing control and decision-making, as well as helping to define standards, prepare budgets, and measure productivity. To reduce and control production costs, cost management practices need the backing of management, employee participation, accountability accounting, and a variety of cost control instruments and approaches. Cost management procedures cannot be established without the backing of management practices. Managers of manufacturing companies set cost criteria on a regular basis to create cost budgetary check standard costing.

For the target of cost reduction and control, use value production, standard costing system, budgetary control, quality control, and target costing. Employee engagement aids in cost reduction and control for the manufacturing process. Employee motivation rewards, and job rotation can increase output and lower labour costs in manufacturing.

5.3. Recommendation

A corporation cannot successfully establish a cost management practice without the active cooperation of its management. The management of Awash Wine S. Cs should continue to support and uphold their leadership commitment to minimizing and controlling production costs and actively participate in all cost-management initiatives.

A management control method called "responsibility accounting" is built on the ideas of assigning and identifying responsibility. Accounting for the performance of each functional department should be the duty of manufacturing organizations to support managers in managerial control and decision-making.

The most asset in any company is its workforce. Employees require ongoing training for operational improvement in certain specific difficulties they are working around, regardless of their level of education and experience. Therefore, to effectively use and improve employee knowledge and performance as well as to become competitive in the brewing industry, Awash Wine S.C should think about providing ongoing training for its staff.

Ethiopian manufacturing sectors' production cost management system is the primary influence reducing their competitiveness. Being a manufacturing organization, Awash Wine S.C cost management system needs to support the business' operations and strategy and offer dependable benchmarks for managerial consideration.

Departmental managers have the authority to set standard costs and cost budgetary at Awash Wine S.C. All staff should take part and understand the expense of standards, the budget, and their purpose. These are the essential performance metrics to identify each worker's position and assess their input in relation to the outcome success.

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APPENDIX: QUESTIONNARIE

ST.MAR'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTER OF ACCOUNTING FINANCE PROGRAM

Dear Respondent,

I am a graduate student at St. Mary's University School of graduate studies, currently conduction research for completion of my Master of Art degree in Accounting and Finance. The purpose of this questionnaire is to collect data used for assessment cost management practice of Awash wine Share Company. I want to assure you that the information you provided will be solely used for academic purposes. Your response is highly confidential. The completion of the research substantially depends on your cooperation and on the information, you give in this questionnaire. Therefore, I kindly request you to spare minutes from your precious time to respond to each question carefully and oblige. Finally, I would like to express my earnest appreciation for your generous time, honest and prompt responses.

General Information

- ✓ No need of writing your name
- ✓ For multiple choice questions indicate your answers with a check mark (√) in the appropriate box.
- ✓ For questions that require your further opinion, please respond clearly and faithfully.

Name: **Saron G/kidan**

Telephone 0966118387

Email sarongebrekidan@gmail.com

Thank you in advance for your Support.

PART I- DEMOGRAPHIC INFORMATION

Please provided some information about yourself:

1. Gender

Male ☐ Female ☐

2. Age

18-25 ☐ 26-33 ☐ 34- 41 ☐ 4. 42 and above ☐

3. What is your level of education?

Below grade 12 ☐ Diploma ☐ Bachelor's degree ☐
Masters ☐ PHD ☐

4. What is your current position in the company?

Management ☐ Finance ☐ Quality Cost Control ☐
Production control ☐ Warehouse ☐

5. How long have you been working in this position?

1-5 years ☐ 6-10 years ☐ More than 10 years ☐

Part II Directions for Rating Respondents' Cost-Reduction and Control Strategies

Please rate to show your standing towards cost reduction and Control practices how strongly you agree or disagree with each of the following statements by placing checkmarks (✓) to the respective column as rated Strongly disagree = 1, Disagree = 2, Neutral = 3, Agree= 4, StronglyAgree = 5.

S. N	**Cost Reduction and Control Practice Statements**	**Frequency Response**				
	Management practices for cost reducing and cost Control	**1**	**2**	**3**	**4**	**5**
1	Cost management practices applied in this company are effective to enhance the profitability of the organization					
2	Management exercises cost reduction and control tools and techniques in managerial decision-making.					

3	The company efficiently uses cost reduction and control techniques to measure performance.					
4	Cost management practices have a significant influence on the profit margin of the organization.					
5	The company has utilized cost reduction and control tools and techniques policy to attain its maximal target.					
6	Company control and reduces cost without affecting the quality of products					
		Frequency Response				
	Employee Involvement	**1**	**2**	**3**	**4**	**5**
7	Employees participate in budget preparation and standard setting.					
8	Training given by the company to upgrade the skill of the employees enhances employees' skill and this resulted to increase productivity.					
9	Trained employees are helpful in reducing labor cost of the company.					
10	Trained labor assists to enhance the product quality.					
11	Trained labor assists to reduce material wastage and this reduces material cost.					
12	Skilled labor in the company produces quality products this in turn inspection cost decreased.					
13	Incentives by the company are useful to motivate employees and enhance staff morale to increase productivity.					
14	Job rotation in the company is helpful for employees easily train, motivate and enhance productivity					
	Accounting in cost and cost controlling	**Frequency Response**				
		1	**2**	**3**	**4**	**5**
15	The accounting system of the company clearly defines the responsibilities and obligations of each department to measure their performance.					

16	The accounting system is helpful to regularly report variances of budget and actual cost to measure management performance as a control device.					
17	The accounting system is used as a control device.					
18	Information released from accounting system of the company helps managers to know whether the company goals achieved or not.					
19	The accounting system of the company collects and reports both planned and actual information in each responsibility center and this helps managers to measure each center performance					
20	The accounting records of the company hold detailed report that shows actual cost incurred in each department, and this assisted mangers for the preparation of department budget.					
21	Responsibility accounting of the organization helps for budgetary control purpose by giving budgeted and actual cost information.					
22	Good cost efficiency and innovation in their market strategies					
23	Sustainability cost reduction in the market strategies within the company					
24	It is increased market strategy promotion cost in the company					
	Control tools and Techniques	**Frequency Response**				
	Budgetary Cost Control	**1**	**2**	**3**	**4**	**5**
25	The company has a good budgeting process that can effectively control costs.					
26	The company budgeting process helped to enhance profitability					
27	In this company, budgetary control system serves as a tool to estimate costs					
28	In the organization budgetary control used as effective cost control tool and it served to measure performance					

29	Budgetary control helps to motivate employees and to enhance productivity.					
30	Budgetary cost control serves to establish manufacturing cost budget in each operation function					
31	The management of the company communicates budget in decision-making.					
32	Helpful to create cost control awareness among department representatives.					
	Control tools and Techniques	**Frequency Response**				
	Standard Costing	**1**	**2**	**3**	**4**	**5**
33	All organization department representatives participate in setting standard costs of goods and service					
34	The company uses standard costing for establishing yardstick in exercising control.					
35	Standard costing facilitates in setting budgets.					
36	Standard costing useful in evaluating managerial performance					
37	Standard cost of the company is helpful in decision making by providing forecast of future cost.					
38	Standard costing facilitates delegation of authority and fixation of responsibility					
	Control tools and Techniques	**Frequency Response**				
	Product quality control	**1**	**2**	**3**	**4**	**5**
39	The company quality control method is effective because it enables to decrease defect products and increase productivity.					
40	The quality control method of the company enables to reduce the cost of inspection.					

41	The quality control method of the company enables to reduce rejection costs.					
42	Cost control tool for decreasing material cost by avoiding wastages.					
43	Material quality control techniques of the company used					
44	As a cost control tool by avoiding scrapes and therefore manufacturing cost decreased.					
45	The company’s quality control enables to produce quality products, and this enhance the market share of the company					

PART III INTERVIEW QUESTIONS

To investigate cost management practices related to cost reduction and cost control, the researcher spoke with division managers and upper management in interviews. The following queries were brought up during the interview:

1. Do you believe that cost management aids in the management of manufacturing firms towards the attainment of their goal—profit maximization?

2. Is cost control and reduction used as a measure in facilitating corporate profitability and performance of this organization?

3. Is the company able to measure its performance using cost control techniques like standard costing, budgetary control, and responsibility accounting?

4. How are standard costs set? How do you prepare the budget? Do you believe that it is the sole responsibility of top management?

5. Does management communicate on budget when making decisions?

6 Does cost control and reduction measures efficiently applied in the company?

7 What type of costing method used in your company? Traditional costing or market-based costing?

8 How do you determine production cost?

9 Is budget preparation participatory?

10 Which type of cost reduction and cost control tools and techniques applied in the company