ISSN: 2116 – 3062
Volume 9, Number 1, 2021
International Journal of Innovations in Marketing and Accounting Research

COST CONTROL PRACTICES AND CORPORATE PERFORMANCE OF MANUFACTURING COMPANIES IN RIVERS STATE

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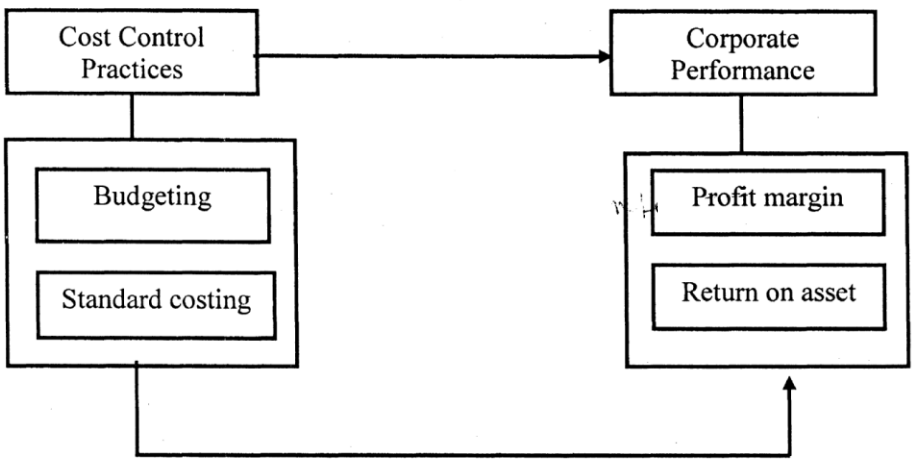
ABSTRACT
This paper discusses cost Control Practices and Corporate Performance of Manufacturing Companies in Rivers State. The objective of this study is to examine the relationship between Cost Control Practices and Corporate performance of manufacturing Companies in River State. Review of extant literature through text books, journals, internet materials etc. indicate that cost accounting methods and management techniques with a goal of improving business cost efficiency by reducing costs or atleast restricting their rate of growth.Furthermore, cost control is seen as been of utmost importance in every business concern, the negligence of which will affect the earnings at any point in time. In controlling costs, wastage is eliminated during production and even during the administrative, selling and distributive activities. A good system of cost control begins with the behaviour of workers in the organization as workers are instrumental to the achievement of organizational goals. Budget and standard costing were considered as the basic tools for achieving effective Cost Control. Above all, the reviews indicated that cost control has a positive impact on corporate performance and element of cost, such as materials, labour, overhead costs and workers behaviour could be strategically controlled with measures like responsibility accounting, data collection and data reporting.

Keywords: Cost Control Practices, Corporate Performance, manufacturing Companies.

INTRODUCTION
Cost in business undertakings form part of what determines the financial position of a business concern since management is concerned with profitability which is a measure of business performance especially in a manufacturing firm.The need for higher sales will arise and this will facilitate the need to increase production capacity, which in turn bring about increase in cost.
Brumbaug (2008) opined that if corporate bodies minimize their cost, their profit will be enhanced. The implication is that cost should be controlled rather than embarking on unscientific cost reduction that may translate to lowering the quality of product. Management is normally forced to adopt various methodologies and techniques in order to control rather than reduce cost. Cost increases as various production activities are embarked upon and the need to be cost effective will be necessary because standards for production will be set and actual production will be made thereby bringing about variances which can only be reduced or eliminated through effective cost control.
Sikka (2003) assert that cost control system consists of methods and procedures that help to regulate the cost of operating an undertaking and ensure that cost do not go beyond a certain level. As profitability amongst others is the essence of any business, there will be the need to incur reasonable costs and management is to ensure careful and efficient use of resources so as to achieve the set standard or target. Cost control is operated by setting of standards and maintaining the performance according to standard set. This is because as management aspires to increase productivity for more profit, there will be increase in cost and collection of cost will be made by each area of responsibilities.
Jae et al (2012), assert that in a manufacturing concern, accounting activities are usually divided into two parts: financial accounting and cost or management accounting. Financial accounting deals with the firm as a whole, at the end of a given accounting period; it produces information about the current financial status of the firm, as well as the amount of profit or loss incurred during the period in question. The statement of financial position (balance sheets) and the statement of profit or loss

and comprehensive income do not revea1 how profitable one product is versus another, or whether one plant produces more efficient1 than its competitors. Although the shareholders or investment analyst may car little about details of efficiency, cost control and reduction, so long as the overall profit of the firm is sufficient, management must take a different point of view naturally, management is interested in maintaining the overall position ofthe firm.
The overall position of a firm can include such measures as how successfully it competes, how it is perceived by its customers, competitors, and investors, and its capacity for future growth. All of these can be traceable to a firms cost management policy.
ACCA Directors briefing (2008), argued that cutting costs is the simplest way to improve a firms bottom line. Introducing a cost control and reduction system can bring immediate savings and ensure that a firm remains competitive in the longer term. But cost control and reduction strategies need to be carefully managed. While eliminating wasteful activities is clearly beneficia1, indiscriminate cost cutting can lead to falling quality and poor morale.
Perry et a1 (2006), cost control and reduction work best as part of a routine financial management; the first step(s) of which are to look at the following firms existing costs: (i) identify the major cost centers such as purchasing, production, sales and marketing, financing, administration, premises, facilities management, and research and deve1opment (ii) identify the major types of cost within each cost centre as in raw materials and supplies, utility bills for energy and water, capita1 expenditure, other purchases etc (iii) choose the costs to focus on first (i.e. costs that may offer easy savings, 1arge costs that may be able to change in the short term or in the long term. Consequently, if a firm understands the importance of its cost management policy (cost control and reduction) as a tool to profitability, the company will have a much better chance of remaining profitab1e no matter what stage of the economic cycle is occurring.

Conceptual Framework



Source: Conceptualized from Desk Research, 2017

Figure 1.1: Conceptual framework showing the relationship between cost control practices and Corporate Performance of Manufacturing Companies in Rivers State.

Theoretical Framework Kaizen Costing System

Kaizen a term with Japanese origin (Sani&Aliahverdizadeh, 2012), was launched by Masaaki Imai (Rof, 2012), the concept is a coinage of two Japanese words: KAI (Change) and ZEN (for better) (Rof, 2012). Thereafter, YashuhiroMonden from Japan developed Kaizen Costing as the costing counterpart to the Kaizen approach (Industrial and Financial Systems, 2001). This concept refers to the process of continuous improvement (Rof, 2012; Sani and Allahverdizadeh, 2012).The principle behind Kaizen Costing application is on achieving small, gradual but continuous improvements in the production process at minimal cost (Rof, 2012). E11ram (2000, cited in Modarress, Ansari,

&Lockwod, 2004) observed that Kaizen Costing ensures that products meets or exceeds customer demands for quality, functionality, and prices in order to sustain the product s competitiveness. This according to Rof (20 12) can be achieved through a sequential elimination of all the processes that would increase the products cost of production without a corresponding increase in value.

The Concept of Cost

Cost management is a philosophy, attitude, and a set of techniques to create more values at lower cost. According to Ronald and et al (2000) modem management practices include responses to the dramatically changing and highly competitive environment facing all business, government, and nonprofit organizations. These new practices, which focus on nurturing and protecting sources of competitive advantage, require support by relying on different types of information than that available in the past. The providers of much of this information are called cost managers, who need to be fami1iar with and supportive of these new management practices and ideas. Ronald et al (2000) further observed that given the increasingly competitive global environment, it is essential for all members of organizations to anticipate and identify opportunities for improvement and elimination of waste. If employees play a passive role and allow unnecessary cost to persist or attractive opportunities to be missed, more efficient competitors can take over the business or activities of the organization. Ronald et al (2000) noted that cost managers must play the proactive role as financial analyst in order to help improve value and reduce costs and thereafter contribute to the improvement of organizational performance.

Cost management policy according to Reddy, (2010) is a tool to profitability and it includes cost control and reduction strategies. Reddy (2010) opined that with the application of a flexible cost control and reduction methods, the company will have a much better chance of remaining profitable no matter what stages the economic cycle is occurring.

The Concept of Cost Reduction

Cost reduction is a continuous process of critical cost examination, analysis and challenge of standards. Lucey (2000), assert that cost reduction is an active, dynamic concept which attempts to extract more from the factors of production without loss of effectiveness. Lucey (2000) observed that the most effective cost reduction programmes are those which embrace all aspects of the firms operations, system and product and are those which have full top management support and cooperation. Such strategies she noted are usually geared towards improving product quality, reducing waste, streamlining systems and thereby reducing operational costs. Normand, et al (2011) opined that cost reduction and operationa1 efficiency are key issues for production industry leaders. They observed that majority of the cost reduction strategies initiated were usually reactionary and did not address the root cause of inflated cost structures in the production entities, and many cost reduction initiatives fail to achieve their desired benefits. Normand, et al (2011) further observed that a sustainable approach to cost reduction is the key to realizing and maintaining savings and that to be successful, cost reduction and operational improvement efforts must focus on waste and outcomes rather than inputs.

Corporate Performance

Harrington (1991) asserts that measurements are the key. If you cannot measure it, you cannot control it. If you cannot control it, you cannot manage it. If you cannot manage it, you cannot improve it. He observed that an organizations measurement system strongly affects the behavior of people both inside and outside an organization. If companies are to survive and prosper in the information age competition, they must use performance measurement systems derived from their strategies and capabilities.

According to David (2011) a lot of companies are using wrong measures, many of which they incorrectly regard as key performance indicators (KPIs). He noted that few companies really monitor their true KPIs because they haven't explored what KPIs is all about.

David (2011) argue that KPI represent a set of measures focusing on those aspects of performance that are the most crucial for the continued success of an organization and noted that a good KPI will affect most of the critical success factors and more than one aspect of an organization s balanced score card.
Claude (2010), observed that increasing1y, companies are focusing on looking inwards, examining intricate details of their own performance through whats known as balanced scorecard. Ghosh et al (2006) opined that the basic idea behind the introduction of the balanced scorecard was that the traditional financial measures (like RO1, EPS etc) alone cannot provide a clear and comprehensive performance target or focus attention on all the critical areas of the business that bear significant impact on its long-term survival, growth and development, rather it requires a balanced presentation of financial as well as operational measures. They observed that the balanced scorecard is an organizational framework for implementing and managing strategy at all levels of an organization by linking objectives, initiatives and measures to an organizations strategy. They further noted that the balanced scorecard is a strategic management system (not only a measurement system) that enables organizations to clarify their vision and strategy and trans1ate them into action. They concluded that the scorecard provides a company's view of an overall performance since it integrates financial measures like ROT, RI, dividend yield, EPS etc with other key performance indicators around customer perspective, internal business processes and organizational growth, learning and innovation.

Conclusion/Implications of the study

The implications of the study are as follows:

(a) Know1edge about the existence and the magnitude of damage which ineffective cost control system pose to the financial system ofthe companies.
(b) Know1edge about the various causes of wastages, such that appropriate preventive or corrective measures could be applied to protect the company from further abuse.
(c) Knowledge about the cost control practices is necessary to expose the various causes of wastages and irrational usage of materials.
(d) The knowledge that will be made available by this study, if effectively applied will lead to installation of appropriate cost control system that would effectively protect the company against reckless spending and wastages in order to attain economic efficiency.
(e) The outcome of this study will be of immense benefit to other sectors of the economy such as banking, oil and gas, and agriculture, etc. that are in search of workable cost control strategy that can provide adequate protection of material resources and increase performance.
(f) The study will aid managers of manufacturing companies to formulate adequate cost control measures capable of eliminating wastages in the system.
(g) Finally, this study will also be useful to the researcher as it will enable her fulfill partially the requirements for the award of M.Sc degree in Accounting of the department of Accountancy.

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