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FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

**EFFECTS OF COST CONTROL TECHNIQUES ON PROFITABILITY
OF ZIMPLOW LTD.**

BY

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*Submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting
Honours Degree at Midlands State University.*

Gweru: Zimbabwe: March 2021

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DEDICATION

I dedicate this research to my parents Mr and Mrs Warawara who shall always be my pillar of strength.

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Special thanks goes to the Lord Almighty for giving me strength, wisdom, protection, courage and guidance to persevere to the best that I could during my research project, success was guaranteed. I give praise to the Lord for he keeps on doing wonders in my life and without his grace, I could not have made it this far. I wish to specially acknowledge the unwavering assistance I received from Mr Nhorito, my academic supervisor. He was not just a supervisor but a mentor as well. I am pleased for your invaluable contributions as you tirelessly assisted me in carrying out the research. Your support, inspiration and guidance went a long way in making this project a success. I would also like to thank all the Zimplow Ltd staff for providing me with the information I requested and also their help and guidance went along in making this project a success may the almighty continue to bless you. I am also indebted to my family for supporting me finically, emotionally and morally whilst I was undertaking the research. To my relatives and friends I really appreciate their endless support, motivation, encouragement and guidance they gave me during the research. Finally, I would like to thank the Accounting Department at Midlands State University for their invaluable support through my studies.

ABSTRACT

The study sought to investigate the effects of cost control techniques on profitability at Zimplow Ltd. The persistent rise in operational cost which reduces profitability of a company motivated the researcher to undertake the study. The objectives of the study were to; establish cost control techniques used in Zimplow, analyse the effects of cost controlling techniques on the profitability of Zimplow Ltd, examine the challenges of effective implementation of cost control techniques and recommend the best strategies of effective implementation of cost control techniques in Zimplow Ltd. The study adopted a descriptive research design, Data was obtained from primary sources and questionnaires were used as research instruments. Fifty staff members were used as research subjects. Purposive sampling technique and a sample size of 60 was used. The study findings on establishing cost control techniques used at Zimplow indicated that effective cost control techniques assist in controlling and regulating costs, assist management in decision making and improve company's productivity. The study findings on effects of cost controlling techniques on the profitability concluded that cost control techniques have a positive impact on profitability through reduction of production and operational costs, provide avenues for a company to invest in profitable projects and increase sales volume. Data was analysed with **chi-square** the results reviewed a significant positive impact between the application of budgetary control, standard costing, variance analysis and profitability. The study findings on the challenges of effective implementation of cost control techniques showed that the problem of rise in costs was not in the techniques but was resulting from lack of; education and training in using cost control techniques, top management support and poor management of the techniques among others. The study recommends the involvement of staff in cost control initiatives, motivation, education and training programmes among others to ensure effective implementation of cost control techniques.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The main aim of this study is to analyse the effects of cost control techniques on profitability of a firm using Zimplow Ltd as a case study. This chapter covers the background to the study, problem statement highlighting the objectives of the study and research questions. It also looks at the significance of the study, assumptions of the study, delimitation of the study, limitations of carrying the study, definition of key terms follows and concludes with the summary.

1.1 BACKGROUND OF THE STUDY

1.1.1 Cost control techniques and Profitability

Maximisation of profits is the main objective of the company but to achieve this goal companies are constrained by the increase in operation costs (Akeem, 2017). Adebayo and Afolabi (2014) agrees with the above statement and added that best way to make profit is to increase sales, in order increase sales the production capacity will also increase and the increase in production capacity will require more work hence the increase in costs of operation therefore companies need to curtail this increase in costs. In this regard, cost control is of great significance in an organisation, the negligence of which will affect the profits at any point in time (Mutya, 2018; Siyambola and Raji , 2013). Therefore, “Corporate Bodies should watch the cost and the profit will take care of itself” (Brumbaugh 2008 in Siyambola and Raji 2013:1). The main problem faced by companies is the rise in cost of operation which increased the cost of production and has led to certain cost control and cost reduction inevitable in good or bad periods. Therefore, for companies not exceed their budget and not to run at loss, as well as not to compromise the quality of their products, they have to reduce their cost to the lowest minimum through effective cost control and reduction techniques (Akeem 2017). Managers are now cost conscious and are continuously searching for alternatives to control costs and eliminate wastages (Siyambola and Raji, 2013). Cost control is the process of managing or reducing business expenses and it starts by identifying the costs and evaluating the reasonableness and affordability of the costs and finding ways to cut costs (Olalekan and Tajudeen, 2015). Previous research from Siyambola (2013), Oluwagbemiga et al (2014) , Olalekan and Tajudeen (2015) and Akeem (2017), (Mutya

2018) and Oyedokun et al (2019) agree that cost control positively impact profitability of companies through reduction in wastages and losses and effective utilization of materials, labour and other inputs in the production cycle. In order to control cost, the forenamed scholars propose the use of budgeting, standard costing, variance analysis and material control, cutting back, just in time techniques (JIT), target costing, responsibility accounting as cost control techniques in ensuring performance of the organisation. Despite the impact of cost control on profits, cost control and cost reduction enable the business to sell quality products at low price than their competitors (Akeem, 2017). Other studies concluded that the problem of increased cost of operation is not attributable to the techniques used to control costs but due to lack of efficiency and effectiveness in implementing cost control techniques (Otim,Nakacwa and Kyakula, 2013; Azis and Memon, 2013). However, studies conducted by Chigara et al (2013) and Premalal et al (2015) concluded that, performance of companies is also affected by external factors such as inflation and government regulations.

1.1.2 Challenges in implementing cost control techniques

Increase in production and operation costs is also attributed to lack of knowledge in implementing the techniques hence hindering the process of cost control (Song, 2014 and Ademola, 2012). Over emphasis on results while ignoring the cost control process, lack of proper scheduling and planning resulting in reworks and wastage of materials due to defective work thus hindering effective implementation of cost control techniques (Song, 2014; Kirun and Varghes, 2015)

1.1.3 Research Gap

Despite the measures, suggestions and conclusions that have been put in place in order to ensure that cost control techniques performs planning as well as control function, a gap still exists in prior studies because the techniques had still not been able to achieve what they had been designed for. This has therefore placed a challenge to the researcher on the need to identify the strengths and weaknesses of cost control techniques as effective tools in controlling cost and to recommend solutions to improve their effectiveness in companies. This research therefore seeks to add to current literature by recommending cost control techniques that can be implemented and strategies to ensure effective implementation of the techniques.

1.1.4 Background of Company

Zimplot Ltd started operating in 1939 and is into business of offering agricultural, infrastructural and mining equipment. During the years 2017 to 2019 its actual production and operating costs are exceeding the budgeted expenditure (Zimplot Management Accounts for 2017-2019), **Table 1.1** below show total Actual cost against the budgeted

Table 1.1 Analysis Production and Operation Costs

Year	2017	2018	2019
	\$	\$	\$
Budgeted	12 572 603	22 352 845	229041 929
Actual	15 762 708	28 397 732	297 754 508
Variance	3 190 105	6 044 887	68 712 579

Source: End of Year Management Accounts

According to Table 1.1 above the actual production and operating costs exceeded the budget costs of \$ 12 572 603 by 25% this was mainly attributed to the increase in production costs resulting from high import tariffs which increase the cost prices of farm implements and Perkins generators. According to Sanni and Hashim (2013), unstable market conditions and government regulations makes costs control difficult. At the same time, the actual production and operation costs of 2018 were \$28 397 732 which is 127% of the budgeted \$22 352 845 shown in Table 1.1 above. The variance of 27% representing a loss of \$6 044 887 is a result of the increase in repairs and maintenance of old machinery and staff training costs to equip them of the new ERP system that was introduced as reviewed by the (CFO management report 2018). The increase in cost was in accordance to the studies conducted by Oyedokun et al (2019), who argued that, companies should provide resources such training them to develop skills and update knowledge and prevent wastage of resources. In 2019 the company exceeded its budgeted cost of \$229 041 929 by 30% resulting in a variance of \$68 712 579 this was attributed to the increase in production overhead cost and staff recruitment costs as a result of inflationary pressure (End of year 2019 strategy review meeting). This is supported by Chigara (2013) and Kirun and Varghes (2015) who argues that fluctuations in material prices present challenges to cost management. In meeting held on 30 September 2019 the management raised the concerns of unexpected increases in costs both production and

operation and other concerns raised were how these costs were affecting the financial performance of the company as they were not directly related to the increase in sales. This give rise to the investigation of effectiveness of costs control techniques being used by the company on profitability and recommend strategies to ensure effectiveness of the techniques.

1.2 Problem statement

An increase in cost of operation has led to inevitable cost control in an organisation for the purpose reducing costs to the lowest minimum at the same time not compromising quality of products offered to customers. Despite controlling cost, Zimplow`s annual production and operation costs are continuing to exceed the budgeted costs as a result of the current cost control techniques which are ineffective to lower production and operating costs hence misleading management in decision making. Management is concerned about the increase in costs of operation as it is not directly related to the increase in profit. This has facilitated the need to conduct this research to investigate the effectiveness of cost control techniques used in the company and provide appropriate measures to ensure effective implementation of the techniques to control and reduce costs to an acceptable limit and maximise profits.

1.3 Objectives of the study are to:

- ❖ Establish cost control techniques used in Zimplow Ltd
- ❖ Analyse the effects of cost controlling techniques on the profitability of Zimplow ltd
- ❖ Examine the challenge of effective implementation of cost control techniques
- ❖ Recommend the best strategies of effective implementation of cost control techniques in Zimplow Ltd

1.4 Research Questions

- ❖ Which cost control techniques are used in Zimplow Ltd?
- ❖ What are the effects of cost control techniques on profitability of Zimplow Ltd?
- ❖ What are the challenges faced in implementing effective cost control techniques?
- ❖ Which strategies can be put in place to ensure effective implementation of cost control techniques in Zimplow Ltd?

1.5 Significance of the Study

The study is important to the following stakeholders:

The Student: the study is conducted to partially fulfil the requirements of Bachelor of Commerce Accounting Honours Degree hence broadening the researcher`s knowledge on the subject

To the University: the research is a reference source of information to other researchers in the future.

Zimplow Ltd: the research will assist management in identifying and implementing best cost control techniques in the company through incorporating and considering the recommendations made in this research.

1.6 Assumptions

The targeted population will be willing to participate and answer in time and information collected from them is considered neutral and accurate. The researcher will also assume that the company will not implement new cost control techniques during the research process.

The researcher will also assume that cost control techniques has no significant impact profitability of Zimplow

1. **H0:** Budgetary control has no effect on profitability of Zimplow Ltd

H1: Budgetary control has a significant positive impact on profitability

2. **H0:** Standard costing and Variance analysis is not related to profitability of Zimplow Ltd

H1: There is a significant positive relationship between standard costing and variance analysis and profitability

1.7 Delimitations

The study focussed on the effects of cost control techniques on the profitability of Zimplow Ltd Company which is located in Southerton, Harare. The research covered the periods stretching from January 2017 to December 2019. Information will be collected from Functional departments of Zimplow Ltd (Production, Marketing, Finance, Mechanics and Administration)

1.8 Limitations of the Study

Confidentiality of information- some information could not be revealed due to fear of the unknown from the respondents. However, to get reasonable evidence for the research, the researcher emphasised that information will only be used for academic purposes only and their particulars will not be disclosed.

Financial Constrains- Due to the hyperinflation in the economy, Tariffs has increases therefore posing financial constrains to the researcher in terms of purchasing data for research purposes bundles and also increase in transport cost to collect data from the company. However, the researcher directed money for luxurious to the research.

Time-Since the dissertation need to be accomplished within a period of five months the researcher has limited time and faced a lot of pressure since other modules needed attention. However, to overcome this challenge, the researcher spends sleepless nights in writing the dissertation.

1.9 Definition of Terms and Acronyms

Cost Control

Akeem (2017) states that, “Cost control is the process of establishing a standard and maintaining the performance according to standard.”

Cost Reduction

ACCA (nd) defines cost reduction as the reduction in unit costs of goods and services without impairing sustainability for the use intended.

ACCA- Association Of Chartered Certified Accountants

CIMA-Chartered Institute OF Management Accountants

ABC- Activity Based Costing

ABM- Activity Based Management

1.10 Summary

This introductory chapter introduced the background of the study, problem statement, outlining the research objectives and research questions, assumptions made in carrying out the study, significance of the study, delimitations, limitations, and definition of key terms. The next chapter presents literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviewed existing literature related to the subject, to establish the views, opinions and conclusions of other scholars using information collected from text books, internet and journals. The chapter covered, the conceptual framework of the study, and the research objectives which are to; establish cost control techniques used in Zimplow, analyse the effects of cost controlling techniques on the profitability of Zimplow ltd, examine the challenges of effective implementation of cost control techniques, Recommend best strategies of effective implementation of cost control techniques in Zimplow Ltd, establish the literature gap and concludes with a summary.

2.1.0 Conceptual Framework

Fig 2.1 shows a conceptual framework of the study designed by the researcher analyse the effects of cost control techniques on profitability. It consists of dependant, independent and other variables.

- ❖ **Dependant Variables:** these are variables that are influenced by the independent variables that is they change in value due to the change in the value of another variable (Shukla 2018). On the Conceptual Framework, On the Conceptual Framework, the dependant the dependant variable of the study is profitability being affected by the budgetary control, standard costing and variance analysis.
- ❖ **Independent variables:** these are variables which influence the outcome of the of another variable (Creswell, 2014; Shukla 2018).The independent variables of the study are budgetary control, standard costing and variance analysis and these ones will not change by the change in the change in the value of another variable.
- ❖ **Other variables:** This refers to other variables apart from the independent variables which influence the outcome of the research. Fig 1 shows that the profitability is being affected by budgetary control, standard costing and variance analysis but apart from these variables profitability is also affected by level of

technology prevailing in the company, motivation of employees and inflation which affects prices in the market and the level of competition.

On the conceptual framework below, cost control techniques have been shown to influence profitability of a company and the conceptual framework also shows that, apart from cost control techniques there are other factors which can influence profitability of a company.

Conceptual Framework

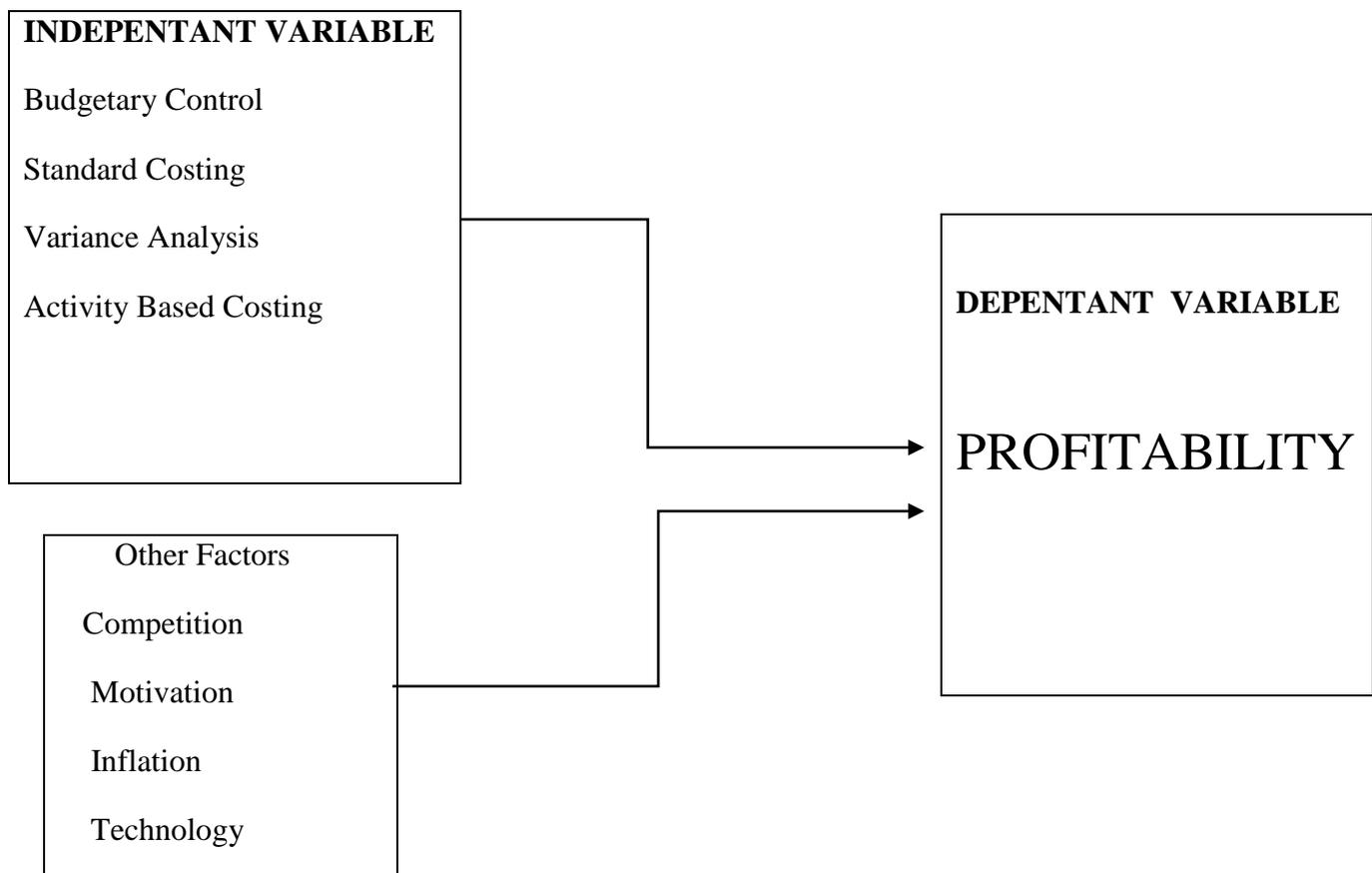


Fig 2.1

Source: Developed by the Researcher

Cost control techniques and profitability framework

2.2.0 Cost, classification and Behaviour of costs

Cost is the monetary value spent to acquire a specific unit. Cost can also be defined as the resource sacrificed to achieve a specific target or goal (Akeem.2017) According to ACCA Study text (nd) “cost is the amount of expenditure incurred on, or attribute to a specific thing or activity cost of anything ordinarily is money spent to acquire those things.”

2.2.1 Cost Classification and Behaviour

2.2.2 Cost Elements

- ❖ **Direct costs** these are costs that can be traced directly to a particular product or service for example (Drury 2012).
- ❖ **Indirect costs** these are costs which are not directly attributable or traceable to a particular product or service (Akeem, 2017).

2.2.3 Cost Types

- ❖ **Variable Costs-** these are costs that change directly proportional with the change in the level of activity. Total variable costs change with the change in output produced (Drury, 2012). Examples of variable costs are direct labour direct, material and direct costs.
- ❖ **Fixed Costs-** these are costs that remain constant as the activity level changes. They remain constant within a given range of activity and when that activity is exceeded the can jump up and will become stepped costs (Akeem 2017). An example of fixed costs is monthly rental of a building.
- ❖ **Mixed Cost** - these are costs which contain both variable and fixed costs elements. They can also be called semi variable costs (Drury, 2012) an example of mixed cost is telephone bill

2.3.0 Concept of Cost Control and Cost reduction and Profitability

Rising costs of operations is a major threat that negatively affects the status of a business to operate as a going concern and if these costs are uncontrolled the company may be forced to halt its operations, additionally these uncontrolled costs can negatively affect the profits of a

company hence reducing the entity`s growth prospects. In order for a company continue operating as a going concern and not to halt its operations, management have adopts cost control and reduction techniques to curb the rising costs that negatively affects the going concern and profitability of a company (Egbide et al,2019; Akeem,2017; Oyedokun et al 2019).

2.3.1 Cost Control

Every business requires information concerning its operation so as to establish future plans, control its current activities and evaluate the previous performance of workers and business segments (Obara, 2014).Cost control is refers to various accounting and management techniques to improve efficiency in business by reducing the costs or restricting their growth rate (Obara 2014). He further cited that “Cost control ranges from limiting telephone calls to only calls that are for business purposes, internet and utility bills, and employee payroll.” In cost control, management establishes a standard then their performance is channelled towards achieving the established standard. This implies that cost are controlled based on a given level and ensuring that the cost does not exceed the pre-determined standards (Akeem 2017). The concept of Cost control is of great significance for survival of firms especially in today world where business is being conducted in dynamic and ever changing environment which is very unpredictable (Olalekan and Trajudeen; 2015). Through cost control, a business can fully utilize its resources to the greater extent , successfully compete against its competitors in the market because cost control can allow it to produce quality products that are sold in the market at a lower price and this will increasing the profits and goodwill of the company. Cost control enables a business in monitoring of cost against budget and take corrective action to those area that are deviating from the budget correct any (Adebayo and Afolabi, 2014; Akeem, 2017).

2.3.2 Cost Reduction

Is a positively planned process of reducing the unit cost of production relating to goods and services without compromising the quality of particular products (Akeem, 2017). Cost reduction can also be called cost management and it includes actions undertaken taken by managers to reduce costs in an organisation and usually the actions can be based on information collected from both accounting system, but in some instances actions are made without relying on accounting information (Drury 2012). The purpose of cost reduction is to

reduce cost and in doing so, customer satisfaction must remain to be, of great significance. So cost reduction is ideally meant to reduce costs but not customer satisfaction (Drury 2012). In cost reduction, costs can be reduced without reducing the sales volume hence it is a necessity when the company need to increase its profit margin without increasing its turnover (Akeem 2017)

2.3.2.1 Difference between cost control and reduction

According to Akeem (2017) and (www.toppr.com 29.08.2020; 1543hrs) cost control and cost reduction can be differentiated as follows:

Table 2.1

COST CONTROL	COST REDUCTION
Emphasise on maintaining costs so that they are in line with predetermined standards	Emphasise on reduction of unit costs of a product without compromising quality
Results in saving of total costs	Results in saving per unit costs of a product
There is no guarantee in terms of quality retention	Retention of quality is always guaranteed
It is a temporary process in nature	It is a permanent process in nature
It saves a preventative function by maintaining cost to ensure that they are not going beyond budgeted cost	It saves a corrective function by reducing the actual product cost
The process is discontinued after achievement of the set target	It`s a continuous process which needs to bring into effect the new methods to reduce cost and ensure efficiency
It also emphasize on previous and current cost	It emphasize on current and future costs

2.3.2.2 Relationship between cost control and cost reduction

Having differentiated cost control and cost reduction (Akeem 2017) argued that both play a major role in reducing costs to the acceptable limit resulting in earning high profit. Additionally, quality products can be produced with available resources at the minimum possible cost through cost control and reduction techniques and sold at a profit and in his study, he discovered that both techniques are essential and supports survival and growth of the company during periods of high competition in the environment in which the organisation

is operating in. This is because, the techniques allow the organisation to plan, establish a standard and monitor the standard until its achievement therefore, both techniques play an important role in controlling and reducing the costs incurred during business activities (Akeem 2017).

2.3.3 Concept of Profitability

Profit and profitability are used in the business interchangeably but they are in actual fact different. Profit is the excess of revenue over cost over a given period of time (Pandey 2010 in Iliemena and Amedu 2019). Making profit is the main objective of every business and if a business does not make a profit it cannot survive in the future (Akeem, 2017 and Iliemena and Amedu 2019). Therefore, management must continue to evaluate their performance in terms of profitability to check if they are being efficient in their operations. Profitability measure efficiency of management and shows how well managers had utilised the available resource to make profit. Profitability is defined as the ability of an organisation to make its profit from its activities or operations (Iliemena and Amedu 2019).

Profitability is a yardstick for measuring efficiency however management should not take the extent of profitability as the final proof of efficiency because in some instances, a company can be inefficient in their operations but accompanied by satisfactory profit levels and sometimes it might have no profits but with efficiency in their operations (<https://shodhganga.inflibnet.com>29.08.2020; 1820hrs). This means that profitability and efficiency are not synonyms but profitability is an index of efficiency and is used to measure efficiency and to guide management to greater efficiency (<https://shodhganga.inflibnet.com> 29.08.2020; 1820hrs). Therefore, the net profit balance is a symbolic figure of the satisfactory balance left after deducting amount given from amount received during a specific period of time usually a year (Iliemena and Amedu 2019). There are several factors other than efficiency which influence profitability which ranges from cost control techniques, demand, level of competition, Inflation, level of employee motivation, Advertising campaigns (Iliemena and Amedu 2019; Abdullahj et al, 2016);). Therefore this research will focus on cost control techniques and their effects on profitability.

2.4.0 Establish cost control techniques used by the company and their effects on profitability

Cost control techniques are the procedures evolved by the accounting and management section that are used in controlling the costs in an organisation. Cost control techniques

include budgetary control, standard costing, variance analysis, Activity Based costing, Variance analysis and material cost control among others (Akeem, 2017; Mutya, 2018; Tabitha and Ogungbade, 2016).

2.5.0 Effects of cost control techniques on profitability of Zimplow Ltd Company

Cost control techniques play a pivotal role in maximising company's profits this is because, the techniques help in minimizing wastages and losses as they enable effective utilization of materials , labour and other inputs during the production process (Akeem,2017;Siyambola and Raji, 2013) The effects of cost control techniques on profitability are further analysed by the researcher in the following sections.

2.5.1 Budget and Budgetary control

A budget can be defined as “a qualitative statement prepared and approved prior to the period of time of the policy to be pursued for the purpose of achieving a given objective,”). It can also be defined as a tool used by a company to achieve its purpose of matching plans with available resources (Adebayo and Afolabi, 2017). However (Drury 2012) views a budget as a quantitative financial plan for which management decisions can be implemented. Obara (2014) was of the opinion that because of the increase in complexity of the business environment, and firms are heading towards decentralization and this has brought about the increase in businesses problems hence the need for efficient budgeting to allow for better planning and controlling. In many organisations, they use budget committee to establish their budget, and usually representatives from operating departments are members who constitute the budget committee this allow coordination within the organisation (Obara, 2014). A budget is very important in every organization as it provide a roadmap of what the business wants to achieve and how it will be achieved and channel the organisation performance along that path to ensure that actual results are not deviating from the budget hence facilitate control in the organization (Akeem 2017).

2.5.1.2 Budgetary Control

Budgetary control refers to process of comparing actual results with budgeted result in order to incorporate an alternative course of action. Budgetary control is an effective tool used to control cost in an organisation. Cost control is the process of regulating the operating costs of

a business within acceptable limits and these limits are in the form of targets and standards costs in the organization established through the way of a budget or a plan (Akeem , 2017).

Budgetary control facilitates coordination of departments, coordination enables management to become cost consciousness and improves their efficiency in the company as they work towards achieving a common target, this will results in the reduction of wastages and maximising profits in the organisation (Akeem 2017, Drury 2012). Budgetary control is the system in which both planning and controlling of costs are done through the preparation of a budget (Siyambala and Raji, 2013, Adebayo and Afolabi, 2014). With budgetary control system, efficiency in the organisation is improved and this reduce some of the cost elements that are associated with labour, overheads and material hence increases profits of the organisation (Akeem, 2017). Budgetary control is a technique used to control costs through the budget preparation, coordination of departments and establishment of responsibilities, comparing the actual results against the budgeted and incorporate alternative courses of action in ensuring that resources are utilised as planned this improves performance of the entity. (Akeem, 2017; Obara,2014)).

Comparing actual and budgeted results will enable management to identify weak areas that need management attention and this will aid in control of the company through **management by exception** hence improves the overall performance to the entity (Drury, 2012). The difference between actual cost incurred and budgeted cost is called variance and it is this deviation that management want to eliminate to be efficient in their operation (Akeem, 2017) For budgets to be play its major functions in planning and controlling organisational activities it must be incorporated with responsibility accounting (Siyambola and Raji, 2013).

2.5.1.3 Responsibility accounting a technique used in conjunction with budgetary control

Responsibility accounting is a system in which costs are reported based on the individuals area of responsibility and every department is responsible and charged for the costs over which it controls (Obara 2014). It is a system of exercising management control through assignment and delegation of authority to functional or responsibility managers (Biswas, 2017). Budgetary control technique is part of the overall responsibility accounting which entails a system of analysing costs and revenue of a business in accordance with personnel's area of responsibility in an organisation in order to monitor their financial performance.

(Adebayo and Afolabi, 2014; Biswas 2017). Budgetary control plays a pivotal role in coordinating departments within the organisation as it involves participation from those who constitute the budget committee and who are the representatives of the organisational departments. Cost control is an ongoing process that starts by establishing the proposed budget for the year (Obara 2014) and a budget helps to coordinate functional departments namely production, administration, service, selling and distributions of an organisation and this will assist maximising the possible opportunities that are available and aid in efficient utilisation of resources hence attainment of organisational objectives.

2.5.1.4 Significance of responsibility accounting in cost control and profit maximisation

Responsibility accounting and budgetary control allows the business to relate expenditure to the individuals who incurred the expenditure so that actual expenditure can be compared with the budgeted expenditure (Akeem 2017; Adebayo and Afolabi, 2014). Budgetary control is used in conjunction with responsibility accounting to enable management to establish the overall objectives of the company, define responsibility centres, design reporting standards and evaluating procedures. Responsibility centres can be categorised in *revenue centre* where the responsible manager has the authority to control revenue generated for the business, *cost centre* where the responsible manager has the authority to control costs but not revenue and investments in operating assets and *investment centre* where the responsible manager has the power to control all revenue, costs and investment in operating assets (Biswas, 2017).

Responsibility accounting facilitates profit maximisation and efficient utilization of resources. This is because it allows the splitting of business into functional components or segments or responsibility centre where each centre is headed by a single individual who has the power to oversee and controls the activities and processes and results performed by people within the responsibility centres (Obara, 2014). Responsibility accounting can also be referred to as activity or profitability accounting in which financial information relating to income and expenses of responsibility centres, decision units or functional departments can be gathered, summarised and reported in order to monitor financial performance of budget holders (Biswas, 2017, Adebayo and Afolabi 2014).

Responsibility accounting play a major role not only in performance evaluation but also in delegating authority to functional managers this will allow them to perform to the maximum in attaining set targets, controlling costs and profit planning (Biswa 2017). Through

budgeting, standards are set to indicate output levels expected from each particular function or unit or responsibility centre using the amount and quantity of resources that have been allocated to such function for the purpose of achieving the set target. This means that responsibility accounting can promote accountability in the organisation in which a manager responsible for a particular centre or functional unit has the power to authorize expenditure incurred by the function unit or department in fulfilling the objectives of the company and such expenditure must be recorded (Siyambola and Raji, 2013; Biswas 2017; Obara, 2014). It can be noted that budgetary control and responsibility accounting work hand in hand in ensuring efficient utilisation of the organisational resources.

2.5.1.5 Management participation in the budget preparation process

In order for a budget to serve as a control tool in the organization, management must also be involved in the budget process, this is because a budget itself cannot serve any purpose in the organization unless budgetary control is implemented and it takes a good budget and management to achieve great results in the organisation (Adebayo and Afolabi, 2014; Siyambola and Raji, 2013). Budgetary control is the aspect of monitoring in which actual results are compared with that budgeted and in areas where there are deviations, management will take remedial action to control costs and improve profitability and overall performance of the entity (Siyambola and Raji 2013; Adebayo and Afolabi, 2017). As the fiscal year progresses, management compares actual results with budgeted in order to take an alternate course of action based on the lessons learnt during current operations evaluations (Obara, 2014, Akeem, 2017).

During the budget preparation process management and employees must be taken into account to ensure that they participate in the process, this motivates the employees as they feel a sense of belonging in the organisation hence work towards achieving the set standards and motivation plays a pivotal role in making cost control a success hence improves profitability of an organisation (Akeem 2017). Additionally, there is a larger difference between information from subordinates and their superiors so involving them in preparation of budget process enables them to communicate their information to the superiors leading to better budgets and quality decision making which improves overall financial performance of the entity (Adebayo and Afolabi, 2014). Budgetary control is an effective tool used by management to coordinate, plan, control and allocate the scarce resources to organisational units and this leads to goal congruency in which everyone knows what is expected from them

and thus satisfying the overall goal of the company “profit maximisation” as these functions strive to fulfil the set target with the resources allocated to them, (Adebayo and Afolabi, 2014; Drury,2012).

2.5.2 Standard Costing

Is a cost control technique in which the estimated predetermined cost of a product are compared with the actual costs when they are incurred. It involves establishing predetermined estimates of product or services costs, collecting actual costs when they are incurred and comparing them with the predetermined estimates (Lucey,1996,: Drury 2012). Standard costing can be used in budgetary control and responsibility accounting and apart from this it may be viewed from both marginal and absorption costing perspective (Iliemena and Amedu, 2019).This means that if standard costing is viewed in the context of marginal costing, variance is determined on the relevant total cost of the product which excludes fixed production overheads, but if standard costing technique is related to absorption costing technique, variance analysis will be involving total cost of the product in the company (Adeninji 2010 cited in Abdullahj et al, 2016: Lucey, 1996). The difference between actual costs incurred and the predetermined standard costs is called variance and the process of comparing actual cost and against the predetermined standard cost in order to incorporate an alternative course of action so that actual cost will be the same with predetermined costs is called variance analysis (Drury, 2012)

2.5.2.1 Types of Standards

- ❖ **Ideal Standards** these are based on the perfect operating conditions thus they are set without considering the negative factors that may prohibit the attainment of set standards such as machinery breakdown, wastages maternity and annual leave given to employee, lateness of employees, idle time (Lucey 1996; Drury 2012)

- ❖ **Attainable standards** these are common and practical standards based on efficient operating conditions. These usually take into account factors that may affect the production process. So they take into account allowances for normal losses, idle time , stoppages, machinery breakdowns, allowances for fatigue (Abdullahj et al, 2016). They usually provide tough targets which are achievable under efficient operating

conditions hence results in motivation of staff when they are achieved and can be used in stock valuation, product costing, cost control and basis for effective budgeting (Lucey 1996).

- ❖ **Basic Standards-** these are long term established standards that are designed to achieve organisational objectives and will normally remain unchanged over a long period of time and they can be used to develop current standards (Lucey 1996; Abdullahj et al, 2016).
- ❖ **Current standards-** these are established based on prevailing working conditions in the organisation and can be altered to reflect the current position of the organisation (Abdullahj et al, 2016).

2.5.2.2 Variance Analysis a technique used in conjunction with budgetary control and standard costing

Both standard costing and budgetary control can give rise to variance analysis thus enabling the comparison between actual production costs and standard costs. The deviation between actual cost of production incurred and predetermined standards cost is called variance and it can be ‘unfavourable (adverse) or favourable’ (Iliemena and Amedu, 2019). Therefore variance analysis is the process of examining the causes of variance and take remedial action so that the actual cost incurred will be tallying with the budget. (Akeem 2017) Variance analysis is the process of analysing the difference between actual and standard cost to incorporate an appropriate remedial action. Variance are broadly categorised into **controllable and non controllable variances**. Controllable variances refers to variance that can be controlled by heads of department in the organisation whereas uncontrollable variance is are those variance which the heads of department cannot be held responsible and normally arises due to external factors that are beyond the control of management (<https://nptel.com>31.08.2020; 2040hrs)

2.5.2.3 Importance of Standard Costing and Variance Analysis in profit Maximisation

Standard costing and variance analysis plays a pivotal role in ensuring financial performance of an entity. Its significance in terms of profitability can be explained by examining the benefits derived from implementing standard costing and variance analysis as explained below:

❖ Cost control and Cost reduction

Standard costing helps in improving profits of the organisation this is because it enables management to reduce cost of production through establishing target cost of overheads, materials and labour before the start of production process and channelling employees performance towards the targeted cost this improves efficiency and profitability of a company as the staff will aim to produce the quality products at the minimum possible cost (Iliemena and Amedu, 2019). Also, cost control and reduction can be guaranteed because, by enabling actual costs and standard costs to be compared this allows for control and reduction of costs through continuous monitoring, measuring and comparing the results, this no doubt improves organisational profitability (Abdullahj et al, 2016)

❖ Facilitates management by Exception

Standard costing helps in cost control through management by exception in the organisation, by establishing standard cost, management will be aware of what the cost should be and when actual cost incurred is compared with predetermined estimates this will facilitate control in the organisation as management will focus on those spots that are deviating from the predetermined standards. Through variance analysis management will be in a position to determine why and what remedial action to take so that actual costs will be same with the standard (Iliemena and Amedu, 2019). Variance can be caused factors associated with materials prices, labour efficiency, material usage or labour rate but through standard costing and variance analysis, management will be in a position to understand the root cause of the variance and take appropriate remedial action to reduce the adverse variances hence maximising profits. (Iliemena and Amedu, 2019).

Standard costing and variance analysis assist management in tackling internal problems arising from price changes due to inflation by provide appropriate solution to reduce the variance to the minimum (Abdullahj et al, 2016). Through variance analysis, management can improve their efficiency in production in that it can reduce its material cost by fewer quantity of raw material or reduce the material prices through economies of scale, buying in

bulky to take advantages of trade discounts. In terms of reducing labour cost, through variance analysis management can increase staff motivation, increase supervision to the staff, reduce overtime and idle time ((Iliemena and Amedu, 2019; Drury, 2012). This means standard costing and variance analysis enable management to know which areas of the costs that need attention so that management incorporate various strategies to reduce costs hence improves organisational profitability (Iliemena and Amedu, 2019).

❖ **Performance measurement and control**

Standard costing is a yardstick against which performance of the company can be measured by comparing actual results with the budget and through variance analysis, causes of shortfalls can be analysed resulting in implementing better methods and procedures in future to improve performance (Abdullahj et al, 2016). By establishing standards, standard costing act as a basis for regular checks on expenses incurred thus facilitating control of material cost, labour cost and overheads cost hence aids in controlling cost and improves profitability (Abdullahj et al, 2016). It is a measures how well managers can efficiently control the acquisition and usage of resources in the entity to produce a given quantity or quality of output thus assist in measuring profitability of the management and the organisation since efficiency can be measured or assessed in terms of reported profits or profitability (Iliemena and Amedu, 2019; <https://shodhganga.inflibnet.ac.in> 29.08.2020; 1820hrs)..

❖ **Motivational Tool**

Standard costing is a motivational tool to the workforce in that by establishing realistic targets, it results in motivating workers to achieve the set goals and standards hence improves efficiency and profitability in the organisation (Abdullahj et al, 2016; Drury, 2012).

❖ **Assist in Stock Valuation and Pricing**

Standard costing plays a pivotal role in establishing unit costs of identical products than using actual cost system (Abdullahj et al, 2016). This is because in actual costing system, unit costs of identical product batches will differ widely due to unforeseen costs that usually occurs during the production process for example wastage of materials or malfunctioning of the machine during the production of a particular batch of product may will increases the overheads and labour and material costs which are then charged to this batch. But when standard costing is used, it assumes that all units produced during a particular period of time

have the same price or cost unit and should be charged at the same cost. All the unusual (unforeseen) costs are analysed in terms of variance after comparing actual against standard costs hence more realistic in stock valuation and pricing of commodities (Drury 2012).

❖ **Provide useful information for management decisions**

Standard costing plays an important role by providing quick and readily available information in the form of reports to management (Abdullahj et al, 2016). By establishing appropriate standard costs and succeed in controlling cost of production, management can rely with standard costing in that future costs will be close to the standards therefore, standards costs can be used by management in the preparation of more accurate and reliable budgets that assists management in planning and make useful decisions thus enhance performance of the entity (Abdullahj et al, 2016; Drury,2012).

Even though variance analysis can help management in the organisation not all variance reports are important and there is need for management to know the behaviour of costs that is cost must be known as either fixed or variable but not all costs perform this function and this may constrain management in reporting and inadequate failing to rectify the variances which negatively affects the performance of the company. Cost must be known as either fixed or variable to know how exactly to deal with the costs that is either they are manageable or not for forecasting and budgeting process (Akeem, 2017)

2.5.2.4 Negative effects of standard costing

Standard costing and variance analysis play an important role in managing and reducing the cost of the organisation hence leading to profitability. However, standard costing can result in the setting of **unattainable standards**- the use of standard costing can result in setting of unattainable standards that usually occurs as a result of badly desired standards leading to demotivation of workforce hence poor performance and additionally persistent rise in inflation may negatively affects the set standards this results in setting of unattainable standard costs which negatively affect staff morale if not achieved resulting in poor performance of the organisation (Abdullahj et al, 2016). Standard costing also **creates problems in stock valuation** because stock is valued using unrealistic estimates (Abdullahj et al, 2016). Standard costing also result in **administrative inconvenience to managers and workers** involved in the performing of operations for the set standard due to problems that are

associated with accuracy in estimating of normal losses and recording of required rates, prices, times and quantity (Abdullahj et al, 2016).

2.5.3 Activity Based Costing

Activity Based Costing(ABC) as an approach used in costing of final product (output) through monitoring activities, analysing the way in which the activities consume resources and charge cost to final product based on the product`s usage of activities (CIMA,2013; Drury,2012)

Activity costing is concerned with the identification the organisations major activity, identification of cost drivers (activities which cause cost to change) and then charge costs to product based on their usage of the activity (Drury, 2012). Activity based costing enable management to save monetary costs and resources and this improves profitability of the company. It has brought another technique which is Activity based management that is very useful in cost control (Drury 2012). By identifying activities such as invoicing and marketing, management will be in a position to know the major reason underlying the incurring of certain costs hence deciding how best to control such costs thus ABC is not only used in calculating accurate product costs but also assist in management of overheads hence improves profitability (NUST, 2010; Drury2012).

ABC approach groups cost based on activity rather than traditional cost and is based on the principle that activity consume costs, this enables management to eliminate unnecessary costs that are does not increase value to the product through management of the activities hence increasing profitability of a company. It also reduces costs because its system helps in reducing time and effort using multiple cost drivers for each activity (Hanin and Jordan, 2018 and Drury 2012). Additionally, with activity based costing, management can be in a position to identify cost drivers and accurately allocate overheads to cost jobs, identify those activities which cause costs to go beyond the expectation and these can help to streamline the production process and the use of cost drivers avoids and minimises or reduces the distortions or unnecessary product costs that may occur due to the arbitrary allocation of overheads costs thus improving profits of a product (Tabitha andOgunbade,2016). ABC facilitates the good understanding of profitable products through accurate cost allocation with its multiple cost drivers hence management will be in a position to identify the most efficient and effective activities of the organisation and allocate more resources to these activities to improve

profits. Additionally, ABC application improves staff performance, efficiency in production and efficiency in making decisions relating to pricing thus enhancing profit maximisation and competitiveness (Hanini and Jordan 2018,)

With activity based costing, management can apply knowledge of cost drivers in order to reduce the costs hence maximising profits. For example in order to reduce machine set up cost, management can lengthen the production run hence improving profits of the company (Drury 2012). However, in some instance it is difficult to for people to classify activities between value added and non value added for the elimination of some activities in an attempt to improve efficiency this is because, since people cannot precisely define what constitutes a value added activity or non value added activity. For example setup up of the machinery might have no value to customers but without setting up of the machinery production cannot takes place (Kaplan an Cooper, 1998 in Drury 2012)

2.5.4 Value Analysis

Is the systematic process in which unnecessary cost associated with a product are identified and eliminated through the analysis of each component`s function that constitute the product. Its main aim is to achieve the targeted cost by identifying improved designs that reduces the costs of the product without reducing its quality or satisfaction to customers (functionality) and eliminate unnecessary function that increases the cost of the product (Drury 2012). Additionally if the unnecessary costs associated with products are eliminated during the manufacturing process profitability of the product will increase (Egbide et al,2019). It is the process of breaking down the product into many components and considering ways to improve that component`s value for the lowest or optimum cost of production (Drury 2012).

Value analysis play a major role in eliminating unnecessary costs associated with the product hence profit maximisation this is because, by analysing each component and evaluate its benefits and efficiency this enables the identification of the components which are not worth the cost they require and had no value to customers hence such components may be replaced or eliminated during the product development process (Drury 2012) Value analysis is an improving approach aimed at improving the value of the product or item by understanding the components that constitute the product and the costs associated with the components (Egbide et al,2019).

However there is need to conduct market research to identify the customer preferences for the product and the price or value that they are prepared to pay to consume the product. If the cost of the function exceed the perceived benefit to the customer then such components can be eliminated or find alternative methods to modify the costs of the component such that its value outweighs the cost (Drury, 2012).

2.6 Examine the challenge of effective implementation of cost control techniques

❖ Using obsolete techniques and concepts

Costs control techniques are being hindered their effective implementation due to the of old and obsolete methods.

Organisations face a lot of problems in implementing effective standard costing and budgetary control this is because their control is based on authorized fixed budgets and standards costs (Unchanging targets). Once a budget or standard is authorised it is no longer accurate, especially in today's ever-changing economic environment especially in developing countries like Zimbabwe where prices, rates are volatile and ever-changing, standard costs and budgets became out of date on or before the end of the fiscal year hence losing their control and motivational effects (Drury 2012,). The success of budgetary control and standard costs is largely dependent on the accuracy in which estimates have made. Due to the fact that plans are forecast there is need for continuous updating, review and monitoring the budget and standard costs for them to fit in today's ever-changing environment to enhance effective implementation (Drury, 2012).

❖ Lack of knowledge in the techniques

Knowledge is a key element in ensuring effective implementation of the techniques. In can be technical or managerial knowledge and a lack of it might hinder effective cost control in the organisation (Ademola 2012). Some cost control techniques require skilled personnel for them to be effectively implemented. Using activity based costing, budgetary control and standard costing require management accountants to lead in the process of cost control. This is because these have special knowledge, usually sometimes expertise is very expensive to hire thus hindering effective implementation, thus absence of qualified workforce will hinder effective implementation of the techniques (Hasan 2017)

Most managers have lack knowledge on how to deal with the variance hence hindering effective implementation of cost control techniques such as budgetary control and standards. Having identified that there is an adverse variance managers need to take appropriate remedial action to deal with that variance, most managers in organisations don't have the know-how to identify the source of the variance and how to deal with it to ensure effective implementation (Ademola, 2012).

On a different note, effective implementation Activity Based Costing is being hindered by lack of knowledge on identifying the activity cost drivers and for the purpose of calculating accurate costs (Hasan 2017).

❖ **Time constraints**

The major demerit hindering effective implementation ABC techniques is that it a very complex and scientific approach that require a lot of time in setting up hence time consuming. Additionally the steps in Activity Based costing require detailed records of costs that are associated with activities or products. (Drury, 2012; Hasan 2017)

Effective Budgetary control and standard costing system requires a lot of participation from various functions of the organisation. Additionally the time taken in installing and updating the standards and budget consumes a lot of time in the organisation hence and this delays organisational operations (Drury, 2012, Lucey 1996)

❖ **Staff resistance**

Both budgeting and standard costing could be seen by staff as pressurising devices that management imposes to staff resulting in departmental conflicts as a result of poor resource allocation and blaming of others when targets are not met and it becomes difficult to control such conflict in the organisation hence hindering the effective implementation of the techniques. Additionally staff can reject the established budget or standards or act in a dysfunctional manner to make sure that the targets set are not achieved hence hindering the effectiveness the techniques (Gachithi, 2010).

❖ **Over emphasis on results controlling cost while ignoring the overall results of the company**

Effective cost control is being hindered in the organisation because management are now overemphasising on reducing costs in the organisation without taking in to consideration the effects on output for example through value analysis an organisation may want to reduce the variable cost such as transportation costs, material costs associated with the product or lay off of some staff who are employed in the production process associated with a product as this will increase the profit associated with the product.(Siyambola and Raji (2013). However, Before using the techniques such as variance analysis, management need to outweigh the net effect in all areas in the organisation and must consider which cost are of great significance in the organisation as this might affect the product quality and reduce sales in the company leading to ineffectiveness of the techniques (Siyambola and Raji 2013) For example laying off some staff may remove other skilled personnel who are valuable to the organisation this will result in a lot of errors in the production hence compromising quality of the product, thus affecting the overall objective of cost control (Siyambola and Raji, 2013)

❖ **Financial constraints**

Activity based costing is very costly to implement and maintain in the organisation as compared to the benefits derived from it so this requires a lot of funds to implement and maintain the system which may sometimes not be available (Drury, 2012). Additionally, the software and IT expertise required to ensure the effective implementation of the ABC technique are very expensive thus consumes a lot of funds which in many circumstances might being sufficient (Hasan, 2017)

❖ **Poor management of the techniques**

Usually senior management lacks consistent in the process of costs management. Even though they know the significance of cost control, they fail to pass this knowledge to the whole organisation but they are concerned with cost control when they are usually caught with cost control issues or problems. If all seems to be well in the organisation, their concentration is directed to production and marketing with less attention given to cost control hence affecting effective implementation (Song,2014; Ademola, 2012)

Effective budgetary control and standard costing require a lot of monitoring to ensure that actual expenditure is in accordance with the plan and incorporate an alternative action on

those spots which shows deviations from the budget or standards. Additionally these check need to be done regularly but on the other hand management have other issues to attend in the organisation thus hindering effective implementation of these techniques (Drury 2012)

On the other hand, effective implementation of ABC approach in cost control need management to appropriately distinguish between value added and non value added activities for elimination purposes which is not an easy task for them thus hindering its implementation (Drury, 2012)

❖ **Lack of training and awareness campaigns in the organisation**

Effective implementation of cost control techniques is being hindered due to poor training and lack of awareness programs of the staff on the techniques being used to control costs in the organisation.

Activity based costing require people to be trained and educated on cost drivers to be able to manage and control the activities which influence costs in the organisation and accurately allocate activities to cost jobs to ensure successful implementation of the techniques (Drury, 2012) But in many manufacturing organisation they don't carry out this awareness programs thus hindering effective implementation of the techniques.

❖ **Lack of top management Support**

Cost control techniques such as, ABC requires top management support to ensure effective implementation but sometimes management has other areas to prioritize in the organisation which they consider more important than managing of ABC system (Hasan, 2017). Additionally top management might not be impressed by ABC system, they consider it similar to other cost control techniques and sometimes the system is even rejected due to lack of significance difference in product cost in comparisons to other costing techniques thus hindering its effective implementation this hindering its effective implementation (Hasan, 2017).

2.7 Empirical Literature Review

Several studies have been carried out on cost control techniques on performance of the organisation. Akeem (2017) studied the effects of cost control and cost reduction techniques and concluded that costs control has a positive impact on financial performance. The study adopted a descriptive survey and utilises a questionnaire as research instrument. Data was analysed using regression analysis and in his study budget was reviewed as an effective tool used in cost control and cost reduction.

Mutya (2018) conducted a research on cost control an effective tool towards organizational performance the objectives were to examine standard costing and budgeting on financial performance. The study adopted quantitative and qualitative approaches and the study uses both primary and secondary data. Interviews and questionnaire were used as research instrument and the study concluded that cost control has greater impact on performance of the organisation. The study was conducted in Uganda using case study MEM ltd.

Siyambola and Raji (2013) studied on the impact of cost control on manufacturing industries profitability. The studied was conducted on West Africa Portlant Cement in Nigeria (WAPCO) and budget was considered as the basic tool for effective cost control. Data was collected using interviews and questionnaire. The study utilises Pearson correlation model to analyse data and the results conclude that cost control have a positive impact on financial performance

The other study was conducted by Egbide etal (2019) on the effects of cost reduction strategies and the performance of manufacturing companies in Nigeria. The study was conducted on a sample of 40 manufacturing companies listed on Nigerian Stock Exchange and purposive sampling technique was used. The variables for cost reduction were changes in labour material and administrative overheads and the variable for growth was turnover. The study utilises correlation analysis and regression analysis in determining the association of cost reduction and growth and the impact of cost reduction strategies on growth of manufacturing companies. The results show that there is a significant positive relationship between cost reduction strategies and growth of manufacturing companies.

More over the study conducted by Oluwagbemiga et al (2014) on the relationship between cost management practices and firms performance using data collected from 40 companies

listed on Nigerian stock exchange from (2002-2012) reviewed that there is a direct relationship between cost management and manufacturing organisation firms performance. In order to maximise profits the study recommended that cost reduction strategies must be implemented in the management of administration and production overheads.

2.8 Literature Gap

Previous research has focussed in cost control and performance of companies in Nigeria and Uganda. Despite the conclusions and suggestions given in literature, a gap still exist in that cost control techniques had not been able to achieve what they have been designed for in manufacturing companies hence the need to conduct this research to investigate the effects of the cost control techniques on profitability, problems hindering effective implementation of the techniques and recommend solutions to ensure effective implementation of the techniques. The study made use of Zimplow Ltd, a company operating in Zimbabwe which has difference economic setup from Uganda and Nigeria from which the previous studies were conducted.

2.9 Summary

The purpose of this chapter was to bring up related literature on the effects of cost control techniques on profitability of a company. The author establishes cost control techniques used by the company, analysed the effects of cost control techniques on profitability and examine challenges hindering effective implementation cost control techniques. This helped the researcher in coming up with the research gap that needs to be filled. The next chapter will present the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter reviews research methods and procedures used by the researcher in gathering, presenting and analysing data about the effects of cost control techniques on profitability. The chapter is structured following a well-defined order starting with research methodology, research design, population and sample, data collection instrument, data collection plan, data analysis plan, data management and concludes with a summary.

3.1.0 RESEARCH METHODOLOGY

3.1.1 Quantitative Research Methodology

The research adopted the quantitative research methodology because it makes use of figures, graphs and tables that provide unbiased results to the study. Additionally, quantitative research methodology is used as it allows the researcher to fully test the hypothesis by examining the relationship between variables (Creswell 2014). Quantitative Research Methodology enables the researcher collect data, quantify the information, measuring the variables, using typical instruments and scored data can be analysed using statically procedures leading to meaningful interpretations of data thus enabling the researcher to make decisions whether to support or refute existing knowledge claims (Creswell, 2014).

3.2.0 Research Design

Research design refers to methods or procedures used by the researcher in collecting, analysing and interpreting data for the purpose of solving the problem at hand. (Creswell, 2014). It is a framework (plan, structure and strategy) which supports the answering of research questions of the study validly, objectively, economically and accurately and it should be relevant and of quality to the study (Kumar, 2011). For the purpose of this study, a descriptive research design was adopted in order to answer the research questions of the study.

3.2.1 Descriptive Research Design

This study adopted a descriptive research design in order to achieve the goal of the study which is to analyse the effects of cost control techniques on profitability of Zimplow Ltd. Descriptive research design was adopted as it enables the researcher to describe effectively the views and opinions of Zimplow staff on the effects of cost control techniques on

profitability (Alshengeeti, 2014). Additionally, descriptive research enabled the researcher to gather quantifiable information from targeted population that can be statistically analysed hence providing the clear conclusive picture on the effects of cost control techniques on profitability of the company (www.surveymonkey.com, 05.09.2020, 1727hrs)

3.2.2 Survey

The study adopted a survey research. Survey was appropriate in undertaking the study because it allows the data to be collected and statistically analysed and to provide meaningful conclusions based on the opinions or attitude from the targeted population on the effects of cost control techniques on profitability (Creswell, 2014).

3.2.3 Cross-sectional Survey

The cross sectional survey was more appropriate in collection of data as it enables the researcher to gather information within a short period to save costs and to satisfy the objective of the research in time (Creswell, 2014). The cross sectional survey adopted is both descriptive and analytical in nature. The research used descriptive survey order to achieve the research objectives of the by identifying and counting (measuring) the frequency of responses provided by the participants based on their opinions on costs control techniques and profitability (www.survey.monkey.com 05.08.2020, 1450hrs). Through an analytical survey, the researcher will be in a position to examine the variables of the study to test the hypothesis and draw meaningful conclusions on the relationships between the variables (www.pathways.cu.edu 05.09.2020, 1450hrs).

3.3 Population and Sample

The researcher used a targeted population of 70 employees who were grouped according to their working departments namely production, finance, procurement, marketing and administration. The target population was obtained from these functional departments where cost control is of great significance. In order enhance the overall objective of the study, the researcher considers that staff employed in these departments have broad knowledge on cost control techniques.

Table 3.1

Department	Targeted population
Production	30
Finance	7
Administration	5
Marketing	15
Procurement	13
Total	70

3.3.1 Sample Size

A sample size is defined as a subset of the targeted population. In determining the sample size the researcher used Yamare (1962) equation of finite population. And the researcher worked with a confidence level of 95%. The sample size was 60 representing 85% of the population. According to Picardi and Masick (2014) the greater value of the sample and confidence level, the greater the likelihood that data provided is a valid estimate of the data that the whole population would had provided to the researcher. Having determined the sample size, the researcher used Proportionate Stratification formula to distribute the sample among the departments of Zimplow Holdings Ltd

Yamare (1962) Equation

$$n = \frac{N}{1+N(e)^2}$$

Where

n= sample

N= population

e= Margin of error or level of significance = 0.05 or 5%

1 =is the constant

By substituting to the formula

N = 70

e=0.05

Calculating the sample Size

$$n = \frac{70}{1+70(0.05)^2}$$

n= 60

Having calculated the **sample size of 60** the researcher further distributed among the departments using the **Proportionate Stratification Formula** which is:

$$nh = \frac{NH * n}{N}$$

Where

nh = Sample size for each department

Nh = population size for each department

N =total population size

n=total sample size

The targeted population and sample size can be presented as follows

Table 3.2

Department	Targeted population	Sample Size	Proportionate Stratification Formula Applied
Production	30	26	30*60/70
Finance	7	6	7*60/70
Administration	5	4	5*60/70
Marketing	15	13	15*60/70
Procurement	13	11	13*60/70
Total	70	60	

Study population and Sample Size

3.4.0 Sampling

The researcher adopted non probability sampling technique as he did not have sufficient knowledge on whether the participants chosen in the sample are a representative of the total population (Kumar,2011). In particular, the non probability sampling technique used was purposive sampling in which the respondents were selected from their respective departments based on the experience they have in cost control techniques so as to provide useful information for the study. Additionally, the researcher used probability sampling in which some respondents from other departments were selected to participate in the study based on probability theory. Particularly, simple random sampling technique was used in finding out how the respective departments use cost control techniques and to get their views on the effects of cost control techniques on profitability of the company. (Picardi and Masick; 2014).

3.4.1 Justification of Sampling Techniques

The researcher used purposive sampling technique which is a non probability sampling technique for the staff employed in production, administration and finance department as the researcher considers that, these have broad knowledge and sufficient understanding of cost control techniques and their effects on profitability (Picardi and Masick; 2014). As for the staff employed in procurement and marketing departments, the researched used simple random sampling techniques such that individuals has the equal opportunity of participating in the study (Picardi and Masick; 2014).

3.5.0 Data Collection Instrument

A data collection instrument refers to devices used by the researcher in gathering data from respondents. The choice data collection instrument depends on the information required that is either information is already available (secondary data) or need to be extracted from original source (primary data), accuracy of information and type of information that is required for the research (Kumar 2011). The researcher used a questionnaire to collect primary data from the targeted population on the effects of cost control techniques on profitability of a company. The questionnaire enables the researcher in gathering data that was not available on the company`s website hence useful in undertaking this research since it relies mainly on primary data.

3.5.1 Questionnaire

A questionnaire is a list of questions that is presented to respondents to record their answers (Kumar, 2011). In using a questionnaire, the researcher developed standardized questions with high confidence that they will be interpreted in the same way by respondents and the questions were designed in such a way that the respondents would feel as if someone is talking to them, this was made possible by drafting questions which are clear and simple for the respondents to understand (Kumar 2011). The researcher used a questionnaire as he is following a descriptive research design, this will enable the researcher to identify, describe, review and measure the strength of targeted respondent`s attitudes and opinions on the effects of cost control techniques on profitability (www.surveymonkey.com, 05.09.2020, 1727hrs).

The researcher used a questionnaire because it gives enough time for the respondents to answer questions this provides more assurance that quality and reliable data was collected from respondents. For the purpose of this research the researcher used self administered

questionnaire this is because it enables the researcher to identifying the characteristics of the respondents whom the data was gathered, analysing the sample size, the response rate and the significance of reaching a certain individual as a respondent. Additionally, self administered questionnaire gives the room for probing and enabled the researcher to clarify unclear issues to respondents. The type of questions asked on the questionnaire can be open ended or closed ended questionnaire. Closed ended questions are those that allow the respondents to choose among all the possible answers provided (Kumar, 2011). Additionally, they play a pivotal role in establishing quantitative research as the results can be easily quantified and generate statistical relationships and analysis among the variables of the study (Kumar, 2011). On the other hand Open ended questions are those that allow the research to gather in depth knowledge pertaining to a subject and they are characterised by many possible answers from respondents as there is no standardised answer hence making it difficult to analyse data. For the purpose of this research closed ended questions were administered on questionnaires to respondents in order to limit the provision of unique insights from the respondents on the subject under study (www.surveymonkey.com, 05.09.2020, 1727hrs). The respondents had to chose from a scale of 1 – 5 and only select one scale on each opinion of the Likert scale.

3.5.1.2 Likert Scale

Likert scale clearly rank or indicates the degree to which respondents agrees or disagree on provided data it consists of 5 different ratings to which targeted respondents should make an opinion on each and every question provided. The researcher used questionnaire that were designed in a likert scale format which respondents were asked to indicate their level of agreement or disagreement based on a given statement. The researcher used Likert scale because is easy to construct and administer for the researcher and can be easily understood by the respondents. Also when scales are clearly constructed, the likert scale provide both direct and reliable results of respondents attitude or opinions thus for these benefits, the researcher used the likert scale to collect data. Table 3.3 shows a likert scale.

Table 3.3 Likert Scale

Comments	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Score	1	2	3	4	5

3.6 Data Collection Plan

The researcher conducted a pilot survey to the company. In order to collect data, questionnaires were administered to various departments within the company namely production, finance, administration, marketing and procurement. In order to save time, researcher kindly requested some individuals from company respective departments to collect the questionnaires on his behalf. The data was collected from primary sources. Primary data refers to data collected by the researcher for the first time, such data is collected from original sources and is hardly found from other sources thus it is reliable. The researcher collected primary data in order to analyse the effects of cost control techniques on profitability of Zimplow Ltd as such data is considered original, useful and practical in answering of research questions of the study.

3.7 Data Analysis Plan

Data analysis is the most important part of the research and it involves summarising data, interpreting gathered data by using analytical and logical reasoning in establishing the relationships, patterns or trends based on collected data. It can also be defined as the systematic process of applying logical or statistical techniques in evaluating data (www.ori.hhs.gov 06.09.2020, 2150hrs) Data collected were presented in tables, pie charts and bar graphs by the researcher so that it can be easily understandable (Kumar, 2011). In addition for effective presentation and analysis of data, the researcher calculated the percentages based on the frequency observed from the respondents. Data was interpreted by comparing and contrasting information collected by the researcher from the primary sources with information from previous research findings done on the subject by other credited scholars and the researcher`s opinion. In testing the hypothesis, the relationship between variables of the study was tested and analysed using Chi square with a 5% level of significance. Thus, to test the two hypotheses formulated by the researcher, chi-square test was used. The following chi square formula used by the researcher was:

$$X^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

Where X^2 = Calculated Value of the Chi Square

\sum = Summation

F_o = Observed Frequency

F_e = Expected frequency

DF = Degree of freedom $(c-1)(r-1)$

In making decision regarding Chi Square test, the null hypothesis is accepted if the Table value or critical is greater than the calculated value of the Chi Square (X^2). Additionally the alternative hypothesis is accepted if the calculated value of Chi square (X^2) is greater than the Table or critical value.

The above Statement can be summarised with the following shortcut

If $X^2 < X^2_e$ accept the **null hypothesis (H0)** and reject the **alternative Hypothesis (H1)**

If $X^2 > X^2_e$ accept the **alternative hypothesis (H1)** and reject the **null hypothesis (H0)**

Where

X^2 = Calculated Value of the Chi Square

X^2_e = Critical or Table value

3.8 Ethical Considerations and Data Management Plan

The researcher assured the respondents that information collected from Zimplow Ltd is solely used for academic purposes only and nothing else and that the information they provide to the researcher will be kept confidential. In order to provide reasonable assurance to the respondents when collecting data, the researcher obtained an approval letter from the Institution to present it to Zimplow Ltd Company. This letter serves as the request to be granted permission to collect data from the company. In order to guarantee confidentiality of information, the collected information was made available only to research supervisors.

In order to ensure reliable results or answers from the respondents, the researcher analysed all questionnaires upon receipt from the respondents to check for omissions, errors and consistence while he was preparing the data for analysis.

3.9 Summary

This chapter presents research methodologies and research designs that had been adopted by the researcher in conducting the research. It also give a strong emphasis on population and sampling and how the researcher used the questionnaire as the data collection instrument and then concludes by how the researcher planned to collect, analyse and manage the collected data. The next chapter will focus on the presentation, analysis and interpretation of research findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter present and analyse data collected from the research findings. The data was collected from the research participants through the use of the questionnaire. The data collected was presented in various forms such as graphs , pie charts and tables this is because they allow the researcher to present data quantitatively and as well as to give a pictorial representation of the data collected from the research participants.

4.1 Response Rate

Table 4.1 presents the number of questionnaires that the researcher distributed to the respondents and those that were answered and returned back to him. Thus the researcher distributed 60 questionnaires and a total of 50 questionnaires were completed and returned. The researcher did not get everyone to respond as some respondents were overwhelmed with their routine tasks. In total, the response rate is 83% which shows that the participants were willing to cooperate and contribute their ideas, this was facilitated by straight forward questions developed by the researcher and also the questionnaire stated privacy leading to more reliable and relevant answers.

Table 4.1 Questionnaires Response Rate

Group	Questionnaires Sent	Questionnaires answered and returned	Response Rate %
Production	26	22	85
Finance	6	6	100
Administration	4	3	75
Marketing	13	10	77
Procurement	11	9	82
Total Sample	60	50	83

Raw Data from the Research Questionnaire, 2020

In presenting and analysing data, the researcher made use of the number 50 which represents the number of returned questionnaires. The response rate of 83% facilitated better results as it allowed the researcher to draw conclusions. The questionnaire and responses were as follows:

4.2 Demographic Response Rate

Raw data from the questionnaire

Group	Number Of Respondents	Percentage Of Respondents %
Male	35	70
Female	15	30
Total	50	100

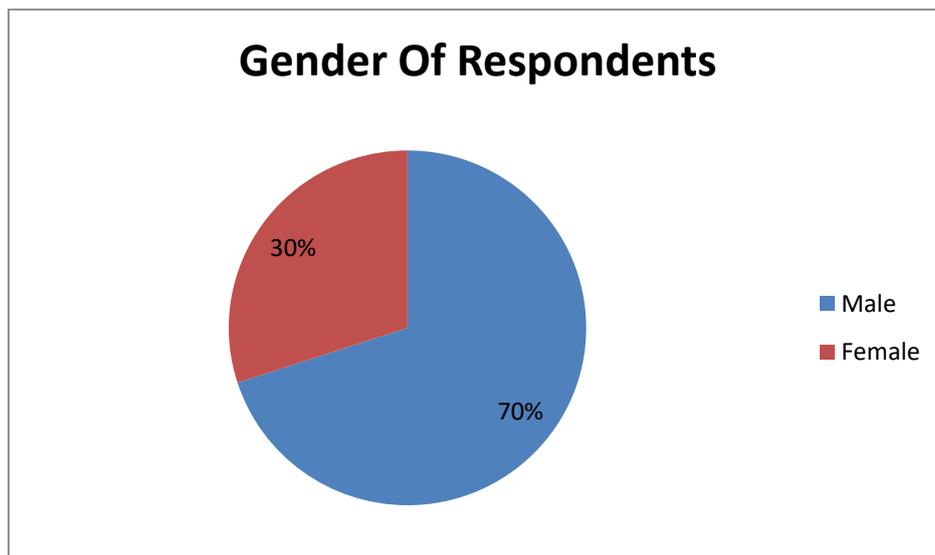


Fig 4.1

The researcher finds it necessary to establish the gender of respondents who participated in the study to determine the effect of gender to the research study. Results in fig 4.1 shows that the majority of the population in Zimplow Ltd are males as they constituted 35/50 (70%) of the population and females are only 15/50 (30%) of the population.

4.2.2 Age of respondents

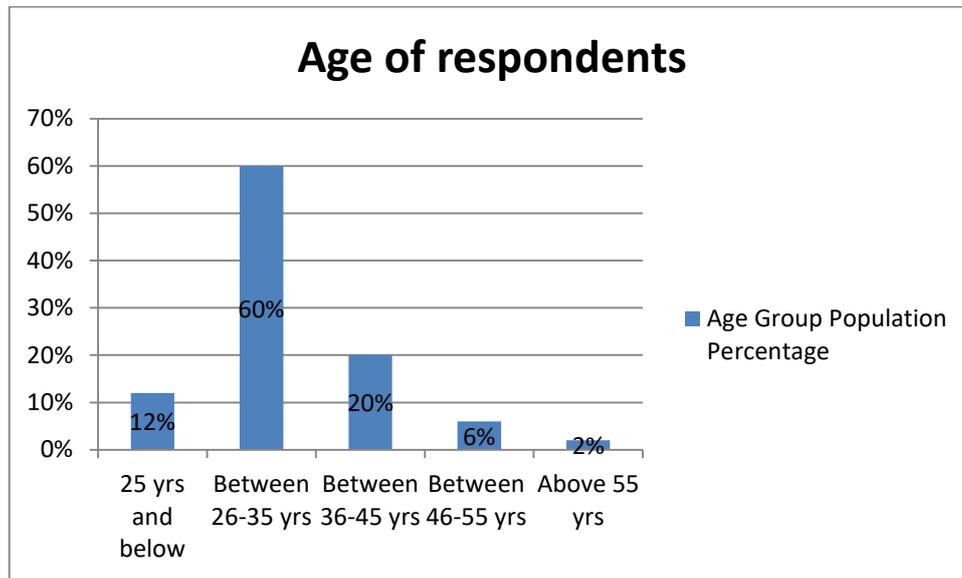


Fig 4.2

It was necessary for the researcher to establish the age group of respondents who participated in the study to determine the age group's effect to the study. Results in fig 4.2 shows that the majority of the population in Zimplow Ltd are in the age group of 26- 35 years representing 60% of the respondents, followed by 36-45 representing 20%, years followed by below 25 and below representing 12%, followed by 46-55 years representing 6% and above 55 years representing 2% of the population. The researcher concluded that the majority of the population in Zimplow is constituted by those who are in the productive age bracket.

4.2.3 Highest level of education attained

Raw data from the questionnaire

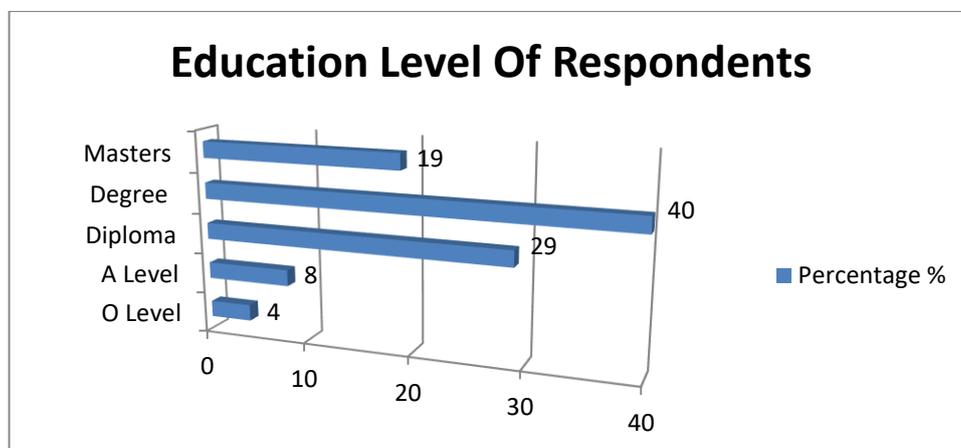


Fig 4.3

It was also necessary for the researcher to ask questions regarding the education level attained by the respondents to confirm if level of education attained had an influence on the study. Fig 4.3 shows that the majority of the population in Zimplow Ltd are degree holders representing 40%, followed by diploma, masters, A Level and O Level following the orders of 29%, 19%, 8% and 4% respectively.

The researcher concluded that, Zimplow`s employment policy ensures that workers are employed after they have acquired a certain level of education and there is no doubt that these have technical expertise as 88% of the population are those who have attained diploma, degree and masters level this will enable effective and efficient implementation of cost control techniques.

4.2.4 Work Experience

Table 4.2

Raw data from the questionnaire

Group	Number of Respondents	Percentage Of Respondents %
Below 2 years	3	6
3-5 years	6	12
6-10 years	17	34
11-15 years	14	28
Above 16 years	10	20
Total	50	100

It was necessary for the researcher to ask questions regarding the level of experience of the individuals who participated in the study to ensure that reliable information concerning cost control techniques and profitability is collected. Table 4.2 shows that the majority of population who participated in the study are individuals who have work experience of 6 to 10 years representing 17/50 (34%) of the respondents, followed by 11-15 years represented by 14/50 (28%) of the population and above 16 years represented by 10/50 (20%) of the population.

This implies that Zimplow Ltd has the employment policy of recruiting and keeping experienced staff in order to minimise training costs. Additionally, for the purpose of this study, the respondents provide relevant and reliable since the majority of the population had been working in the organisation for a long time and they had been exposed to the working environment for a long time.

4.3 Establish cost control techniques used in Zimplow Ltd

4.3.1 To what extent do you agree that cost control procedures are being followed in your organisation?

Table 4.3

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree	Total
Respondents	35	9	3	2	1	50
Rate %	70	18	6	4	2	100

Table 4.3 shows that 35/50 (70%) strongly agree, 9/50 (18%) agree, 3/25 (6%) were uncertain, 1/25 (2%) disagree and 2/50 (4%) strongly disagree that cost control procedures are being followed at Zimplow Ltd.

A mode of 44/50 (88%) agreed with Siyambola and Raji (2013) in that business uses cost control methods in monitoring, evaluating and ultimately enhance the efficiency of specific areas such as divisions, departments or product lines within their area of operation. The researcher concluded that cost control procedures are being followed in Zimplow Ltd.

4.3.2 Cost control techniques exists in the organisation

4.3.2.1 Budgets and Budgetary Control

Raw Data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree	Total
Responses	20	25	2	1	2	50

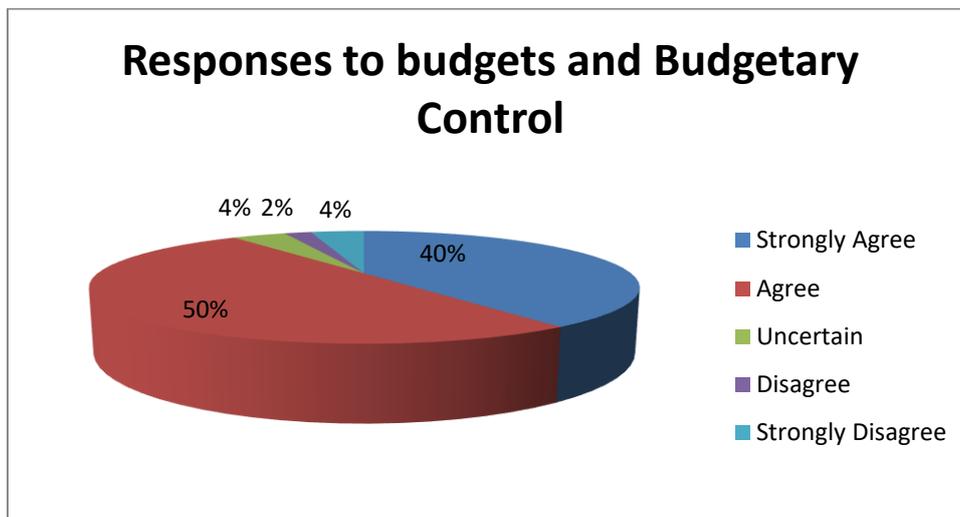


Fig 4.4

Fig 4.4 shows that 2/50 (4%) strongly disagree, 1/50(2%) disagree, 2/50(4%) were uncertain, 20/50(40%) strongly agree and 25 /50(50%) agree that budgets and budgetary control exists in Zimplow Ltd Company.

A total of 45/50 (90%) were in agreement that budgetary control exists in the organisation. This is supported by Egbide et al (2019) that budgetary control is a process in which spending plans are compared against actual performance to find out variances and by doing so this assists in managers to utilize budgets effectively in order to screen, monitor and control costs within a given time period. The researcher concluded that Zimplow ltd applies budgetary control techniques in regulating and controlling production and operating costs.

4.3.2.2 Standard Costing and Variance Analysis

Raw Data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	16	26	4	3	1

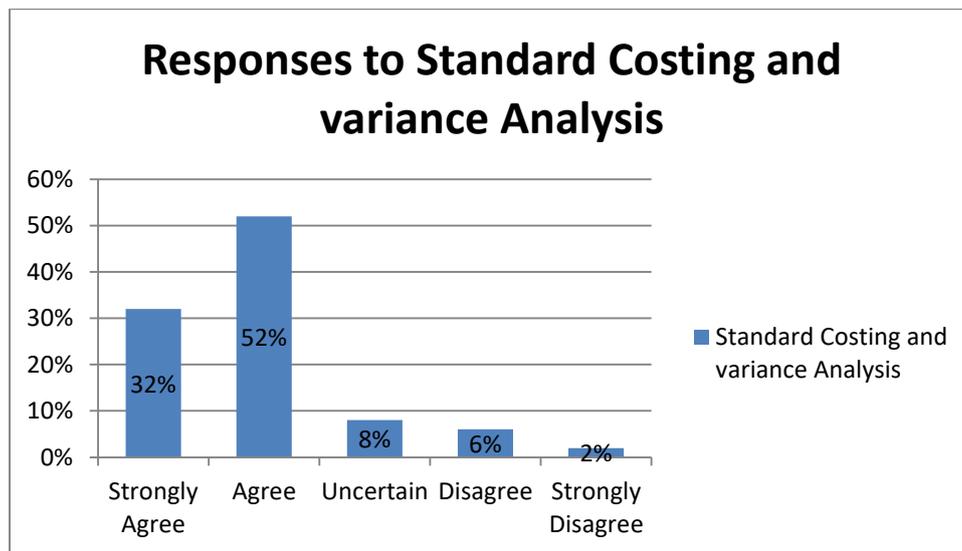


Fig 4.5

Fig 4.5 shows that 16/50 (32%) strongly agree, 26/50(52%) agree, 3/50 (6%) disagree, 1/50 (2%) strongly disagree and 4/50(8%) were uncertain that standard costing and variance analysis exist in the organisation.

A mode of 42/50 (84%) were in agreement with recommendations from Iliemena and Amedu (2019), who recommends manufacturing firms to adopts and consistently apply standard costing in their accounting system to ensure efficient utilisation of resources to effectively control costs and enhance profitability. The researcher concluded that, the techniques and principles of standard costing are being adopted at Zimplow Ltd.

4.3.2.3 Activity Based Costing

Raw Data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	12	20	10	6	2

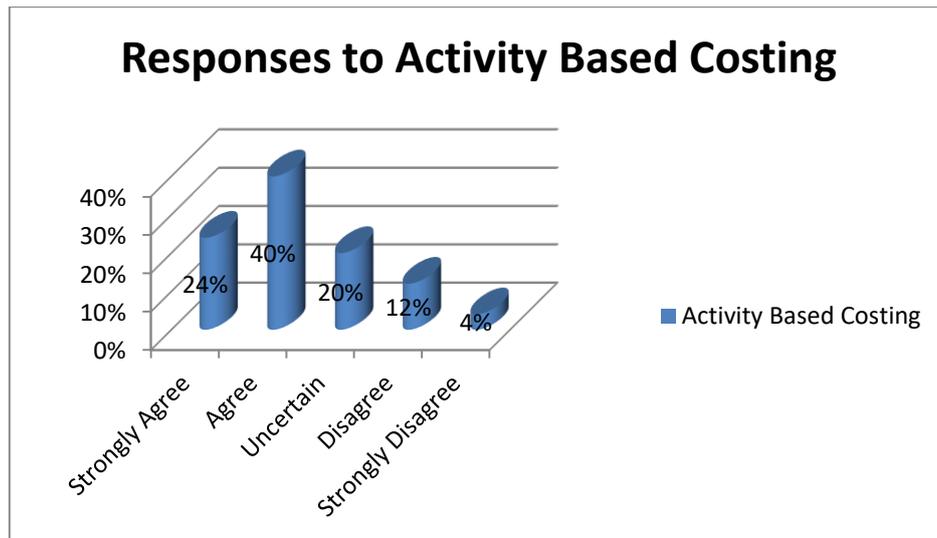


Fig 4.6

Fig 4.6 shows that 12/50 (24%) strongly agree, 20/50 (40%) agree, 10/50 (20%) were uncertain, 6/50 (12%) disagree and 2/50 (4%) strongly disagree that activity based costing is being applied at Zimplow.

A modal response of 32/50 (64%) agrees that Activity based costing is being used at Zimplow. According to Darias et al (2016), “the ABC method follows the calculation method and the cost analysis, but can be seen as a tool to measure company performance. “Based on the results obtained the researcher concluded that Activity based costing is being adopted at Zimplow Ltd Company in calculating and analysing product costs and as a performance evaluation tool.

4.3.2.4 Value Analysis

Table 4.4

Raw data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Value Analysis	13	18	5	8	6
Response Rate	26%	36%	10%	16%	12%

Table 4.4 indicates that 13/50 (26%) strongly agree, 18/50 (36%) agree, 5/50 (10%) were uncertain, 8/50 (16%) disagree and 6/50 (12%) strongly disagree that value analysis is adopted at Zimplow.

A total 31/50 (62%) agree that value analysis is being implemented at Zimplow Ltd. Based on the results collected, the researcher concluded that with value analysis, unnecessary costs associated with a product can be identified and eliminated by conducting a rigorous analysis of function of each component that constitute a product hence a useful technique of regulating production and operating costs in the organisation.

4.3.3 The following techniques are effective in the company

4.3.3.1 Effectiveness of Budgetary Control.

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	15	32	0	1	2

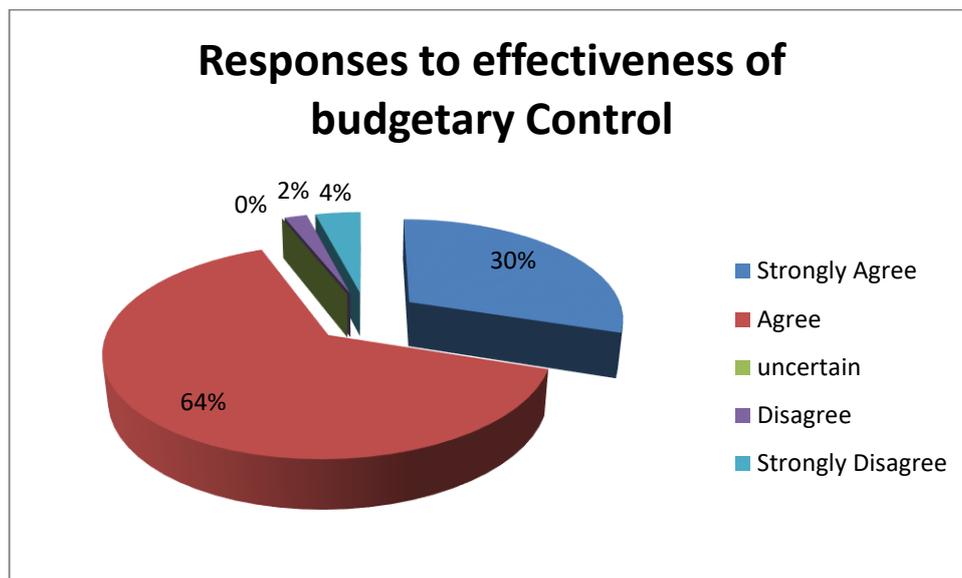


Fig 4.7

Fig 4.7 indicates that 15/50 (30%) strongly agree, 32/50 (64%) agree, 0 (0%) were uncertain, 1/50 (2%) disagree and 2/50 (4%) strongly disagree that budgetary control has been effective at Zimplow Ltd.

A mode of 47/50 (94%) agreed that budgetary control has been effective and this was in line with Pimpong and Laryea (2016) who suggested that budgets assists management with useful information for them to evaluate firm`s performances and through budget and budgetary control, management can inform financial allocation strategies across various firm`s components. The researcher concluded that budgets and budgetary control when effectively applied assist allocating firm`s scarce resources, setting targets and maintain performance to the set standard and a tool against which firm`s performance can be evaluated.

4.3.3.2 Effectiveness of standard costing and variance analysis

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	35	9	2	1	3

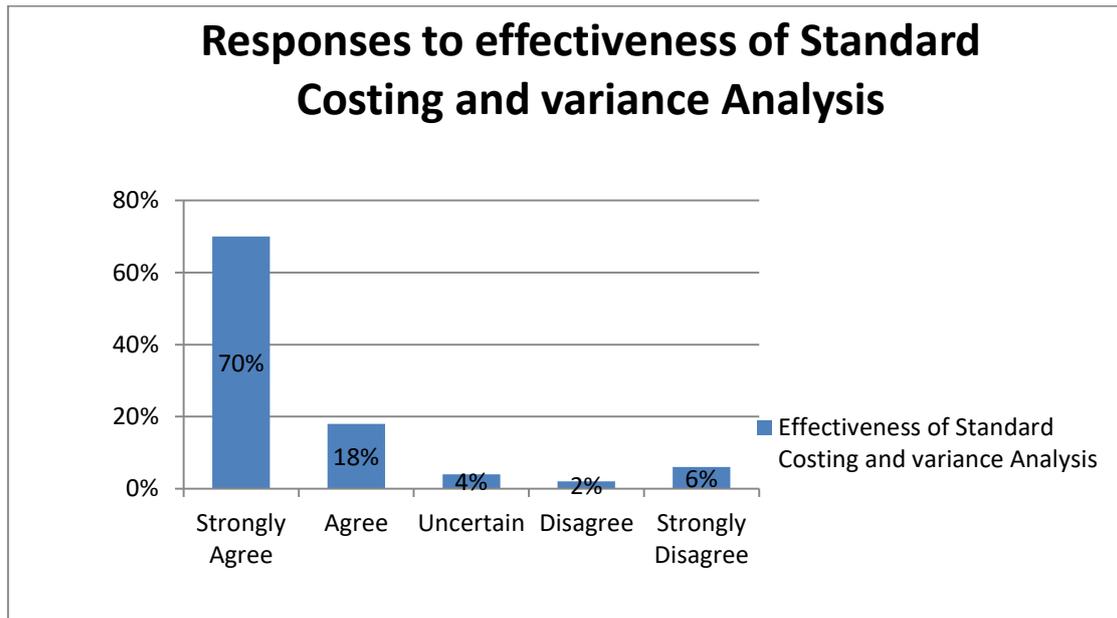


Fig 4.8

Fig 4.8 indicates that 35/50 (70%) strongly agree, 9/50(18%) agree, 2/50 (4%) were uncertain, 1/50 (2%) disagree and 3/50 (6%) strongly disagree that standard costing and variance analysis are effective at Zimplow Ltd.

A mode of (44/50) 88% were in line with Abdullahj et al, (2016) in that standard costing plays an important role by providing quick and readily available information in the form of reports to management. The researcher concluded through effective implementation of standard costing and variance analysis techniques in Zimplow Ltd this assists in both the minimisation of costs and preparation of management reports within a fashionable time period.

4.3.3.3 Effectiveness of Activity Based Costing

Table 4.5

Raw data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Activity Based Costing	12	4	5	16	13
Response Rate	24%	8%	10%	32%	26%

Results from Table 4.5 clearly indicates that 13/50 (26%) strongly disagree, 16/50 (32%) disagree, 5/50 (10%) were uncertain, 4/50 (8%) agree and 12/50 (24%) strongly agree that has been effective at Zimplow.

A total of 29/50 (58%) strongly disagrees that ABC costing is implemented effectively at the company. The results contradicted to Hanin and Jordan (2018) in that ABC is effective as it reduce costs by focussing on those activities that adds product`s value and excludes those activities that does not add value to the product and it also reduces the effort and time required to perform the activity thus improves efficiency and effectiveness in operations. The researcher concluded that even though ABC is not effectively implemented at Zimplow Ltd, when effectively implemented it assist in promoting efficiency and effectiveness in operations through the elimination of those activities that do not add value to the product thus lessening the time and effort needed to carry out the activity.

4.3.3.4 Effectiveness of Value Analysis

Raw Data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	18	17	11	3	1

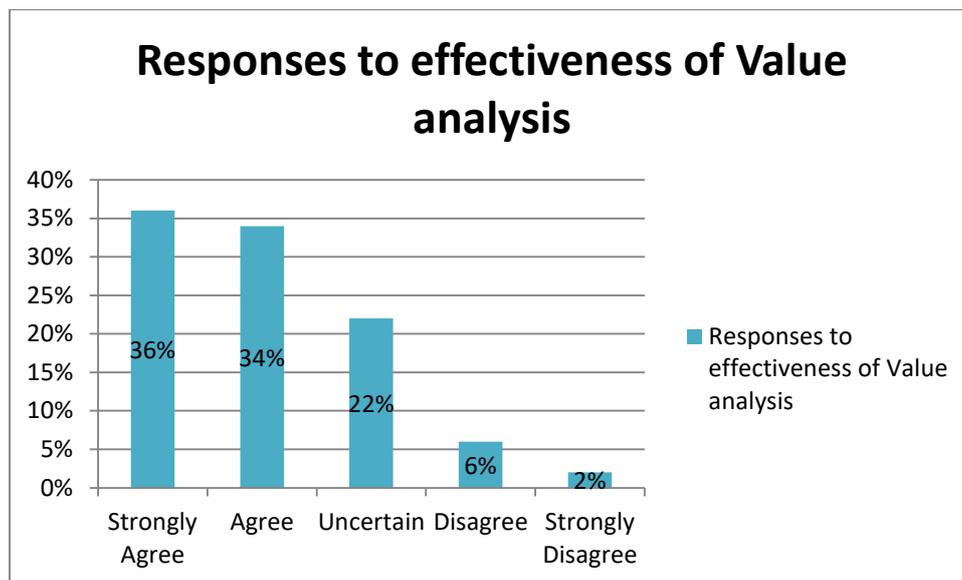


Fig 4.9

Fig 4.9 indicates that 18/50 (36%) strongly agree, 17/50 (34%) agree, 11/50 (22%) were uncertain, 1/50 (2%) strongly disagree and 3/50 (6%) agrees that values analysis is effective at Zimplow Ltd.

A mode of 35/50 (70%) agrees that Zimplow ltd uses value analysis effectively to control costs. This was in line with Egbi et al (2016) who recommends the implementation of value analysis and cost reduction strategies in manufacturing to reduce material costs. The researcher concluded that Zimplow Ltd implements value analysis to regulate and control unnecessary costs that do not add value to their products.

4.3.4 Effective cost control techniques assist management in making quality decisions.

Table 4.6

Raw data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	27	20	3	0	0
Response Rate	54%	40%	6%	0%	0%

Table 4.6 clearly indicates that 27/50 (54%) strongly agree, 20/50 (40%) agree, 3/50 (6%) were uncertain, and none disagree that cost control assists management in making quality decision at Zimplow.

A mode of 47/50 (94%) agrees effective cost control techniques assist management in making quality decisions. According to (Siyambola and Raji, 2013, Adebayo and Afolabi, 2014) techniques such as budgets plays a pivotal role in designing and supporting the planning process. The researcher concluded that effective application of cost control principles and techniques aids management in the decision making process and greater profits can be achieved in the sense that unprofitable and unviable products can be eliminated hence strengthening the relationship between effective application of cost control techniques and profitability.

4.3.5 To what extent do you agree that cost control improves company`s productivity.

Raw Data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	30	11	6	1	2

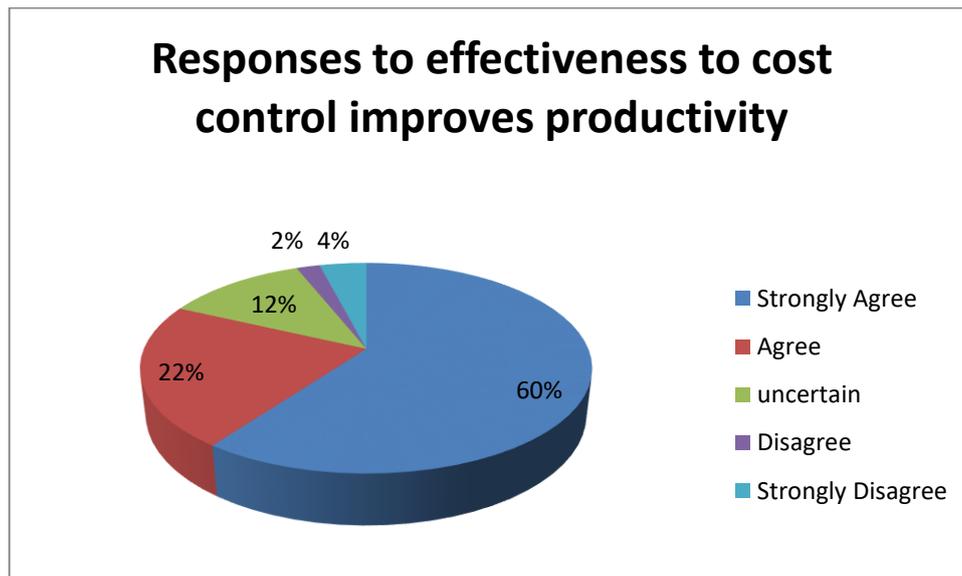


Fig 4.10

Fig 4.10 indicates that 30/50 (60%) strongly agree, 11/50 (22%) agree, 6/50 (12%) were uncertain, 1/50 (2%) disagree and 2/50 (4%) strongly disagree that cost control improves company`s productivity.

A total of 41/50 (82%) were in agreement with Siyambola and Raji (2013) who suggested that cost control operates by setting of standards and channelling the performance to the set standards so as to increase their productivity. In order to earn more profit, there will be increasing costs associated with the increase in production capacity and cost collection will be made by each responsibility area. The researcher concluded that costs control improves productivity in a company as each responsibility area will set its standards and try to maintain their performance and find alternative ways of achieving the set standards hence productivity.

4.4 Effects of cost control techniques on profitability.

4.4.1 Effective cost control techniques minimises operational costs.

Raw Data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	37	8	4	1	0

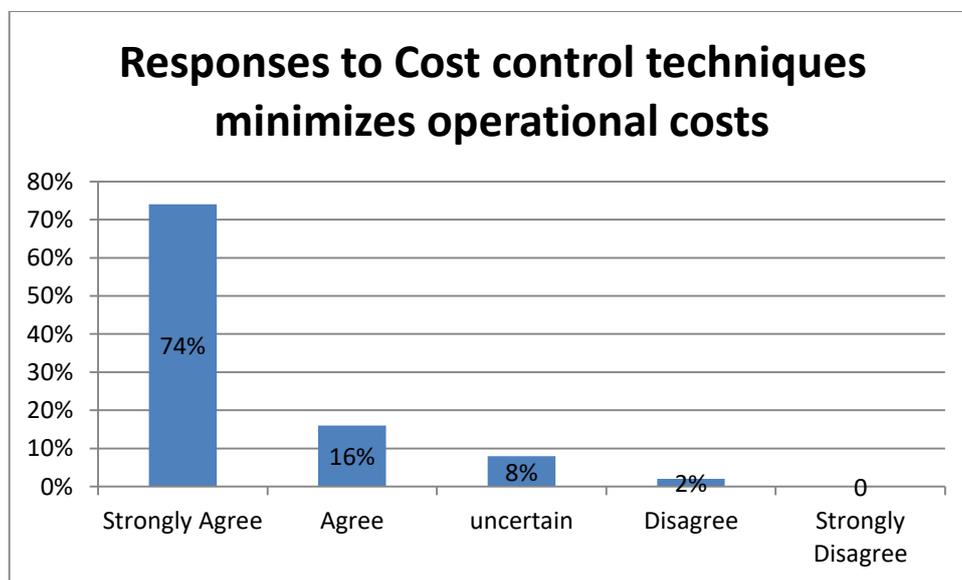


Fig 4.11

Fig 4.11 indicates that 37/50 (74%) strongly agree, 8/50 (16%) agree, 4/50 (8%) were uncertain and 1/50 (2%) disagrees that effective cost control techniques minimises operational costs.

A mode of 45/50 (90%) agrees that cost control techniques play a pivotal role in reducing operational costs. On most questionnaires the respondents clearly pointed out that budgetary control, standard costing and variance analysis reduces operational costs in the organisation. This was in line with Akeem (2017) in that cost control should enhance management's efficiency and where necessary should result in taking action that reduce the costs for profit making purposes. The researcher concluded that the application of effective cost control techniques assists in minimising production and operating costs in Zimplow Ltd.

4.4.2 Effective cost control techniques provide avenues for company to invest in profitable projects.

Table 4.7

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	25	19	3	1	2
Response rate	50%	38%	6%	2%	4%

Table 4.7 indicates that 25/50 (50%) strongly agree, 19/50 (38%) agree, 3/50 (6%) were uncertain, 1/50 (2%) disagree and 2/50 (4%) strongly disagree that effective cost control techniques provide avenues for company to invest in profitable projects.

A total of 44/50 (88%) supports the above statement therefore; the researcher concluded that effective costs control techniques provide avenues and opportunities for a company to invest in profitable projects this is because effective cost control techniques improves efficiency in production and decision making process especially those decisions which are related to pricing which in overall leads to maximisation of profits.

4.4.3 Effective cost control has led to increased sales volume in the company.

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	16	29	4	0	1

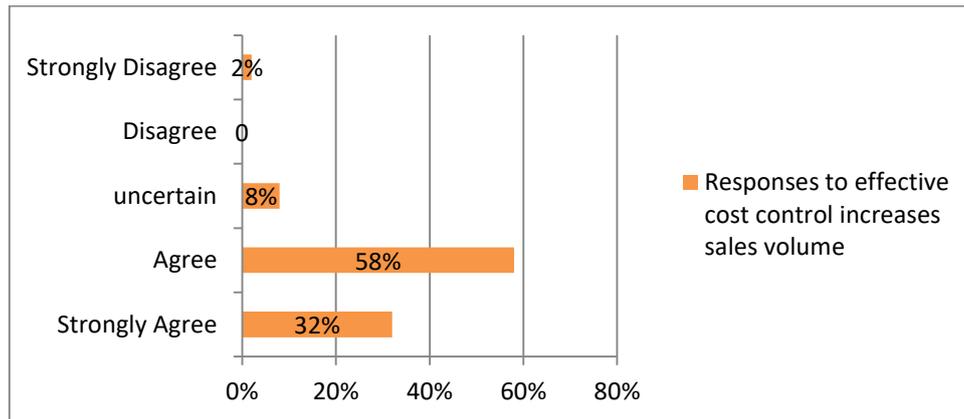


Fig 4.12

Fig 4.12 indicates that 16/50 (32%) strongly agree, 29/50 (58%) agree, 4/50 (8%) were uncertain, 0(0%) disagree and 1/50 (2%) strongly disagree that effective cost control has led to increased sales volume in the company.

A mode of 45/50 (90%) agrees that effective increased sales volume in Zimplow Ltd. The researcher concluded that cost control plays a pivotal role in reducing costs thus lowering the selling prices and encourages the customers of Zimplow Ltd to purchase the products thereby increasing sales volume, therefore company should mainly focus on controlling the costs to increase sales volume and maximise profits.

4.4.4 To what extent do you agree that the application of cost control techniques has contributed to poor management of organisational funds?

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	1	1	5	19	24

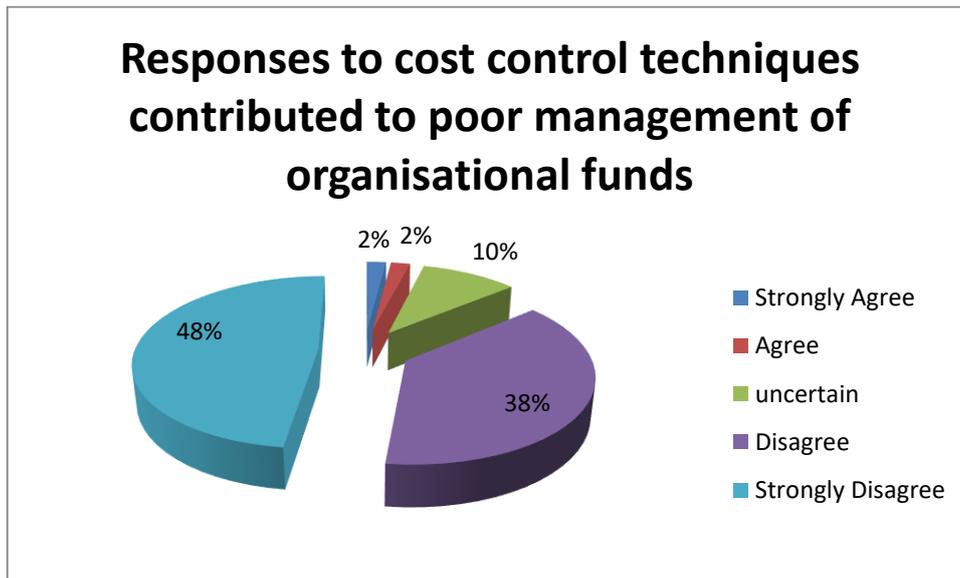


Fig 4.13

Fig 4.13 indicates that 24/50 (48%) strongly disagree, 19/50 (38%) disagree, 5/50 (10%) were uncertain, 1/50 (2%) agree and 1/50 (2%) strongly agree that the application of cost control techniques has contributed to poor management of organisational funds.

A total of 43/50 (86%) disagreed that the application of costs control techniques has contributed to poor management of funds at Zimplow Ltd. Additionally, comments received on the questionnaire clearly highlighted that techniques such as budgeting helps to split organisation into centres or components and this provides a track of expenditure initiated by a certain responsibility centre in the organisation thus aid in cash management. The researcher concluded that the application of cost control techniques improves the management of funds in the entity.

4.4.5 The application of cost control has improved the profitability of a company.

Raw Data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	23	24	2	1	0

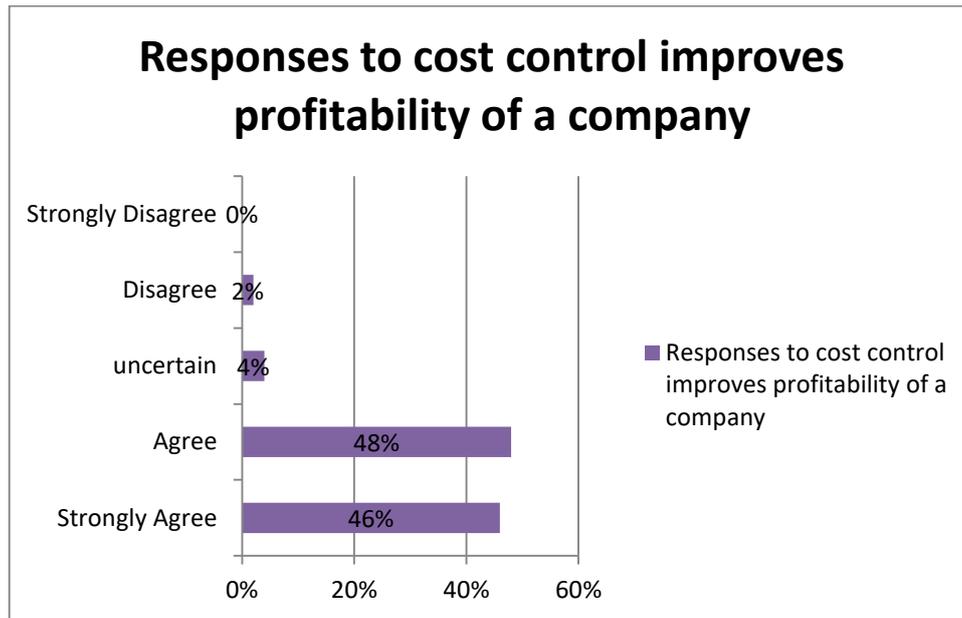


Fig 4.14

Fig 4.14 shows that 23/50 (46%) strongly agree, 24/50 (48%) agree, 2/50 (4%) were uncertain and 1/50 (2%) disagree that the application of cost control has improved the profitability of a company.

A total of 47/50 (94%) were in agreement that the application of cost control has increased the profitability of Zimplow Ltd. This is supported by Akeem (2017) who emphasized on the importance of implementing strategic cost control in the organisation so as not allowing negative impact on other strategic variables namely financial product, which in turn affect the sales revenue and later organisational profitability. The researcher concluded that in order for an organisation to increase its profits it should implement an, effective cost control system that is the one that consist of procedures and methods that assists in regulating operating cost of an organisation and ensure that they don't go beyond a certain level.

4.4.6 To what extent do you agree that budgetary control has no effect on profitability?

Table 4.8

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	5	3	1	13	28
Response Rate	10%	6%	2%	26%	56%

Table 4.8 indicates that 5/50 (10%) strongly agree, 3/50 (6%) agree, 1/50 (2%) was uncertain, 13/50 (26%) disagree and 28/50 (56%) strongly disagree that budgetary Control has no effect on profitability.

A mode of 41/50 (82%) disagreed with that above statement. The researcher concluded that budgetary control reduces cost and improves profitability.

4.4.7 Standard costing and variance analysis are not related to profitability.

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	2	4	5	17	22

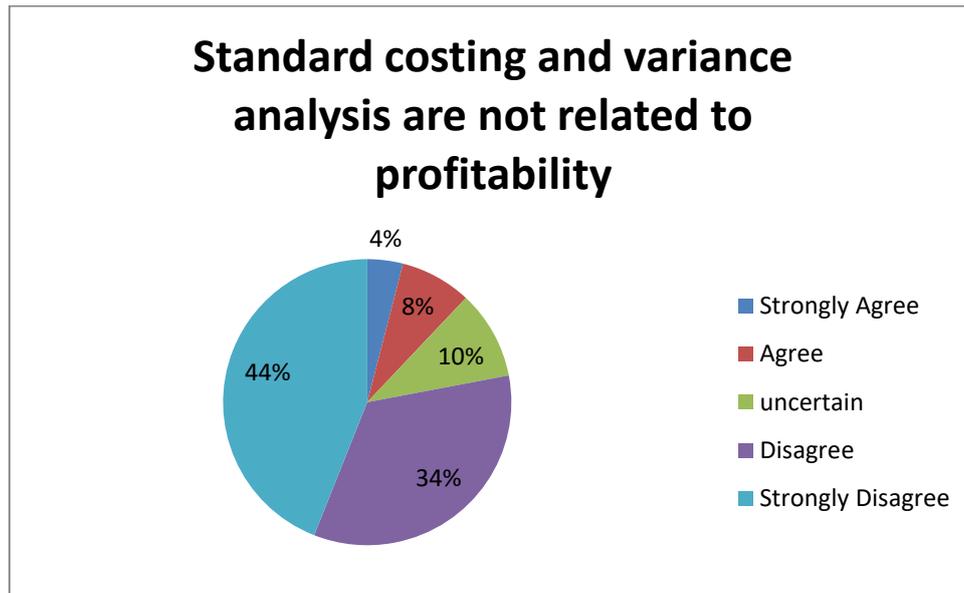


Fig 4.15

Fig 4.15 clear shows that 2/50 (4%) strongly agree, 4/50 (8%) agree, 5/50 (10%) were uncertain, 17/50 (34%) disagree and 22/50 (44%) strongly disagree that standard costing and variance analysis are not related to profitability.

In total a response of 39/50 (78%) had a negative perception towards the above statement. The researcher concluded that standard costing and profitability share a significant relationship.

4.5 Challenges hindering effective implementation of the techniques.

4.5.1 To what extent do you agree that the following challenges hinder the successful implementation of cost control techniques?

4.5.1.1 Lack of knowledge and skills.

Table 4.9

Raw data from the questionnaire.

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	17	26	6	1	0
Response rate	34%	52%	12%	2	0%

Table 4.9 shows that 17/50 (34%) strongly agree, 26/50(52%) agree, 7/50 (17%) were uncertain and none disagreed that the lack of knowledge and skills hinders effective implementation of the techniques.

A mode of 43/50 (86%) agree with Song (2014) who emphasized that using obsolete methods and concepts without consistently upgrading the knowledge of members do not help in the practice of cost control. Based on the findings from Zimplow Ltd, the researcher concluded that little education or lack of knowledge in cost management hinders effective implementation of cost control techniques in a company.

4.5.1.2 Inadequate training to staff

Raw data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	10	22	9	3	6

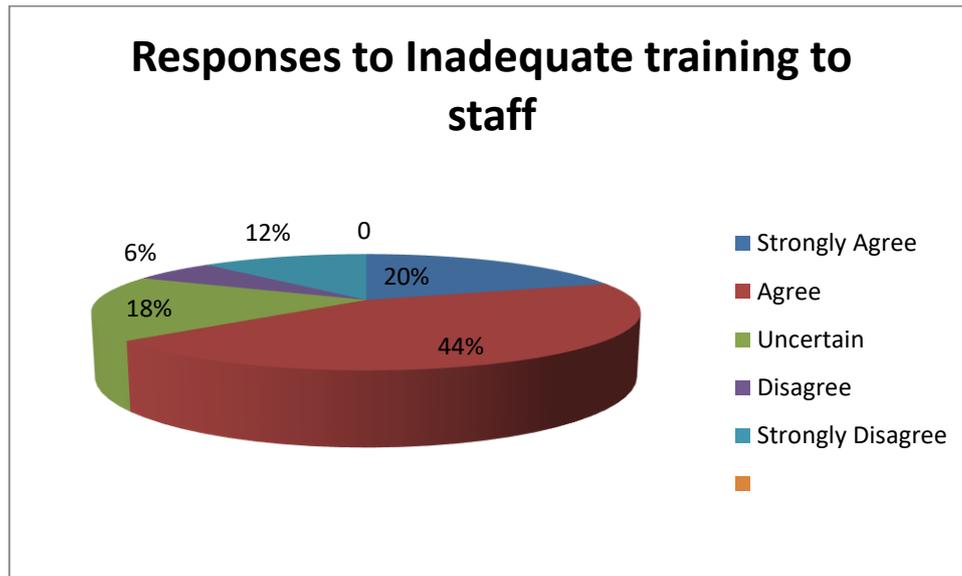


Fig 4.16

Fig 4.16 clearly indicates 10/50 (20%) strongly agree, 22/50 (44%) agree, 9/50 (18%) were uncertain, 3/50 (6%) disagree and 6/50 (12%) strongly disagree that inadequate training to staff hinders effective implementation of cost control techniques.

A modal response of 32/50 (64%) agrees with the above statement. This was supported by Hasan (2017) and Chagara et al (2013), in that the absence of qualified workforce hinders effective implementation of the cost control techniques in the organisation. The researcher concludes that inadequate personnel training on cost control places hindrance to effective implementation of cost control techniques in Zimplow Ltd.

4.5.1.3 Lack of Top Management Support

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	9	25	6	8	2

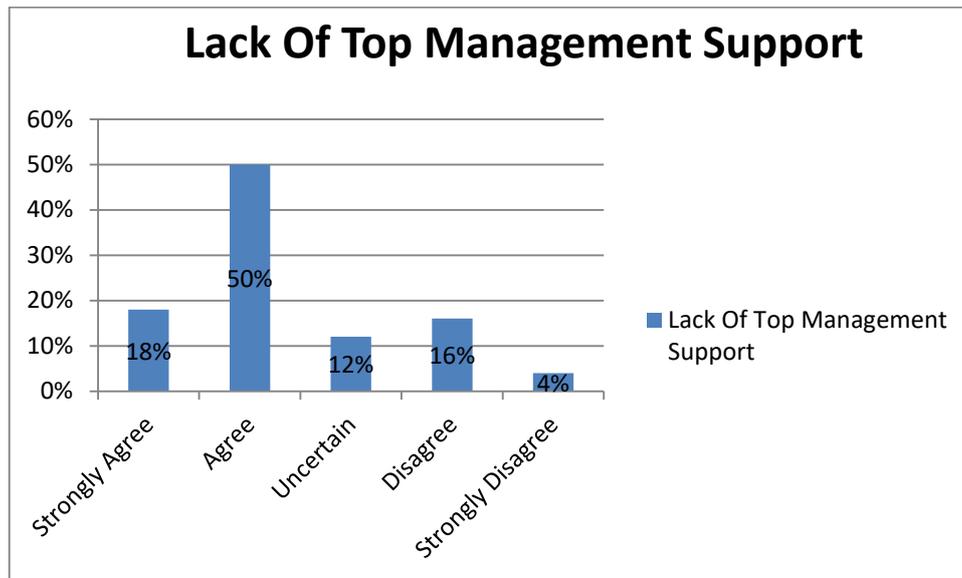


Fig 4.17

Fig 4.17 shows that 9/50 (18%) strongly agree, 25/50 (50%) agree, 6/50 (12%) were uncertain, 8/50 (16%) disagree and 2/50 (4%) strongly disagree that lack of top management support hinders effective implementation of cost control techniques.

Based on the results and comments received from respondents, a modal response rate of 34/50 (68%) agree that lack of top management support hinders effective implementation of cost control techniques. The researcher concluded that top management has the tendency of ignoring the process of cost control and they are only concerned about cost rise or decline without investigating the main cause of cost change and analyse it in detail hence hindering effective implementation cost control techniques.

4.5.1.4 Cost Control is time Consuming Process

Table 4.10

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	3	4	12	12	19
Response Rata	6%	8%	24%	24%	38%

Table 4.10 indicates that 19/50 (38%) strongly disagree, 12/50 (24%) disagree, 12/50 (24%) were uncertain, 4/50 (8%) agree and 3/50 (6%) strongly agree that cost control process is a time coming process in Zimplow Ltd.

A mode of 31/50 (62%) disagrees with the above statement. They also contradicted with Hasan (2017) in that techniques such as ABC is complex, scientific and require a lot of time to setup and Drury (2012) in that techniques such as standard costing and budgetary control requires a lot of time in installing and updating the budget or standard. The researcher concluded that cost control is not a time consuming process, even though management and staff has other primary duties to perform, cost control is of great significance in the organisation.

4.5.1.5 Poor management of the techniques

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	14	20	7	3	6

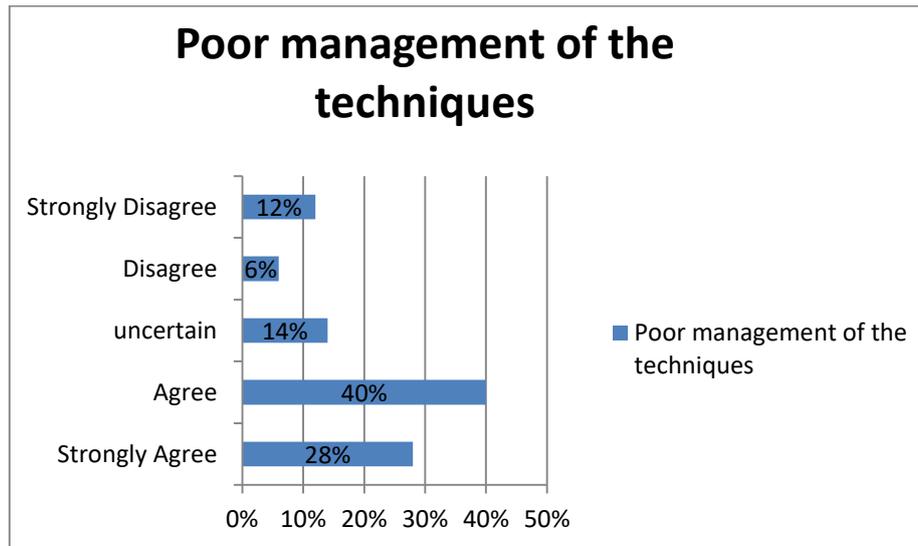


Fig 4.18

Fig 4.18 shows that 14/50 (28%) strongly agree, 20/50 (40%) agree, 7/50 (14%) were uncertain, 3/50 (6%) disagree and 6/50 (12%) strongly disagree that poor management of the techniques is a hindrance to effective implementation of cost control techniques in Zimplow.

A mode of 34/50 (68%) agrees with Song (2014) in that most managers are only concerned with cost management when they are caught in serious cost issues problems or dilemmas otherwise they are mainly focus on production and marketing thus ignoring the process of cost control. The researcher concludes that lack of consistent management of the techniques and continuous implementation hinders effective implementation of cost control in the organisation.

4.5.1.6 Financial Constrains

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	19	13	12	2	4

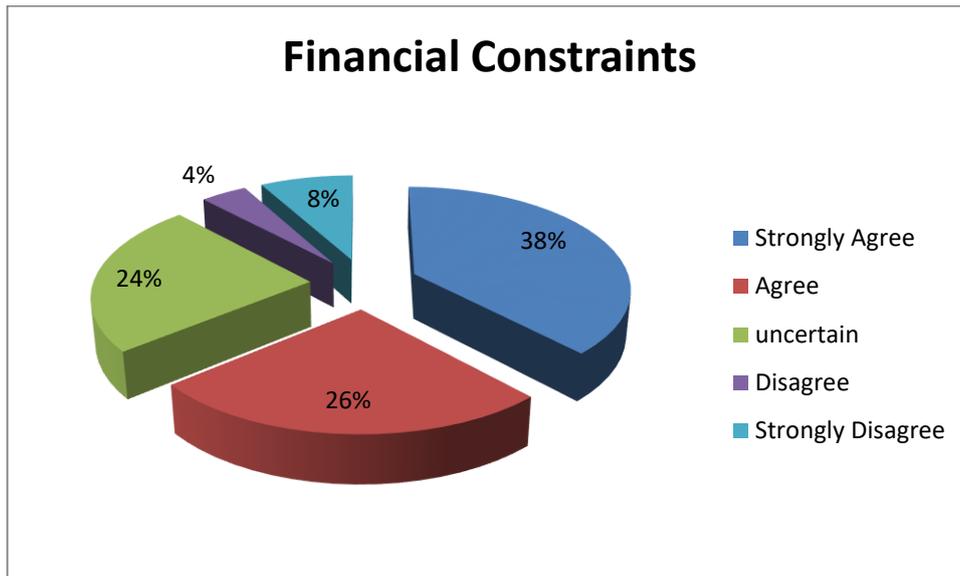


Fig 4.19

Fig 4.19 clearly shows that 19/50 (38%) strongly agree, 13/50 (26%) agree, 12/50 (24%) were uncertain, 2/50 (4%) disagree and 4/50 (8%) strongly disagree financial constraints is a hindrance to effective implementation of cost control techniques in Zimplow.

A total response rate of 32/50 (64%) enabled the researcher to conclude that some cost control techniques cannot be effectively implemented because they are costly to implement. Some comments received on questionnaire clearly states switching to cost control techniques such as ABC requires a lot infrastructure and training of staff in which sometimes the costs involved will outweigh the benefits derived from implementing the system. This supported by Muflih and Khalaf (2017) in that the weakness encountered in implementing ABC are its complexity and the costs before and after implementation hence lengthening the implementation thereof.

4.5.2 To what extent do you agree that absence of behavioural control such as incentives and motivation negatively affect the success of cost control in the organisation

Table 4.11

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	11	21	14	4	0
Response rate	22%	42%	28%	8%	0%

Table 4.11 shows that 11/50 (22%) strongly agree, 21/50 (42%) agree, 14/50 (28%) were uncertain and 4/50 (8%) disagree that the absence of behavioural control such as incentives and motivation negatively affect the success of cost control in the organisation.

A total of 32/50 (64%) agree with (Akeem 2017, Siyambola and Raji 2013) who emphasised that the absence of behavioural control through either motivation and incentives will negatively affect the effects of cost control on growth of profits. The researcher concludes that the absence of behavioural control such as motivation and incentives places a hindrance on effective implementation of cost control in the organisation thus negatively affecting profits.

4.5.3 Lack of responsibility accounting (delegation of authority to functional managers) negatively affects effective implementation budgetary control, standard costing and variance analysis

Raw data from the questionnaire

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Responses	9	33	3	2	3

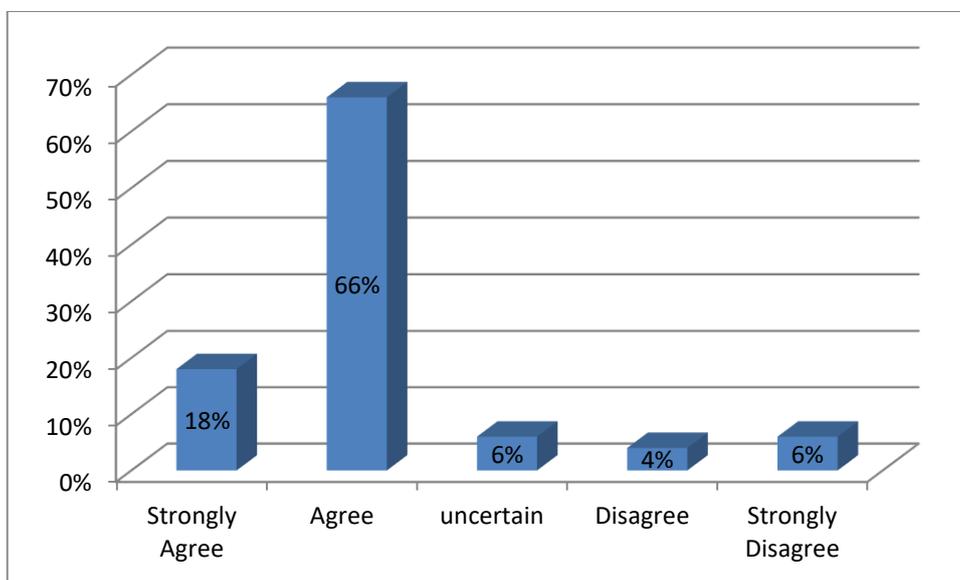


Fig 4.20

Fig 4.20 shows that 9/50 (18%) strongly agree, 33/50 (66%) agree, 3/50 (6%) were uncertain, 2/50 (4%) disagree and 3/50 (6%) strongly disagree lack of responsibility accounting (delegation of authority to functional managers) negatively affects effective implementation budgetary control, standard costing and variance analysis.

A mode of 42/50 (84%) agreed with the above statement, therefore enabled the researcher concluded that absence of responsibility accounting and delegation of authority to functional managers negatively affect the effective implementation of cost control techniques in the organisation.

4.5.4 Avoiding compromising quality negatively affects effective implementation of value analysis and activity based costing in an organisation

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	15	20	9	4	2

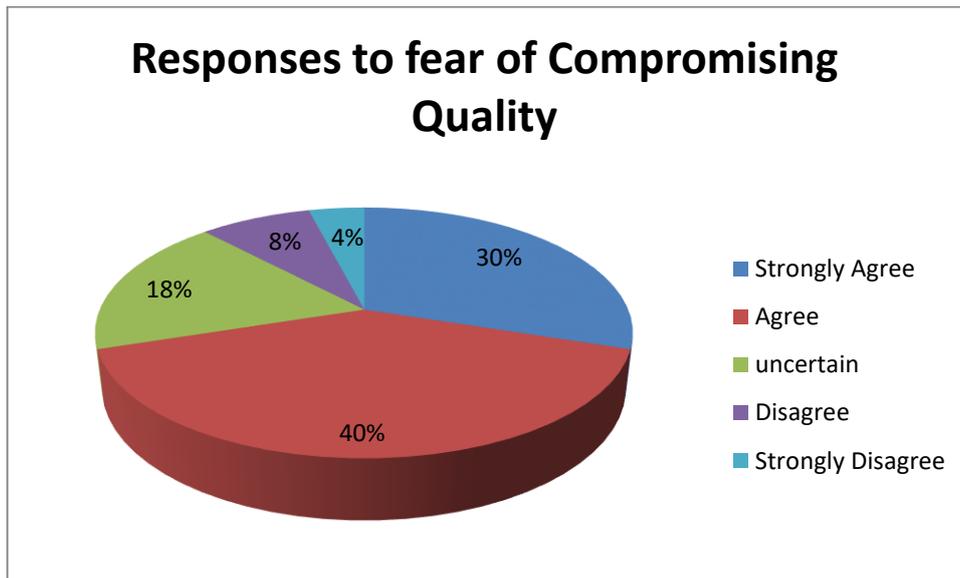


Fig 4.21

Results in Fig 4.21 shows that 15/50 (30%) strongly agree, 20/50 (40%) agree, 9/50 (18%) were uncertain, 4/50 (8%) disagree and 2/50 (4%) strongly disagree. Avoiding compromising quality negatively affects effective implementation of value analysis and activity based costing in an organisation.

A modal response of 35/50 (70%) agreed with the above statement. This was in line with Drury (2012) who noted that, in some instances it is difficult for people to classify activities between value added and non value added for the elimination of some activities in an attempt to improve efficiency. This is because, people cannot precisely define what constitutes a value added activity or non value added activity. The researcher therefore concluded that effective implementation of Value analysis and ABC can be hindered due to fear of compromising quality of the final product.

4.6 Solutions to ensure effective implementation of the techniques

4.6.1 Top management should take part and support the cost control process

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	35	10	1	3	1

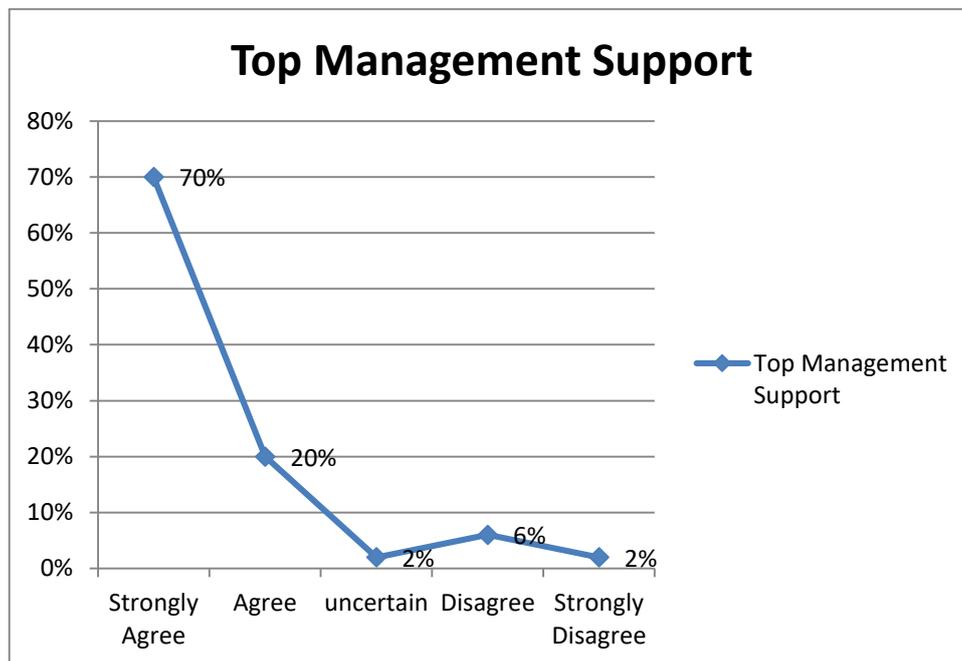


Fig 4.22

Fig 4.22 shows that 35/50 (70%) strongly agree, 10/50 (20%) agree, 1/50 (2%) was uncertain, 3/50 (6%) disagree and 1/50 (2%) strongly disagree top management should take part and support the cost control process.

A total of 45/50 (90%) enabled the researcher to conclude that top management should lead and take part to ensure effective implementation of cost control techniques in Zimplow Ltd.

4.6.2 Workers should be trained and equipped with skills to become cost conscious.

Table 4.12

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	21	19	6	3	1
Response Rate	42%	38%	12%	6%	2%

Results in Table 4.12 clearly shows that 21/50 (42%) strongly agree, 19/50 (38%) agree, 6/50 (12%) were uncertain and 3/50 (6%) and 1/50 (2%) disagree that workers should be trained and equipped with skills to become cost conscious.

A mode of 40/50 (80%) have a positive perception that workers should be trained and equipped with skills to ensure effective implementation of the costs control techniques. This is in line with Otim etal (2013) who established that the problem in cost management is not in the techniques but rather the lack of knowledge of the techniques, inadequate cost control methodology and poor site organisation. The researcher concluded that to promote effective implementation of cost control techniques in Zimplow Ltd, adequate training and awareness programmes should be conducted for the personnel to have an appreciation of cost control techniques and understand their importance in the organisation. Thus the more the understanding of the techniques the more effective the employee can perform in the job and hence efficiency in operations.

4.6.3 In order to make cost control a success, management should value all employees in the organisation

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	14	18	5	3	10

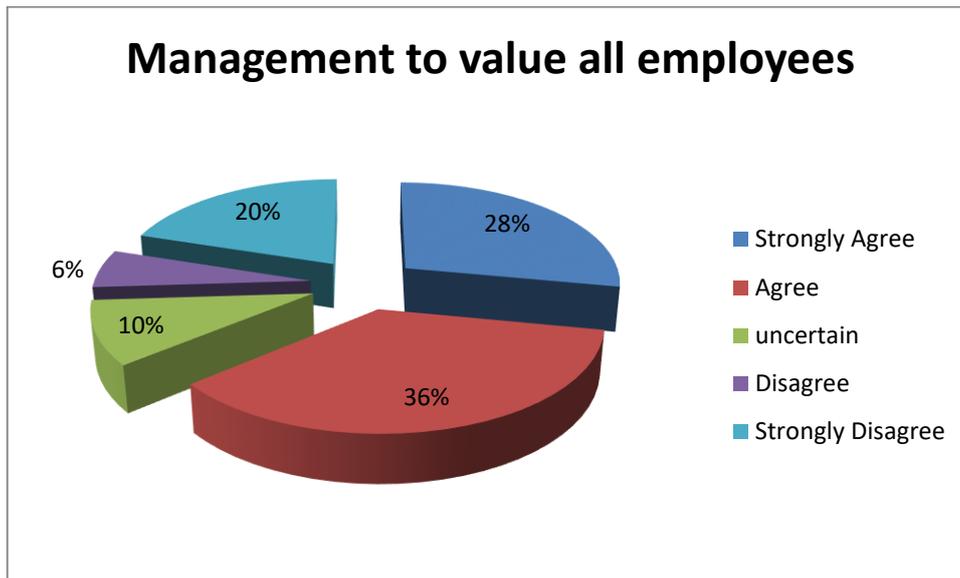


Fig 4.23

Fig 4.23 shows that 14/50 (28%) strongly agree, 18/50 (36%) agree, 5/50 (10%) was uncertain, 3/50 (6%) disagree and 10/50 (20%) strongly disagree that management should value all employees in the organisation to make cost control a success.

A total of 32/50 (64%) had a positive perception that management should value all employees to ensure cost control a success in Zimplow Ltd. This was in line with (Akeem, 2017, Siyambola and Raji (2013) in that cost control to be a success workers should be carried along and motivated to achieve desired goals and objectives. The researcher concluded that workers hold be valued and motivated to ensure successful implementation of cost control techniques in Zimplow Ltd.

4.6.4 Cost control should be put in place every functional departmental of the organisation to ensure effective implementation

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	16	20	4	6	4

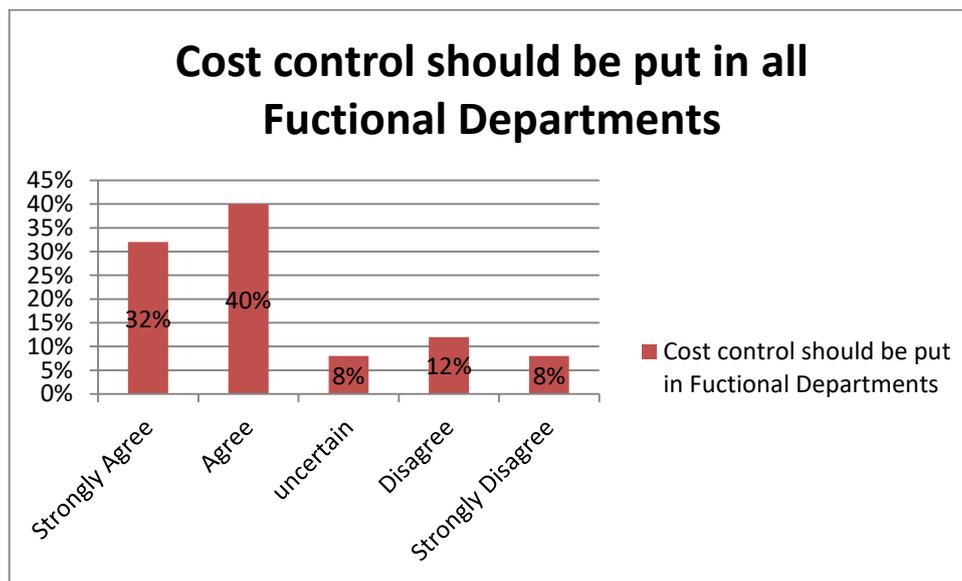


Fig 4.24

Results in Fig 4.24 shows that 16/50 (32%) strongly agree, 20/50 (40%) agree, 4/50 (8%) was uncertain, 6/50 (12%) disagree and 4/50 (8%) strongly disagree that cost control should be put in place every functional departmental of the organisation to ensure effective implementation.

A mode of 36/50 (72%) agree with Akeem (2017) , Biswas, (2017) and Mutya (2018) in that control should be put in place in every area of responsibility and reports from each responsibility centre should indicate clearly in monetary terms effects of efficiency or inefficiency of each and every section or department. The researcher concluded that cost control should be put in place in every functional department such as production, finance, marketing, procurement to ensure effective implementation of cost control techniques in the organisation.

4.6.5 Without proper monitoring, cost control techniques are ineffective

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	27	15	6	2	0

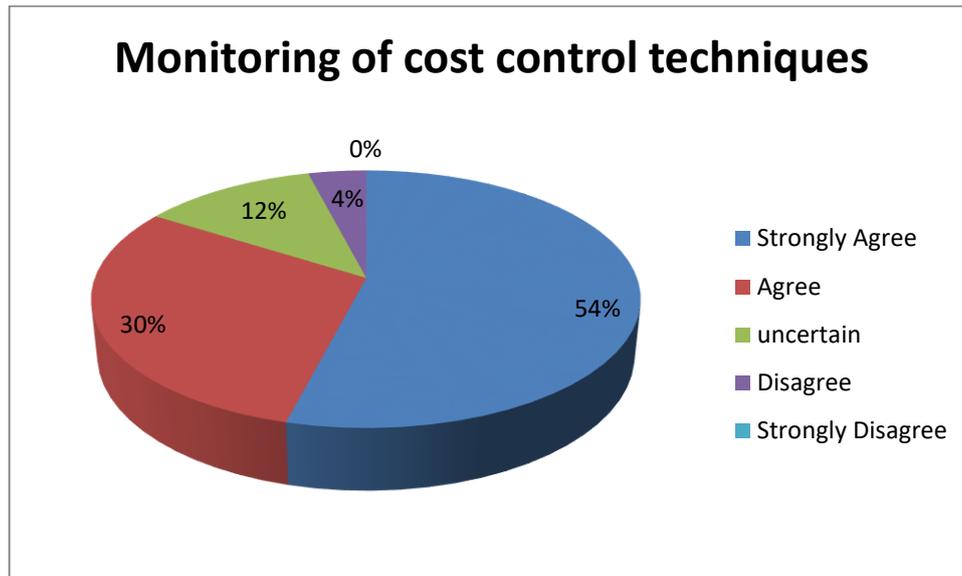


Fig 4.25

Results in Fig 4.25 shows that 27/50 (54%) strongly agree, 15/50 (30%) agree, 6/50 (12%) were uncertain, and 2/50 (4%) disagree that without proper monitoring, cost control techniques are ineffective.

A modal response rate of 42/50 (84%) agree with the above statement, This was in line with Agbenyo etal (2018) who noted importance of incorporating annual budget review in manufacturing companies to identify key financial indicators for their business and have an appreciation of when and how to monitor them and plan for future operations, refine existing strategic plans to match current competition. The researcher concluded that challenges that hinder effective implementation of cost control techniques can be solved by direct observation, supervision, setting achievable targets and continuous review of the set targets and continuous monitoring of the staff by management and finding alternative ways to ensure that the set targets are achieved.

4.7 Data Analysis and Hypothesis testing

The researcher used chi square (χ^2) in testing the hypothesis

$$\chi^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

Where χ^2 = Calculated Value of the Chi Square

\sum = Summation

F_o = Observed Frequency

F_e = Expected frequency

DF = Degree of freedom or Significance (c-1) (r-1)

The results of hypothesis testing are illustrated as follows

4.7.1 Hypothesis 1

1. **H₀**: Budgetary control has no effect on profitability of Zimplow Ltd

H₁: Budgetary control has a significant positive impact on profitability

In verifying this hypothesis the researcher used the results from question labelled **4.4.6** under the heading; cost control techniques and profitability

Question 4.4.6 To what extent do you agree that budgetary Control has no effect on profitability?

Table 4.13

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	5	3	1	13	28
Response Rate	10%	6%	2%	26%	56%

Table 4.14

Option	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
F_o	5	3	1	13	28	50
F_e	10	10	10	10	10	50
(F_o-F_e)	-5	-7	-9	3	18	-
(F_o – F_e)²	25	49	81	9	324	-
(F_o – F_e)²/F_e	2.5	4.9	8.1	0.9	32.4	48.8

F_o Observed frequency = 50/5 = **10**

Level of Significance= **5%**

Degree of freedom (Df) = (c-1)(r-1) =5-1 = **4**

χ^2 tabulated or Critical Value = 9.4877 = **9.49**

Decision rule

In making decision based on chi square test, the null hypothesis is accepted if the Table value or critical is greater than the calculated value of the Chi Square (X²). Additionally the alternative hypothesis is accepted if the calculated value of the calculated Chi square (X²) is greater than the Table or critical value.

The above Statement can be summarised with the following shortcut

If **X²<X²_e** accept the **null hypothesis (H₀)** and reject the **alternative Hypothesis (H₁)**

If **X²>X²_e** accept the **alternative hypothesis (H₁)** and reject the **null hypothesis (H₀)**

Where

X² = Calculated Value of the Chi Square

X²_e = Critical or Table value

The above analysed data shows that **X²>X²_e** that is (calculated value of the Chi square is greater than Critical or Table value. Therefore the decision criterion would be rejecting the null hypothesis (**H₀**) and accepts the alternative hypothesis(**H₁**). Thus the researcher concluded that budgetary control has a significant positive impact on profitability.

4.7.2 Hypothesis 2

1. **H₀**: Standard costing and Variance analysis is not positively related to profitability of Zimplow Ltd

H₁: There is a significant positive relationship between standard costing and variance analysis and profitability.

In verifying this hypothesis the researcher used the results from question labelled **4.4.7** under the heading; **cost control techniques and profitability**.

Question 4.4.7 standard costing and variance analysis are not related to profitability.

Table 4.15

Raw data from the questionnaire

	Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree
Responses	2	4	5	17	22
Response Rate	4%	8%	10%	34%	44%

Table 4.16

Option	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
F_o	2	4	5	17	22	50
F_e	10	10	10	10	10	50
(F_o-F_e)	-7	-6	-5	7	12	-
(F_o - F_e)²	49	36	25	49	144	-
(F_o - F_e)²/F_e	4.9	3.6	2.5	4.9	14.4	30.3

Observed frequency (F_o) = 50/5 = **10**

Level of Significance= **5%**

Degree of freedom (Df) = (c-1)(r-1) = 5-1 = 4

χ^2 tabulated or Critical Value = 9.4877 = **9.49**

Decision Rule

The results above shows that calculated value of Chi square is 30.3 and this is greater than the critical or table value of 9.49. The Chi-square rule is to accept the null hypothesis if the tabulated value of chi square is greater than the calculated value. In this case $X^2 < X^2_e$ thus the calculated value of the Chi-square (X^2) is greater than the critical or table value hence the decision is to reject the null hypothesis and accept the alternative hypothesis.

This implies that there is a significant positive relationship between standard costing, variance analysis and profitability.

4.8 Summary

This chapter focused on presentation, analysis and interpretation of research findings. Data was obtained from the research questionnaire. Data was presented in accordance with the research objectives in the form of tables, pie charts, line graphs and bar graphs. The results from the research findings were linked to supporting literature wherever possible. In hypothetical testing, the researcher adopted the chi square test to analyse data. The next chapter shall focus on summaries of the research, conclusions and researcher's recommendations based on information collected from the research findings.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings, conclusions and also area of further research on the effects of cost control techniques on profitability of Zimplow Ltd. The researcher summarised all the preceding chapters and at the end, the researcher gave recommendations to Zimplow Ltd based on the research findings in a bid to overcome the challenges hindering the effective implementation cost control techniques.

5.1 Chapter Summaries

- ❖ Chapter one highlighted different opinions from various scholars on the effects of cost control techniques on profitability. The researcher then established the research gap on the effects of cost control techniques on profitability of Zimplow Ltd. The main problem faced in Zimplow was established which motivated the researcher to conduct the research. The researcher proceeded to establish the research objectives which were; to establish cost control techniques used in Zimplow, to analyse the effects of cost controlling techniques on the profitability of Zimplow ltd, to examine the challenge of effective implementation of cost control techniques and to recommend the best strategies of effective implementation of cost control techniques in Zimplow Ltd. The chapter also highlighted research questions, significance, assumptions, delimitations and limitations of the study, followed by definition of key terms, abbreviations and concluded with a summary.

- ❖ Chapter two gave literature review in which the researcher provided a critical analysis of different conclusions drawn by various scholars on the effects of cost control techniques on profitability. The literature was reviewed and analysed by answering of the research questions and objectives of the study. The majors thoughts derived from literature were that budgetary control, standard costing and variance analysis, value analysis and Activity Based Costing play a pivotal role in improving profitability of a company and that the main challenges hindering effective implementation of cost control techniques are the use of old methods and concepts, lack of knowledge, over

emphasis on results controlling cost while ignoring the overall results of the company, financial constraints, poor management of the techniques, lack of training and awareness campaigns in the organisation and lack of top management support. The chapter concludes by establishing the literature gap.

- ❖ Chapter three outlined the research methodology adopted by the researcher to conduct the study. The chapter was structured following a well-defined order starting research methodology, research design, population and sample, data collection instrument, data collection plan, data analysis plan, data management and concludes with a summary. The researcher adopted a descriptive research design. Primary data was collected from a targeted population of 70 employees from Zimplot's Ltd functional departments and to determine the sample size the researcher used Yamare (1962) equation. Data was collected using a questionnaire and in data analysis plan the research explained how he was to use the Chi square to test the hypothesis formulated.
- ❖ Chapter four focused on presentation, analysis and interpretation of research findings. The data collected was presented in the form of tables, pie charts, bar graphs, line graphs and conclusions were made based on the modal response. The researcher interpreted the presented data and where possible comparisons were made between raw data and existing literature. And where there were no comparisons, the researcher provides detailed explanations. The chi square test was used by the researcher in analysing data and testing the hypothesis.

5.2 Major Research Findings

5.2.1 To Establish cost control techniques used by the Company

- ❖ Findings from the research showed that cost control procedures were being followed at Zimplot and effective use of budgets and budgetary control, standard costing and variance analysis, Activity based costing and variance analysis as control techniques assist in controlling and regulating costs in an organisation. Additionally effective use of these cost control techniques assist management in making quality decisions and improves the productivity of a company. The researcher concluded the existence of

effective cost control techniques improves productivity of a company and facilitates management in making quality decisions.

- ❖ Activity based costing exists in the organisation but was not effectively implemented and the researcher concluded that when effectively implemented ABC assist in promoting efficiency and effectiveness in operations through the elimination of those activities that do not add value to the product thus lessening the time and effort needed to carry out the activity.

5.2.2 To analyse the effects of cost control techniques on the profitability of Zimplow Ltd

- ❖ Findings from the research reviewed that effective cost control techniques play a pivotal role in increasing profitability thus there is a positive relationship between effective cost control techniques and profitability. This is because effective cost control assists in reducing production and operational costs. Also effective cost control techniques provide opportunities for a company to invest in profitable projects and also, a company can increase its sales volume through effective cost control techniques. Moreover, effective cost control techniques assist a company in efficient allocation of financial resources. It can be seen that there is no doubt that effective cost control techniques improves profitability of a company. The researcher concluded that effective cost control minimises production and operational costs, increases sales volume, provide avenues and opportunities for organisation to invest in profitable projects and assist in management of funds in the organisation and all these leads to increase in profits in a company.

5.2.3 To examine the challenge of effective implementation cost control techniques

- ❖ Findings from the research showed that the main hindrances to effective implementation of cost control techniques are; lack of knowledge and skills in cost control techniques, inadequate training to staff on cost control issues, Lack of top management support, poor management of the techniques, financial constraints and absence of behavioural control and motivation.
- ❖ Techniques such budgetary control, standard costing and variance analysis can be hindered due to lack of responsibility accounting that is delegation of authority to divisional managers to monitor the cost control process.

- ❖ Also techniques such as Activity Based Costing and variance analysis can be ineffective due to fear of compromising quality of the product consumed by the customer.
- ❖ Most of respondents disagreed that cost control is a time consuming process hence hindering effective implementation of cost control techniques. The researcher concluded that cost control is of great significance and hence should not be regarded as a time consuming process even though management and staff has other duties to perform in the company.

5.2.4 To recommend the best strategies of effective implementation of cost control techniques in Zimplow Ltd.

- ❖ Findings from the research recommend management to take part in supporting the cost control process to ensure effectiveness in the cost control process.
- ❖ Workers should be trained and equipped with skills to ensure effective implementation of cost control techniques. The researcher concluded adequate training programmes should be provided for the personnel to have an appreciation of cost control techniques and understand their importance in the organisation.
- ❖ Additionally, workers should be valued in the organisation thus they should be carried along in suggesting cost control initiatives and motivated in the organisation to ensure effective implementation of cost control techniques.
- ❖ Cost control should be put in place in every functional departments and this facilitates proper monitoring of costs in the organisation. Also proper monitoring of the techniques through direct observation, supervision, setting achievable targets and continuous review of the set targets, continuous monitoring of staff to ensure targets are achieved play a major role in effective implementation of cost control techniques. The research concluded that cost control techniques need continuous monitoring to ensure effectiveness.

5.3 Conclusion

The study sought to analyse the effects of cost control techniques on profitability of Zimplow Ltd Company. Despite cost control techniques suggested in literature cost control has become a problem in Zimplow Ltd as evidenced in the rise in operation and production costs this had motivated the researcher to undertake this study. The objectives of the study were to;

establish cost control techniques used in Zimplow, analyse the effects of cost controlling techniques on the profitability of Zimplow Ltd, examine the challenge of effective implementation of cost control techniques and recommend the best strategies of effective implementation of cost control techniques in Zimplow Ltd. All the objectives were fulfilled. Findings from this research reviewed budgetary control, standard costing and variance analysis and activity based costing as effective techniques in reducing costs in an organisation and the researcher concluded that there is a positive relationship between cost control techniques and profitability.

The problem of rising costs was not in the techniques but is a result of ineffective implementation cost control techniques due to lack of proper monitoring of techniques and staff, lack of knowledge and skills, lack of top management support in supporting the cost control process, lack of responsibility accounting, absence of behavioural control and staff motivation and also fear of compromising quality of the final product offered to customers.

5.4 Recommendations

- ❖ Findings from this research showed that for effective implementation of cost control techniques there is need for proper monitoring in the cost control process. The researcher concluded that to ensure proper monitoring in the techniques management should ensure that there is direct observation and supervision in all operations of the company.
- ❖ Also for control techniques to be effectively implemented there must be incorporated with good responsibility accounting thus cost control should be put in place in every functional departments of the organisation and authority be delegated to functional managers this also promotes direct supervision.
- ❖ Also in ensuring effective implementation of budgets and standard costing as cost control techniques, targets and standards need to be reviewed and continuously updated to ensure that do not remain fixed. This is because if they remain fixed they will become outdated hence ineffective therefore the researcher recommend monthly review to ensure effectiveness budgetary control and standard costing as cost control techniques.

- ❖ Top management should take part in supporting the implementation of Activity Based Costing and skilled personnel such as management accountants to lead the implementation thereof this because when effectively implemented, ABC assists in promoting efficiency and effectiveness in operations through the elimination of those activities that do not add value to the product thus lessening the time and effort needed to carry out the activity thus improving organisational profitability
- ❖ Workers should be carried along in suggesting cost control initiatives, motivated, trained and educated in the organisation. This is because if they are carried along and motivated in suggesting cost control issues they feel valued in the organisation and they will become cost conscious this reduces chances of resistant to change hence effective implementation of cost control techniques. Through education, training and awareness programmes, workers will have an appreciation of cost control techniques thus promoting effective implementation of the techniques.

5.5 Areas of further research

Whilst undertaking this study, the researcher highlighted the following areas which were not covered by existing literature and therefore encouraged future researchers to focus on:

- (a) Effects of budgetary control and standard costing on financial performance of manufacturing firms in hyperinflation periods.
- (b) Effectiveness of budgetary control and standard costing in the public sector
- (c) An analysis of the adoption rates of Activity based costing by manufacturing companies in Zimbabwe

5.6 Summary

This chapter provides summary of the previous chapters and went on to summarise the major research findings outlined in chapter 4. The researcher concluded by giving recommendation to Zimplot Ltd with strategies to ensure effective implementation of cost control techniques and highlighted areas which need further research on the subject.

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APPENDIX 1

RESEARCH QUESTIONNAIRE

Dear Respondent

My name is Edmore Warawara (R171949G) a student studying Bachelor of Commerce Honours Degree in Accounting with Midlands State University. I am conducting a research on the effects of cost control techniques on profitability of a company. Please would you kindly grant me the permission to collect data from your company by completing the following questions. You are required to complete the questions by ticking in the in the boxes provided and you are required not to write your name on the questionnaire. Please be assured that data collected will be sorely used for academic purposes only and all your responses on the questionnaire will be treated with high level of confidentiality. Your cooperation in this study is highly appreciated.

SECTION A Background Information

1 Gender

Male []

Female []

2 Age

Below 25	<input type="checkbox"/>
Between 26-35	<input type="checkbox"/>
Between 36-45	<input type="checkbox"/>
Between 46-55	<input type="checkbox"/>
Above 55	<input type="checkbox"/>

3 Highest Level of Education Attained

O Level	
A Level	
Diploma	
Degree	
Master	
Other	

If other please specify.....

4 Which work department do you belong?

Production	
Finance	
Administration	
Marketing	
Procurement	

5 How long have you been working in Zimplow Ltd

Below 5 years	
6-10 years	
11- 15 years	
16 -20 years	
21 years and above	

SECTION B

COST CONTROL TECHNIQUES USED BY THE COMPANY

(6) To what extent do you agree that cost control procedures are being followed in your organisation?

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comment

.....

.....

.....

(7) The following cost control techniques exist in the organisation.

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Budgetary Control					
Standard costing and variance analysis					
Activity Based Costing					
Value Analysis					

Any other

.....

(8) The following techniques are effective in the company:

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Budgetary Control					
Standard costing and variance analysis					
Activity Based Costing					
Value Analysis					

Other Comments

.....

(9) Effective cost control techniques assist management in making quality decisions.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(10) To what extent do you agree that cost control improves company`s productivity

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

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

SECTION C

Cost Control Techniques and profitability

(11) Effective cost control techniques minimises operational cots

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....
.....

(12) Effective cost control techniques provide avenues to invest in profitable projects.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(13) Effective cost control has led to increased sales volume in the company.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments.....

(14) To what extent do you agree that the application of cost control techniques has contributed to poor management of organisational funds?

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(15) The application of cost control has improved the profitability of a company.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(16) To what extent do you agree that budgetary Control has no effect on profitability?

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comment.....

(17) Standard costing and Variance analysis are not positively related to profitability.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comment.....

SECTION D

Changes hindering effective implementation of the techniques

(18) To what extent do you agree that the following challenges hinder the successful implementation of cost control techniques?

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Lack of knowledge and skills					
Inadequate training to staff					
Lack of Top Management Support					
Cost control process is a time consuming Process					
Poor management of the techniques					
Financial Constrains					

Any Other

.....

.....

.....

(19) To what extent do you agree that absence of behavioural control such as incentives and motivation negatively affect the success of cost control in the organisation?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

.....

(20) Lack of responsibility accounting (delegation of authority to functional managers) negatively affects effective implementation budgetary control and standard costing and variance analysis.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(21) Avoiding compromising quality negatively affects effective implementation of value analysis and activity based costing in an organisation.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

SECTION E

Solutions to ensure effective implementation of the techniques

(22) Top management should take part and support the cost control process.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

.....

(23) Workers should be trained and equipped with skills to become cost conscious.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

.....

(24) In order to make cost control a success, management should value all employees in the organisation.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

(25) Cost control should be put in place every functional departmental of the organisation to ensure effective implementation.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

.....

(26) Without proper monitoring, cost control techniques are ineffective.

Strongly Agree	Agree	uncertain	Disagree	Strongly Disagree

Other Comments

.....

.....

APPENDIX B
INTERVIEW GUIDE

- 1) Does your company carry out cost control procedures?
- 2) Which cost control techniques are being implemented at your organisation?
- 3) In your own opinion which cost control techniques have been effective at your organisation?
- 4) Do cost control techniques such as budgetary control, standard costing variance analysis and activity based costing improve company's profitability and productivity?
- 5) In your own opinion, does effective cost control techniques assist in decision making?
- 6) In your own opinion what are the challenges hindering effective implementation of cost control techniques?
- 7) In your own opinion, does your organisation, train educate and value all employees in suggesting cost control initiatives?
- 8) To what extent do you agree that cost control is being exercised in every functional departments to ensure effective monitoring of costs and the techniques in the organisation?



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