

**THE ROLE OF COST ACCOUNTING PRACTICES IN PRICING DECISIONS OF  
SMALL AND MEDIUM ENTERPRISES IN BUGUJJU TRADING CENTER,  
MUKONO MUNICIPALITY**

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**S23B05/109**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF  
BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

**April, 2026**



**UGANDA CHRISTIAN  
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**DECLARATION**

I, IRIZA CELESTE, declare that this dissertation is my original work and has not been submitted to Uganda Christian University or any other institution of higher learning for an academic award. I also declare that this work contains no material written or published by other people except where due reference is made, the author is duly acknowledged.

Signature:.....

Date: .....15<sup>th</sup>. 04 . 2026.....

**APPROVAL**

This dissertation titled "THE ROLE OF COST ACCOUNTING PRACTICES IN PRICING DECISIONS OF SMALL AND MEDIUM ENTERPRISES IN BUGUJJU TRADING CENTER, MUKONO MUNICIPALITY" was written under my supervision and guidance and is hereby submitted.

Signature: Allen.....

Date: 15/04/2026.....

## **DEDICATION**

This study is in honor of my relatives especially my mother Abandi Jacqueline, my secondary parents Mike Walter and Angelica Walter, and Mr. Hulula Anthony, my dearest brothers Mr. Ngabo Parfait and Manzi Santus who did not stop giving me encouragement either financially or emotionally throughout the whole process of unveiling my study. May God bless them eternally.

## **ACKNOWLEDGEMENTS**

I thank the Almighty God for his strength, wisdom, guidance, and good health which He bestowed upon me so that I could pursue and successfully conclude this research paper. I extend my sincerest gratitude to God for the unrelenting grace he bestowed upon me through this entire process of academics.

My heartfelt thanks go to my supervisor Allen Kagume for the priceless knowledge, guidance, patience, and constructive criticism he provided me with during the whole process of writing and compiling this research paper. His guidance and stringent approach to academics have significantly contributed to the quality of this research.

Furthermore, I am deeply thankful to the School of Business at Uganda Christian University and all my lecturers and other academic personnel for imparting knowledge and skills through this academic program. I also extend my heartfelt thanks to the small business owners of Bugujju Trading Centre, Mukono Municipality, for their voluntary contribution towards this study and the provision of data for these results.

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## **LIST OF ACRONYMS**

ABC Activity-Based Costing

CVI Content Validity Index

GDP Gross Domestic Product

SME Small and Medium Enterprise

SPSS Statistical Package for Social Sciences

UCU Uganda Christian University

UBOS Uganda Bureau of Statistics

## **ABSTRACT**

The study was aimed at analyzing the impact of cost accounting practices on pricing decision-making of SMEs in Bugujju Trading Center, Mukono Municipality. The research aims were to analyze the cost accounting practices that SMEs practice in Bugujju Trading Center; to assess the influence of different cost accounting practices on pricing decisions made by SMEs in Bugujju Trading Center; and to identify the problems facing SMEs in the adoption of cost accounting practices for pricing decision-making and propose solutions for increasing their effectiveness among SMEs in Bugujju Trading Center, Mukono Municipality, Uganda.

The hypothesis formulated by the researcher states that there is no significant association between cost accounting practices and pricing decisions among SMEs in Bugujju Trading Center, Mukono Municipality. Descriptive and correlational research designs were used in the study. The research was characterized by the application of a quantitative method of collecting data through questionnaires measuring different aspects of the phenomena under investigation using a five-point Likert scale.

The extent to which cost accounting practices were present is characterized by the average score of 3.08 (grand mean), with a corresponding standard deviation of 0.88 for measures such as value-based pricing, cost-plus pricing, and record-keeping and cost classification. In cost-plus pricing, the highest sub-mean of 3.37 was realized compared to other pricing measures, which is indicative of its common practice; conversely, value-based pricing recorded the lowest sub-mean of 2.93. Similarly, a moderate extent of pricing decisions is characterized by an average score of 3.20 (grand mean), with a corresponding standard deviation of 0.88 for measures such as profitability of the business and market competitiveness.

From the results, a Pearson r correlation coefficient value of .731\*\* and p-value of .000 was obtained; thus, the presence of a significant positive and moderately strong relationship between cost accounting practices and pricing decisions can be established. The null hypothesis was therefore rejected due to a smaller value of  $p (< 0.05)$ .

In conclusion, cost accounting systems, especially cost plus pricing and record-keeping along with cost classification, were found to have had a relatively significant impact on the price decisions made by small and medium-sized enterprises operating within Bugujju Trading Center. Some of the obstacles that stood in the way of the successful implementation of these strategies were lack of understanding of the same, time-intensive nature of record-keeping, and the informal nature of many businesses.

## CHAPTER ONE

### INTRODUCTION

#### **Background of the Study**

Proper pricing decisions were one of the key factors that would determine if SMEs could make consistent profits, retain their market share, and cope with stiff competition (Nartey & van der Poll, 2021). Regardless of the type of ownership, from individual proprietors to family firms and small partnerships, SME managers priced products and services based on their estimated cost of production, consumers' purchasing power, and competitor actions (Matovu & Eze, 2024). Nevertheless, inefficient cost accounting processes were increasingly becoming a hindrance for proper pricing strategies by SMEs, especially in the urban and semi-urban areas of developing nations. Without proper documentation and cost classification, coupled with inadequate market assessment, SMEs could find themselves engaging in suboptimal pricing policies such as overpricing or underpricing (Ali-Momoh et al., 2022; Celestin, 2022; Imo, 2022).

However, from the global level, particularly in Europe and Asia, it has been demonstrated that having strong cost accounting mechanisms in place increases the accuracy of pricing and competitiveness of SMEs. In that regard, transparent practices involving the use of historical cost information, right classification of costs, as well as proper market analysis, enhance decision-making, decrease pricing mistakes, and improve profitability (López & Hiebl, 2023; Wouters & Stecher, 2017; European Commission, 2020). In addition, there is evidence that demonstrates that having sound cost accounting mechanisms helps increase pricing resilience and strategic positioning, two elements that play a key role in SME success (Man et al., 2022; Park & Campbell, 2018).

In West Africa, specifically in Ghana, it has been observed that cost tracking and classification help SMEs achieve better pricing performance, maintain high-profit margins, and compete in the market environment (Amoako & Lyon, 2020; Boateng & Asare, 2021; Nartey & van der Poll, 2021). Furthermore, in Kenya and Tanzania, there was an association between having historical cost records and market analysis on pricing and profitability by SMEs (Omondi, 2020; Mwangi & Kihara, 2020).

In Uganda, research focused on how the use of cost accounting led to improved pricing visibility and risk reduction, thus improving the competitiveness of SMEs (Kakwezi & Nyeko, 2019; Mugerwa & Okurut, 2021; Tumwebaze & Kaminyogonya, 2022). In Mukono, studies established that the implementation of cost records and cost classification by SMEs increased their financial performance and decision-making in pricing (Accounting Practices and Performance of SMEs: Mukono Central Division, 2025; The Role of Cost Accounting in Decision Making in SMEs in Mukono, 2023).

In Bugujju Trading Centre, located in Mukono Municipality, local competition, high volatility of raw materials prices, and an informal business environment complicated the process of proper pricing by enterprises. Lack of formal accounting, fluctuations in prices, and the use of intuition instead of data analysis further affected pricing decisions negatively (Uganda Bureau of Statistics, 2024; World Bank, 2024a; Bugujju Trading Center, Mukono Municipality Performance Report, 2021). Despite the encouragement of formalization in Uganda through government policy for SME development, which contributed significantly to the growth in trading, manufacturing, and service activities in the country, enterprises in Mukono still experienced challenges with regard to cost accounting that negatively impacted pricing (World Bank, 2023; Ahaibwe & Lakuma, 2020).

Although there were various initiatives by governments and development organizations from 2020 to 2026 aimed at improving the capacity and linkage between SMEs and markets within Mukono, little information was available regarding the impact of cost accounting procedures such as documentation of past costs, classification of costs, and market analysis on pricing strategies in such a dynamic environment. This was the motivation for conducting this research on the impact of cost accounting procedures on pricing decisions within small and medium enterprises in Bugujju Trading Centre, Mukono Municipality

### **Statement of the Problem**

Cost pricing considerations were important to ensure sustainable success for small and medium-sized enterprises. Ideally, the SMEs that showed effective cost accounting

principles were expected to price their products appropriately such that they could cover costs, have reasonable margins, and be competitive (López & Hiebl, 2023; Matovu & Eze, 2024). Effectiveness in cost accounting required proper record keeping, cost allocation, and market research for evidence of management effectiveness in cost accounting and pricing decisions.

However, the situation in Bugujju Trading Centre in Mukono Municipality was quite different. Small businesses would have to deal with issues of unsteady profits and market share regardless of the presence of business transactions and services in the trading centre (World Bank, 2024a; Accounting Practices and Performance of SMEs: Mukono Central Division, 2025). There were no formal cost accounting procedures, insufficient historical records, unreliable classifications between fixed and variable costs, and occasional market analysis conducted from 2020 to 2026. These limitations contributed to inaccurate pricing, leaving businesses susceptible to potential loss or the risk of losing their clients. As can be expected, the effects of ineffective cost accounting procedures were quite profound, including poor pricing policies, low profitability, lack of competitive advantages, and failure to expand on a large scale, thus maintaining an economically fragile state within the municipality. This is where the importance of the present research lies.

### **Research Gaps**

Although existing literature has touched upon cost accounting and decision-making with regard to pricing for developing and urban parts of Africa, there has been a scarcity of empirical evidence on the subject of SMEs functioning in medium-sized Ugandan towns, such as Mukono. In most cases, researchers concentrated on the field of financial management in general or big urban areas (Mwangi & Kihara, 2020; López & Hiebl, 2023). The problem of the lack of knowledge regarding how practices, such as the use of previous cost data, cost classification, and analysis of the market, have influenced pricing decision-making remained open in Mukono.

### **General Objective**

The general objective was to examine the role of cost accounting practices in pricing decisions among SMEs in Bugujju Trading Center, Mukono Municipality.

### **Specific Objectives**

1. To evaluate the cost accounting practices used among SMEs in Bugujju Trading Center, Mukono Municipality.
2. To investigate how various cost accounting practices influenced pricing decisions among SMEs in Bugujju Trading Center, Mukono Municipality.
3. To examine the challenges faced by SMEs in adopting cost accounting practices for pricing decisions and to possible overcome item

### **Research Questions**

1. What were the cost accounting practices used among SMEs in Bugujju Trading Center, Mukono Municipality?
2. How did various cost accounting practices influence pricing decisions among SMEs in Bugujju Trading Center, Mukono Municipality?
3. What were the challenges faced by SMEs in adopting cost accounting practices for pricing decisions, and what solutions suggestedto overcome item

### **Significance of the Study**

**To academicians and researchers:** The research outputs have contributed immensely to the body of knowledge on SMEs' performance and the importance of cost accounting practices in price determination. Future research work can be based on this research.

**To SME owners:** The research was helpful to SMEs owners operating in Bugujju Trading Center by emphasizing the benefits of cost accounting practices like recording historical costs, cost classifications, and market analysis in enhancing pricing precision, profitability, and competitiveness. The policy recommendations can help other SMEs adopt cost accounting systems that improve their financial performance.

**To policy makers:** The research outcomes were relevant to policy makers, municipal governments, and development partners in designing policies and programs that promote

the adoption of cost accounting practices and improve SMEs' price determination processes.

## **Scope of the Study**

### **Geographical Scope**

The research was carried out at Bugujju Trading Centre, Mukono Municipality, Mukono District in Uganda. The choice of Mukono district for the research was made based on the presence of numerous MSMEs involved in retail, manufacturing, service provision, and farming activities within the district, coupled with local competition.

### **Content Scope**

The research considered cost accounting practices to be the independent variable and pricing decisions to be the dependent variable. It analyzed cost accounting practices by means of recording past costs, classification of costs, and conducting market analysis. Profitability of the business and market competitiveness were used to measure pricing decisions. The research investigated the impact of cost accounting practices on pricing decisions made by SMEs within Bugujju Trading Center, Mukono Municipality.

### **Time Scope**

This research work was conducted during the time frame that spanned from 2020 to 2026, considering the fact that during this time frame, there were variable input costs, intense competition, and sporadic interventions from the government in favor of SMEs.

### **Operational Terms**

**Cost Accounting Practice:** It refers to systematic accounting practices that are employed by small- to medium-sized enterprises to account for costs and analyze them. Three aspects were considered: documenting past costs, classifying costs, and analyzing the market.

**Documenting Past Costs:** It refers to systematically documenting past production costs, operating costs, and overhead costs. This aspect was measured using the reliability of cost accounting records, frequency of updating records, and reliance on past records while determining prices.

**Cost Classification:** It refers to the process of classifying costs based on whether they are fixed or variable, direct or indirect, and product costs or period costs. The presence of classified cost accounts, segregating overheads, and using costs for breakeven/margin analysis.

**Decision Making on Pricing:** In the study, it involved the procedures and the resultant impact of pricing decisions. Indicators for the variable included profitability and market competitiveness.

**Profitability:** In the study, it was about the effectiveness of prices in terms of generating enough profits. Gross/Net profit margin ratios, return on sales, and consistency in profitable operations formed the key indicators for profitability.

**Market Competitiveness:** It was about the extent to which prices were effective in helping businesses attract and retain customers. Indicators for the variable included stability in market share, perception among the consumers about the prices charged, and the ability of the firm to respond to competitors' price changes.

**Small and Medium Enterprises:** In the study, it involved businesses located in Bugujju Trading Center, Mukono Municipality, with less than 50 workers in retailing, manufacturing, service, and agricultural industries that had operated for two years and more.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **Introduction**

Introduction This chapter presented an extensive review of literature concerning the effect of cost accounting methods in pricing decisions in small and medium scale businesses. Through the opinions of scholars, economists, and experts in the field, the existing literature was analyzed to present a holistic view of the topic. The current research was based on the findings and inconsistencies of the literature in relation to developing countries such as Uganda, Africa, and other international countries. Finally, it created the basis for studying the effect of cost accounting methods in pricing decisions in terms of profitability and competitiveness in the market of SMEs at Bugujju trading center, Mukono municipality.

#### **Cost Accounting Practices**

Cost accounting methods were instrumental in influencing price determination among small and medium businesses. They were critical in capturing cost data effectively, classifying them properly, and incorporating market considerations in price setting. In a study conducted by Matovu and Eze (2024) in Lyantonde, Uganda, concerning the influence of cost accounting practices on business performances, it was established that there was an improvement in decision-making regarding pricing due to proper costing procedures. This meant that recording costs and analyzing them systematically allowed for more informed pricing without having to rely on instincts alone.

On the other hand, a study on accounting practices and performance among SMEs in Mukono (Accounting Practices and Performance of SMEs: Mukono Central Division, 2025), showed that SMEs in this area were able to make better financial decisions, thanks to cost analysis procedures. Survey results indicated that cost accounting was important for setting prices to cover costs and earn profits.

López and Hiebl (2023) examined cost accounting practices by SMEs under challenging circumstances such as post-COVID and geopolitical uncertainties. They concluded that the

application of cost accounting measures by SMEs, even with potential challenges such as age and resources, resulted in better decision-making in terms of pricing due to increased cost transparency, thereby avoiding margin compression.

Adeyemi and Oladipo (2021) and others in their research in Nigeria found that cost accounting practices like categorization and historicization contributed positively towards improving the accuracy of pricing and earning favorable financial gains for the business. Using mixed methods approach, it was revealed that businesses engaging in these practices established competitive pricing without sacrificing their profitability. In addition, Boateng and Asare (2021) conducted similar research in Ghana, concluding that conducting a comprehensive cost assessment and categorization avoids unnecessary financial loss and supports value-based pricing.

### **Value-Based Pricing and Pricing Decisions**

With value-based pricing, prices were set mostly considering the value derived from a particular product or service for a client, and not necessarily production costs or competition (Anderson et al., 2019; Hinterhuber, 2018). It entailed deep knowledge about customers, their willingness to pay, as well as differentiation in terms of quality, convenience, reputation or effectiveness.

According to Matovu and Eze (2024), in Uganda, small-scale enterprises engaging in value-based pricing through connection between prices and the benefits customers got made fewer pricing errors and realized high profits. The study was based on a survey, which revealed that review of customer information and market positioning would be helpful in setting realistic prices by reflecting the actual value created. Accounting practice in Mukono (2025) found out that companies practicing value-based pricing had higher levels of profitability due to evidence-based decision making through customer-oriented pricing practices.

According to López and Hiebl (2023), the use of value-based pricing in SMEs minimized the reality gap between cost and willingness to pay. The empirical study indicated that value drivers were improved with quality enhancements and service, leading to regular price adjustments based on the market situation. In developing nations, Boateng et al.

(2022) demonstrated in South Africa that the frequent valuation process would facilitate negotiations on premium pricing and verified differentiation, which could be used by the owners and investors to validate pricing strategies.

### **Cost-Plus Pricing and Pricing Decisions**

Cost plus pricing, sometimes referred to as markup pricing, was a common traditional approach in which the sales price of a product or service is calculated through adding a predetermined profit mark-up to the cost incurred in producing or providing services (Garrison et al., 2021; Drury, 2021). This pricing strategy was commonly practiced in SMEs due to its ease of implementation and close relationship with internal accounting information.

As noted by Mwangi & Kihara (2020) in East African context, firms practicing cost plus pricing were more profitable and competitive compared to their peers. It was found out that with appropriate cost determination, businesses were able to establish an appropriate price for the sale of the goods without incurring losses. Similarly, in Nigeria, cost plus pricing coupled with correct costing resulted in effective pricing (Ali-Momoh et al., 2022; Man et al., 2022).

According to López and Hiebl (2023), small and medium-sized enterprises with dependable cost-plus pricing were able to grasp cost behavior, making it possible for them to have competitive and profitable pricing despite the turbulent environment. The impact of cost management on the profitability of SMEs in Uganda (2026) proved that cost-plus pricing helped protect margins and determine break-even points, leading to profitability. Cost-plus pricing was not just a process; it was a strategy when it incorporated accurate cost information to price products accordingly.

### **Activity-Based Costing and Pricing Decisions**

Activity-Based Costing (ABC) was an innovative cost accounting system where overheads and indirect costs were allocated to products/services through activities associated with these costs, using more than one cost driver as opposed to one volume-based allocation rate (Kaplan & Cooper, 1998; Drury, 2021). ABC produced accurate costing of

products/services particularly in the case of multi-product small and medium enterprises (SMEs) with high overhead costs.

In East Africa, Mwangi & Kihara (2020) reported that SMEs practicing ABC had higher profitability and market positioning. Examples from case studies showed that overhead allocation to activities including order processing, machine setup, and inspections helped avoid cross subsidization and accurate pricing of products/services. In Nigeria, Adeyemi & Oladipo (2021) showed that adoption of ABC ensured that accurate prices were established by these SMEs. The mixed-methods study revealed that ABC helped SMEs determine real profitability of their products/services, avoiding low pricing of complex goods and services.

According to López and Hiebl (2023), the adoption of ABC by SMEs in a dynamic business environment enabled cost visibility, which ensured successful pricing practices for the survival and success of their businesses. Cost management research carried out in Uganda (2026) found that ABC was important in carrying out proper break-even analysis and maintaining healthy margins, which facilitated profitability. It was important to adopt ABC for an organization to ensure pricing based on activity utilization.

### **Keeping Records of Previous Costs and Pricing Decisions**

Recording of past cost incurred entailed the systematic recording of the cost incurred in the production process, operations, and overheads in order to serve as a benchmark for analysis and future pricing purposes. Matovu and Eze (2024) in Uganda discovered that SMEs who had comprehensive cost recordings of the past were able to avoid costly errors when pricing their products and thus were more profitable. From the survey, the recording of past costs enabled the firm to make necessary adjustments for inflation and other variations, which ensured realistic margins and competitive advantage.

According to López & Hiebl (2023), SMEs using historical costing made the theoretical and practical gap narrow concerning pricing. Empirical evidence showed that recording the actual costs in the past facilitated updates in line with market conditions, leading to improved decision-making. Under the context of development, Boateng et al. (2022) demonstrated that historical cost monitoring was a key aspect which facilitated negotiation

of favorable conditions and actual cost tracking in South Africa. However, inadequate record-keeping was associated with either under- or over-pricing, resulting in reduced competitiveness, as highlighted by Omondi (2020). Recording previous costs was a fundamental activity that would facilitate accurate pricing and profitability.

### **Cost Classification and Pricing Decisions**

Cost classification classified costs into fixed/variable, direct/indirect, and product/period categories, which was crucial for break-even analysis, margin calculation, and pricing. According to Mwangi and Kihara (2020), the systematic classification of costs in East African SMEs resulted in high profitability and good market position. The surveys and interviews indicated that cost classification made it possible to establish appropriate minimum prices and avoid distorted profit margins due to non-allocatable overheads.

Ali-Momoh et al. (2022) and Man et al. (2022) in Nigeria conducted studies proving that the classification together with absorption and marginal costing techniques helped make pricing decisions based on accurate costs. Classification allowed organizations to differentiate between fixed and variable expenses and, therefore, price their products appropriately to cover both short-term and long-term costs. López and Hiebl (2023) stressed that cost classification helped SMEs understand the behavior of costs, which provided the opportunity to adopt pricing policies in turbulent conditions. Finally, cost classification in Ugandan SMEs, as proven by research (The Effect of Cost Management on Profitability of SMEs, 2026), allowed for break-even analysis and protected margins, ensuring profitability.

### **Pricing Decisions among SMEs in Bugujju Trading Center**

Price considerations dictated whether SMEs could cover their costs, make profits, and compete (Nyangadza, 2022; Sibanda & Manda, 2018). Good price strategy involved incorporating information on costs within the actualities of the market environment.

### **Profitability of the Business**

The success of profitability in earning sufficient margins and returns was evident through successful pricing. Studies conducted in Uganda by Matovu and Eze (2024) and accounting

studies done in Mukono (2025) indicated that cost-based pricing enhanced gross and net margins, and sustainability was achieved. SMEs who had proper practices would be able to earn targeted profits with ease. The context of the Bugujju Trading Centre made the study more interesting since informal pricing, which was not based on costs, was highly related to poor profitability and sustainability.

### **Market Competitiveness**

Market competition analysis looked at how pricing helped in the acquisition and retention of customers compared to competitors. Research findings showed that pricing through cost accounting helped in the retention of the market share and was competitive enough against the competition (Omondi, 2019; Ndlovu & Khumalo, 2021). The use of cost accounting allowed for appropriate and competitive pricing in local government areas. Cost accounting practices laid the groundwork for the basis of pricing that was profitable and competitive.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **Introduction**

Methodology in this chapter is discussed in relation to the design of the research, location of the study, study subjects, target subjects, sample size, sampling method, data gathering tools, validity and reliability of research tools, data gathering procedure, and data processing and analysis methods. This methodology was selected in order to make the research robust and able to answer the set research questions and objectives.

#### **Research Design**

In its research design, the study adopted a descriptive research design and correlation research design together with the use of a quantitative method for data gathering. The descriptive design helped provide an in-depth look at cost accounting procedures and levels of pricing decision-making by SMEs operating in Bugujju Trading Center, Mukono Municipality. The correlation design helped determine the relationship that exists between cost accounting procedures as the independent variable and pricing decision-making as the dependent variable.

#### **Locale of the Study**

The research was done at Bugujju Trading Center located in Mukono Municipality of the Mukono District in Uganda. The reason Bugujju Trading Center was selected for the study is that the area was very active commercially with numerous SMEs operating in various areas of retail and wholesale trade, manufacturing, services such as transport and repairs among others.

#### **Study Population**

The subjects under study were SME business people who worked in Bugujju Trading Center, Mukono Municipality, as recorded in the Performance Report of Bugujju Trading Center, Mukono Municipality, 2021. The businesses included those in the retail and trade, manufacturing, services, and agriculture sectors, employing less than 50 employees each.

## Target Population

The sample comprised 76 owners of SMEs with at least two years in business, thus giving the respondents sufficient time to develop adequate experience with regards to cost accounting and pricing. Companies with formal or semiformal structures and well-defined cost activities were favored.

## Sample Size

The sample size was calculated using Taro Yamane's formula for determining sample size:

$$n = \frac{N}{1 + N[e]^2}$$

Where:

- n = required sample size
- N = target population size (76)
- e = margin of error ( 0.05)

Substituting the values:

$$n = \frac{76}{1 + 76 [0.05]^2}$$

$$n = \frac{76}{1 + 76 [0.0025]}$$

$$n = \frac{76}{1+0.5}=63.87$$

$$n = 64 \text{ respondents}$$

The selected sample size was 64 SME owners. The distribution is presented in Table 1 below.

Table 1: Target Population and Sample Size

No.	Business Sector	Target Population	Sample Size	Sampling Procedure
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1	Retail & Wholesale Trading	36	26	Proportionate stratified
2	Manufacturing & Processing	24	22	Proportionate stratified
3	Services (Hospitality, Transport, Repairs)	16	16	Proportionate stratified
<b>Total</b>		76	64	

Source: Researcher (2026)

### **Sampling Procedure**

For selecting the sample of 64 SME owners, the researcher used proportional stratified sampling. The total population was classified into three strata depending upon the nature of business – retail and wholesale trade, manufacturing and processing, and services such as hospitality, transport and repairs. Sampling size was determined proportionately for all three strata. The inclusion criteria involved business owners running their companies for at least two years and having less than 50 employees. Consideration was also taken for inclusiveness of gender, whereby a target of 50% males and 50% females was set.

### **Data Collection Instruments**

A self-completion questionnaire comprising three parts was used for collecting data. While Section A focused on socio-demographic characteristics of gender, educational qualifications, duration of operating the business, and its sector. Section B of the survey focused on the research aims of cost accounting practices value-based pricing, cost-plus pricing, record keeping and cost classification and pricing decision profitability of the business and market competition. Part C comprised some open-ended questions for the respondent's opinions about improving cost accounting and pricing. The closed-ended items were measured by a five-point Likert scale as given in Table 2 below.

**Table 2: Likert Scale**

<b>Questionnaire Scale</b>	<b>Value</b>	<b>Mean Range</b>	<b>Interpretation</b>
Strongly Agree	5	4.21–5.00	Very High
Agree	4	3.41–4.20	High
Not Sure	3	2.61–3.40	Moderate
Disagree	2	1.81–2.60	Low
Strongly Disagree	1	1.00–1.80	Very Low

Source: Adopted from Renis Likert (1932)

### **Validity of the Instrument**

With assistance from the supervisor, the researcher developed questionnaire items that could meet the objective of the research. The validity of the instrument was determined based on the Content Validity Index (CVI), which was 0.894. Since the CVI exceeded the cut-off point of 0.6, the instrument was considered valid.

$$CVI = \frac{\text{Relevant Items in the questionnaire}}{\text{Total Number of Items in the questionnaire}}$$

**CVI = 0.894 (above the recommended 0.6 threshold)**

### **Reliability of the Instrument**

Reliability test was done through conducting a pretest among 10 SME owners from a neighboring area that was not included in the chosen sample. SPSS version 26 was used to analyze the questionnaires that had undergone pretest. According to the criteria of reliability as per Cronbach's Alpha, the instrument was reliable because the alpha coefficient of 0.89 exceeded the accepted level of 0.7 as seen in Table 3 below.

Table 3 Reliability Statistics

<b>Cronbach's Alpha</b>	<b>N of Items</b>
0.89	34

Source: Primary Data (2026)

### **Data Collection Procedure**

An introductory letter written by the Dean of the School of Business of Uganda Christian University was submitted to the local authorities of Mukono Municipality in order to obtain permission to collect data. Questionnaires were completed by the researcher himself. If there was any difficulty in understanding certain questionnaire items, the respondent would be assisted. Each questionnaire form was checked for accuracy before assigning a code number.

### **Data Processing and Analysis**

The quantitative data was organized, coded, and entered into SPSS version 26 software. The descriptive statistical methods, such as mean and standard deviation, were employed to determine the extent to which cost accounting procedures and price setting strategies were practiced for the objectives one and two. Inferential statistics involving Pearson correlation coefficient were adopted to establish any correlation between the cost accounting procedures and price setting strategies in respect of the third objective, whereby a significance level of  $p < 0.05$  was set. The socio-demographic information was described by means of percentages.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

The findings from the study carried out regarding the influence of cost accounting practices in price determination among SMEs operating in Bugujju Trading Center were outlined in this chapter. The findings were analyzed based on the research objectives set forth, and compared with previous studies done on similar topics. Three major objectives of the study include: evaluating the cost accounting practices utilized among the SMEs within Bugujju Trading Center; analyzing the influence that various cost accounting practices have had on the decision-making process of the prices charged; and analyzing the problems associated with the application of cost accounting practices in price decisions and giving solutions.

#### Response Rate

Of the 64 questionnaires handed out, all were collected, indicating a response rate of 100%. The high response rate was due to the direct handover of the questionnaires by the researcher, the promise of confidentiality, and the interest of the respondents in the research subject matter.

#### Respondents' Characteristics

Information collected from the respondents about their key characteristics in terms of gender, education level, years of business operation, and business sector are presented in Table 4 below.

Table 4: Respondents' Characteristics

Category	Frequency	Percent (%)
<b>Gender</b>		
Male	32	50.0

Female	32	50.0
<b>Education Level</b>		
No Formal Education	4	6.3
Primary	12	18.8
Secondary / O Level	24	37.5
Certificate / Diploma	16	25.0
Degree and above	8	12.5
<b>Years of Business Operation</b>		
2–4 years	22	34.4
5–7 years	25	39.1
8–10 years	11	17.2
More than 10 years	6	9.4
<b>Business Sector</b>		
Retail & Wholesale Trading	26	40.6
Manufacturing & Processing	22	34.4
Services (Hospitality, Transport, Repairs)	16	25.0

Source: Primary data (2026)

n = 64

### **Gender**

According to Table 4 below, out of the 64 respondents involved in the study, half (50%) of them, totaling 32 in number, were men while another half (50%), also totaling 32 in number, were women. This meant that there was an equal gender distribution among small

business owners in Bugujju Trading Centre, which guaranteed that both male and female business owners' opinions regarding cost accounting and pricing would be captured.

### **Education Level**

Table results indicated that four (6.3%) had no formal education, twelve (18.8%) had primary level education, twenty-four (37.5%) had secondary or O-Level education, sixteen (25.0%) had certificate and diploma level education, and eight (12.5%) had degree and higher education. Many respondents possessed secondary and certificate level education, indicating that even though they were literate, most business owners did not have formal training in accounting or business management. It clearly indicated that training on cost accounting should be made available and relevant for informally educated people who manage businesses in Bugujju Trading Center.

### **Years of Business Operation**

From the findings, it was evident that 22 (34.4%) of the respondents had been operating in the market for 2-4 years, 25 (39.1%) of the respondents for 5-7 years, 11 (17.2%) for 8-10 years, while 6 (9.4%) of the respondents were operating in the market for over 10 years. The highest proportion of the respondents was operating in the market for 2-7 years. This indicated that most of the respondents had been exposed enough to the realities of pricing and cost management in Bugujju Trading Center.

### **Business Sector**

Regarding the type of business sectors, 26 (40.6%) belonged to the category of retail and wholesale trading, 22 (34.4%) belonged to the manufacturing and processing sector, while the remaining 16 (25.0%) belonged to service sector businesses that included hospitality services, transport services, and repair services. The distribution among the various business sectors made sure that all the three strata received proportional representation as per the sampling plan, thereby reflecting the diversity of SME cost accounting and pricing systems.

## Level of Cost Accounting Practices

Objective one for the research was to assess the cost accounting techniques that SMEs apply in Bugujju Trading Centre, Mukono Municipality. The research used descriptive statistics by applying the mean and standard deviation approach to measure this objective. Cost accounting techniques were examined in relation to value-based pricing, cost-plus pricing, and recording and costing classification. The results of the study are provided in Table 5 below.

Table 5: Level of Cost Accounting Practices

Indicator	Mean	Std. Deviation	Interpretation
<b>Value-Based Pricing</b>			
We set prices based on perceived value rather than just costs.	3.12	0.84	Moderate
We regularly observe the market to understand customer willingness to pay.	2.88	0.90	Moderate
We adjust prices upward when we improve quality or add features.	3.01	0.87	Moderate
We use customer feedback to justify charging premium prices.	2.73	0.92	Moderate
Value-based pricing is one of the main methods we use when setting prices.	2.91	0.88	Moderate
<b>Sub Mean for Value-Based Pricing</b>	2.93	0.88	Moderate
<b>Cost-Plus Pricing</b>			

We determine selling price by adding a fixed margin to total production cost.	3.47	0.81	High
We regularly update cost records to ensure the markup remains accurate.	3.22	0.86	Moderate
We apply the same profit percentage to most products/services when setting prices.	3.38	0.83	Moderate
Cost-plus pricing is the most common method we use to determine selling prices.	3.61	0.79	High
We review and adjust our cost base and markup at least every 6–12 months.	3.19	0.88	Moderate
<b>Sub Mean for Cost-Plus Pricing</b>	3.37	0.83	Moderate
<b>Record-Keeping and Cost Classification</b>			
We maintain detailed records of past production, operating, and overhead costs.	3.08	0.91	Moderate
We regularly update and review historical cost records at least every 3–6 months.	2.79	0.94	Moderate
We keep cost records covering at least the last 12–24 months for reference.	2.63	0.96	Moderate
We separate costs into fixed costs (rent, salaries) and variable costs (materials).	3.21	0.88	Moderate
We distinguish between direct costs and indirect/overhead costs.	3.04	0.89	Moderate
We prepare simple classified cost summaries to understand how costs behave.	2.88	0.92	Moderate

<b>Sub Mean for Record-Keeping and Cost Classification</b>	2.94	0.92	Moderate
<b>Grand Mean and Std. Dev.</b>	<b>3.08</b>	<b>0.88</b>	<b>Moderate</b>

Source: Primary data (2026)

n = 64

Legend: 1.00–1.80 Very Low; 1.81–2.60 Low; 2.61–3.40 Moderate; 3.41–4.20 High; 4.21–5.00 Very High

The table above depicts data regarding the degree of cost accounting practices by SMEs in Bugujju Trading Centre, Mukono Municipality, in relation to value-based pricing, cost-plus pricing, and bookkeeping and cost classification. From the analysis, the general outcome reveals that the degree of cost accounting practices is moderately high, with a grand mean of 3.08 and a standard deviation of 0.88. This implies that the cost accounting practices were applied in some way by SME operators in Bugujju Trading Centre, although inconsistently, informally, and inadequately.

### **Value-Based Pricing**

Concerning value-based pricing, sub-mean of 2.93 and standard deviation of 0.88 showed a moderately high practice of value-based pricing. The statement "We frequently monitor the market to determine the customer's willingness to pay" scored the least with mean of 2.88. However, the statement "We use value rather than costs to set our prices" received the highest mean of 3.12. From this, there was an indication of a certain level of recognition of customer values by respondents, but there was little adoption of value-based pricing due to lack of mechanism for evaluating value-added.

This corroborated findings by Matovu and Eze (2024), which identified that only few SMEs were engaged in value-based pricing in Uganda. In addition, Boateng et al. (2022) found in South Africa that firms failing to evaluate value would either underprice or even lose customers to competition. Based on the current moderately high value-based pricing

score, further training of respondents concerning market evaluation and customer value assessment could be very helpful for pricing.

### **Cost-Plus Pricing**

In terms of cost-plus pricing, the study recorded the highest sub-mean of 3.37 and standard deviation of 0.83, revealing that cost-plus pricing was the most frequently used cost accounting practice in SMEs in Bugujju Trading Center. The statement "Cost-plus pricing is the most common pricing formula we apply in determining sales prices" earned the highest mean rating of 3.61 (High). In comparison, the statement "We examine and recalibrate our cost base and markup rate at least every 6 to 12 months" earned a rating of 3.19 (Moderate).

This is consistent with findings by Mwangi & Kihara (2020) who concluded that cost-plus pricing was the most common pricing strategy adopted by SMEs in East Africa because it is easy to apply, and it directly depends on available cost information. Similarly, Ali-Momoh et al. (2022) revealed that cost-plus pricing was the predominant pricing formula for Nigerian SMEs when cost records were accurately maintained. Therefore, the moderately high rating accorded to cost-plus pricing indicates that it was the most common pricing technique used by Bugujju Trading Center SMEs, which could be enhanced with better cost record keeping.

### **Record-Keeping and Cost Classification**

Regarding record-keeping and cost classification, the study showed a sub-mean of 2.94 with an accompanying standard deviation of 0.92, which was the second-lowest dimension of cost accounting practices. The statement "We maintain cost records that go back up to 12-24 months ago" had a mean score of 2.63 (Moderate lower bound), while "We always ensure that our historical cost records are updated and revised within every 3-6 months" had a mean score of 2.79. This shows that even though there existed rudimentary record-keeping practices, proper and consistent cost accounting and classification practices were low among SMEs in Bugujju Trading Center.

This aligns with the findings by Matovu and Eze (2024) that noted that improper record-keeping practices within Ugandan SMEs resulted in pricing issues. According to Lòpez

and Hiebl (2023), SMEs that lacked documented cost records faced a reality gap in terms of pricing that reduced their margins. In the research on Accounting Practices and Performance of SMEs conducted in Mukono (2025), it was shown that poor cost classification meant that SMEs would not be able to establish break-even prices and margins.

### **Level of Pricing Decisions**

Objective 2 for this study sought to examine the influence of different cost accounting approaches on price decision-making amongst SMEs operating in the Bugujju Trading Centre, Mukono Municipality. In order to achieve this research objective, descriptive statistics using mean and standard deviation were employed. Price decision making was examined based on the profitability of the business and competitiveness in the market. Results are illustrated in table 6 below.

Table 6: Level of Pricing Decisions

<b>Indicator</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Interpretation</b>
<b>Profitability of the Business</b>			
Using historical cost records helps set more accurate and realistic selling prices.	3.44	0.81	High
Classification of costs enables calculation of minimum prices that cover all costs.	3.29	0.86	Moderate
Regular market analysis combined with cost data helps set competitive prices.	3.37	0.84	Moderate
Our cost accounting practices improve overall profitability through better pricing.	3.18	0.90	Moderate

Cost information allows us to respond quickly to competitor price changes.	3.22	0.87	Moderate
Our pricing decisions contribute to maintaining or increasing market share.	3.31	0.85	Moderate
<b>Sub Mean for Profitability of the Business</b>	3.30	0.86	Moderate
<b>Market Competitiveness</b>			
Our prices enable us to retain existing customers against competitors.	3.19	0.89	Moderate
We regularly compare our prices with competitors in Bugujju Trading Center.	2.88	0.93	Moderate
Our cost-informed pricing allows us to respond to market demand changes.	3.06	0.91	Moderate
Customers consider our prices fair relative to the value offered.	3.24	0.88	Moderate
Our pricing practices have helped us maintain or grow our market share.	3.11	0.90	Moderate
<b>Sub Mean for Market Competitiveness</b>	3.10	0.90	Moderate
<b>Grand Mean and Std. Dev.</b>	<b>3.20</b>	<b>0.88</b>	<b>Moderate</b>

Source: Primary data (2026)

n = 64

Legend: 1.00–1.80 Very Low; 1.81–2.60 Low; 2.61–3.40 Moderate; 3.41–4.20 High; 4.21–5.00 Very High

The table above presents data on the extent to which SMEs engaged in the decision of prices at the Bugujju Trading Center, Municipality of Mukono in terms of profitability of

the firm and market competitiveness. The total findings showed that there was a medium level of pricing decisions based on the grand mean of 3.20 and the standard deviation of 0.88. It therefore means that despite cost-based pricing being practiced to some extent by the SMEs within Bugujju Trading Center, the outcome was neither consistent nor high enough to warrant cost accounting procedures.

### **Profitability of the Business**

In terms of profitability of the business, the sub-mean obtained for this factor was 3.30 with the standard deviation recorded as 0.86. This shows a fairly moderate profitability-based pricing approach in the study. The highest score recorded for the question on profitability-based pricing was "Using historical cost records helps set more accurate and realistic selling prices" with a mean of 3.44 (high). On the other hand, "Our cost accounting helps us achieve profitability by setting better selling prices" received the lowest score of 3.18. This indicates that there is recognition of the usefulness of historical costs in pricing, but its practical implementation is fairly limited and inconsistent.

This can be justified from research conducted by Matovu and Eze (2024) whereby Ugandan small and medium size enterprises with systematic cost recording techniques were shown to enjoy profitability via pricing decisions. The Accounting Practices and Performance of SMEs study (2025) undertaken in Mukono, also revealed that cost tracking and cost reporting systems enabled companies to perform well financially. Research carried out by Lòpez and Hiebl (2023) revealed that small and medium-sized enterprises with good cost-plus calculations had better knowledge about cost behavior hence able to price competitively yet profitably.

### **Market Competitiveness**

As for the issue of market competitiveness, the research identified the lower sub-mean of 3.10 as well as its standard deviation of 0.90. In particular, the question "We regularly compare our prices with those of other organizations in Bugujju Trading Center" had the score of 2.88 (Moderate), thus demonstrating a lack of systematic competitive price analysis, whereas the statement "Our prices are considered reasonable by our customers compared to the services or products we offer" scored 3.24 (Moderate). Thus, there is a

clear indication that market competitiveness in terms of pricing remains an issue for most of the SMEs under study due to their lack of a proper pricing system.

These results are consistent with the findings of Nartey and van der Poll (2021) that SMEs without a systematic cost monitoring system and competitive market analysis could not maintain their prices competitive. At the same time, Omondi (2020) proved that SMEs in East Africa operating on the basis of structured cost systems were much more successful in creating competitive pricing strategies and retaining customers. According to Mwangi & Kihara (2020), structured cost management promotes transparency and accountability, which affects the reliability of pricing decisions in resource-constrained environments.

### **Relationship between Cost Accounting Practices and Pricing Decisions**

The third specific objective of the research was to explore the issues experienced by the SMEs while incorporating cost accounting methods into price determination and offer possible solutions that would aid in improving their application. This was also done using the Pearson's Correlation Coefficient method to establish whether there is a correlation between the cost accounting methods and price determination. The results are shown in Table 7 below.

**Table 7: Relationship between Cost Accounting Practices and Pricing Decisions**

	<b>Cost Accounting Practices</b>	<b>Pricing Decisions</b>
Cost Accounting Practices	1	
Pricing Decisions	<b>.731**</b>	<b>1</b>
Pearson Correlation		
Sig. (2-tailed)		
N		
<b>**.</b> <i>Correlation is significant at the 0.01 level (2-tailed).</i> Sig. = .000 N = 64		

Source: Primary data (2026)

n = 64

The relationship between cost accounting practices and pricing decision amongst the SMEs in Bugujju Trading Center in Mukono Municipality was reported in Table 7. The results revealed a Pearson r of .731\*\* and a p-value of .000, indicating that there was a statistically significant positive relationship between cost accounting practices and pricing decisions. It implies that SMEs practicing cost accounting in the form of systematic value-based pricing, cost-plus pricing, record keeping, and cost classification will benefit from better pricing practices resulting in increased profitability and competitiveness in the market.

Matovu & Eze (2024) reported similar results where systematic cost accounting led to improved decision making in form of pricing, which consequently resulted in increased profitability in SMEs in Uganda. Also, Lòpez and Hiebl (2023) established that implementation of cost accounting techniques by SMEs improved their pricing decisions through improved costs recognition and minimized profit margin erosion. Furthermore, the Accounting Practices and Performance of SMEs study in Mukono (2025) proved that businesses with cost tracking systems performed well financially and made better pricing decisions, as shown by the moderate positive relationship in this study.

### **Challenges and Suggested Solutions**

The third specific objective also analyzed the problems SMEs encountered in implementing cost accounting techniques in setting prices and identified possible recommendations made by the respondents. Below are the results of the open-ended questionnaires as presented in Tables 9 and 10.

**Table 8: Biggest Challenges in Adopting Cost Accounting Practices for Pricing Decisions**

<b>Challenge</b>	<b>Frequency</b>	<b>Percent (%)</b>
Lack of knowledge or training on proper cost record-keeping and classification	22	34.4

High time and financial cost of maintaining records and performing market analysis	13	20.3
Limited access to simple accounting tools, software, or templates	11	17.2
Informal nature of business (cash-based, no dedicated bookkeeper)	10	15.6
Low priority given to cost accounting due to daily business pressures	8	12.5
<b>Total</b>	64	100.0

Source: Primary data (2026)

n = 64

The most common challenge among the SME owners in Bugujju Trading Center was the absence of information and training about proper cost accounting, according to 22 (34.4%) respondents. Thus, a limited understanding of finance and accounting was confirmed to be the critical problem that prevented the adoption of cost accounting. The high time and cost-related expenses related to keeping the records and conducting a market analysis were mentioned by 13 (20.3%) people, whereas difficulties associated with the use of accounting programs were indicated by 11 (17.2%) of the respondents. The informal structure of the business with the cash-based operations without an accountant was highlighted by 10 (15.6%) participants, and 8 (12.5%) mentioned that cost accounting has no priority for them.

This is consistent with the study of Lòpez and Hiebl (2023), which states that the resource limitations, low level of financial literacy, and the informal nature of small businesses are critical barriers to cost accounting adoption. In its turn, Ali-Momoh et al. (2022) mention that insufficient accounting knowledge and access to tools are the major challenges for adopting cost accounting.

**Table 9: Suggested Solutions to Enhance Cost Accounting Practices among SMEs**

<b>Suggested Solution</b>	<b>Frequency</b>	<b>Percent (%)</b>
Provide regular training workshops on cost accounting and pricing for SME owners	20	31.3
Introduce affordable digital tools and simple record-keeping templates for SMEs	14	21.9
Government and local authority support through subsidized accounting advisory services	12	18.8
Establish mentorship programs pairing SMEs with accounting professionals	10	15.6
Develop simple, locally adapted cost classification guides for informal businesses	8	12.5
<b>Total</b>	<b>64</b>	<b>100.0</b>

Source: Primary data (2026)

n = 64

In response to this problem, the biggest percentage of 20 (31.3%) of the respondents advised that there should be training seminars on how to do cost accounting and pricing of goods and services among SMEs. Setting up of clearly documented procurement procedures and policies on cost management was advice given by 14 respondents (21.9%). Government assistance in provision of accounting consultation services was a suggestion made by 12 respondents (18.8%), whereas the idea of setting up mentorship programs for SMEs involving accounting experts was raised by 10 respondents (15.6%). Development of simple cost classification guide for informal SMEs was another advice given by 8 respondents (12.5%).

These recommendations put emphasis on capacity building, adoption of affordable technology, and government assistance and professional mentoring of SMEs.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### Introduction

This chapter offered the conclusion and recommendations resulting from the study concerning the effect of cost accounting on pricing strategies of SMEs operating within the Bugujju Trading Centre of the Municipality of Mukono.

#### Summary

There was also a moderate degree of adoption of cost accounting practices in the context of value-based pricing, cost-plus pricing, and record-keeping/cost classification, given a grand mean of 3.08 with an associated standard deviation of 0.88. The most practiced of cost accounting practices was seen to be the cost-plus pricing, given the sub-mean of 3.37. This implies that cost-plus pricing is the simplest pricing formula and can easily utilize internal costs that are well-known within organizations. Value-based pricing had the lowest sub-mean of 2.93, implying low levels of pricing strategy sophistication and systematic evaluation of customer value. There was also a low level of record keeping/cost classification, given the sub-mean of 2.94.

Another moderate level of adoption of pricing decisions existed within Bugujju trading center as reflected by the grand mean of 3.20 and standard deviation of 0.88. The most important of these was profitability, with a sub-mean of 3.30. This suggests that while cost accounting helped to improve profits somewhat, it did not do so sufficiently enough for consistent profit making. The second pricing decision that was examined was that of market competitiveness, which scored a sub-mean of 3.10.

As a result, the results showed the value of Pearson  $r$  at .731\*\* and  $p$ -value of .000, meaning that there was a significant positive relationship between cost accounting and pricing practices. Given that  $p$ -value (.000) was lower than alpha level ( $\alpha = 0.05$ ), the null hypothesis was rejected, whereas the alternative hypothesis was accepted. Major obstacles to the adoption were lack of knowledge and education, high costs of time, and lack of a

formal organizational structure. Recommendations for overcoming these barriers include training sessions, inexpensive technology, and governmental consultation.

### **Conclusion**

In summary, the use of cost accounting techniques, especially cost-plus pricing and, to some degree, record keeping and cost classification, had a reasonably important impact on the pricing decisions made by small and medium-sized enterprises (SMEs) operating in the Bugujju Trading Center of Mukono Municipality. The strong, positive association that was revealed between cost accounting practices and pricing decisions ( $r = .731$ ,  $p = .000$ ) demonstrated that any improvements in cost accounting skills, procedures, and techniques among SME owners operating in Bugujju Trading Center would certainly result in more accurate pricing, greater profitability, and enhanced competitiveness within the market.

### **Recommendations**

Based on the findings and conclusions outlined above, the following recommendations have been made:

The Uganda Christian University School of Business, Mukono Municipality local government, and development partners should develop and conduct periodic financial literacy and cost accounting training seminars that cater to the needs of SME owners in Bugujju Trading Centre. The training program should focus on the application of cost accounting techniques such as cost classification, recording costs, break-even point, mark-up pricing, and competitive pricing, among others, in a format that is appropriate for SME owners who are literate up to secondary level.

The government of Uganda, through Uganda Development Corporation and Mukono Municipality local government, should develop low-cost computer software programs for cost accounting that can easily be used by SME owners in the informal and semi-formal sectors. Such programs should be made available at reduced prices or even freely distributed, especially to overcome the challenge of accessibility reported by 21.9% of the respondents.

There is a need to set up mentorship programs and business advisory by the local authorities like the Mukono Municipality local government along with local businesses associations in Bugujju trading center to mentor small business owner about cost accounting. Mentoring in this case should cover the implementation of cost accounting when making prices of goods and services through a process of changing from solely intuitive prices to competitive prices.

It is important for all the SME owners within Bugujju Trading Center to maintain some level of record keeping on cost ledgers for at least the previous 12 months. The cost ledgers will provide a record of the past cost incurred and thus can help in enhancing the consistency of cost-plus pricing by allowing informed responses to competitors.

Mentorship and business advisory should not be forgotten in setting up policies regarding SMEs. It would be better if the Ugandan Ministry of Trade, Industry and Cooperatives integrates cost accounting requirements into their SME formalization and registration incentives program. In such a way, all the SMEs that have cost accountings and systematic pricing processes should be preferred in government finance programs.

### **Suggestions for Further Studies**

With consideration for the scope and limitations of the current study, the following topics were recommended for future investigation:

A longitudinal study investigating the evolution of cost accounting processes and pricing results in SMEs from the Bugujju Trading Center over a period of three to five years after implementing training would shed more light on the mechanisms by which cost accounting process improvement impacts profitability and competitiveness.

A comparative study analyzing cost accounting processes and pricing strategies at different trading centers in Mukono Municipality and other medium-sized towns in Uganda would yield greater insights.

Future research could also consider conducting more studies to find out whether or not digital financial tools are important moderators on how cost accounting impacts pricing decisions in SMEs in the urban commercial regions of Uganda.

It would also be good to conduct future research studies to examine the role of financial education, including vocational training, at the secondary and tertiary levels, in developing cost accounting skills in potential SME owners in Mukono and other regions of Uganda.

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## APPENDICES

### Appendix A: Self-Administered Questionnaire

Dear Respondent,

I am IRIZA CELESTE, a student from the School of Business, Uganda Christian University, enrolled in the program of Bachelor's Degree in Accounting and Finance (S23B05/109). I am carrying out a research study with the title "THE ROLE OF COST ACCOUNTING PRACTICES IN PRICING DECISIONS OF SMALL AND MEDIUM ENTERPRISES IN BUGUJJU TRADING CENTER, MUKONO MUNICIPALITY".

Your cooperation in this study is highly appreciated and greatly valued.

Thank you.

### SECTION A: DEMOGRAPHIC INFORMATION

Please tick (√) the appropriate box or fill in where necessary.

1. Gender:

a) Male

b) Female

2. Highest level of education:

a) No formal education

b) Primary

c) Secondary / O Level

d) Certificate / Diploma

e) Degree and above

3. Number of years your business has been operating:

a) 2–4 years

b) 5–7 years

c) 8–10 years

d) More than 10 years

4. Business Sector:

a) Retail & Wholesale Trading

b) Manufacturing & Processing

c) Services (Hospitality, Transport, Repairs)

### SECTION B: STUDY OBJECTIVES

Please indicate your level of agreement with each statement by ticking (√) the appropriate box.

5 = Strongly Agree; 4 = Agree; 3 = Not Sure; 2 = Disagree; 1 = Strongly Disagree

<b>COST ACCOUNTING PRACTICES – Value-Based Pricing (Objective 1)</b>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
We set prices primarily based on the perceived value or benefit that customers receive from our products/services rather than just our costs.					
We regularly ask customers or observe the market to understand how much they are willing to pay for the benefits/solutions we provide.					
We adjust prices upward when we improve quality, add features, or deliver higher customer satisfaction/value.					
We use customer feedback, testimonials, or market comparisons to justify charging a premium price based on value delivered.					
Value-based pricing is one of the main methods we use when setting or reviewing our selling prices.					

<b>COST ACCOUNTING PRACTICES – Cost-Plus Pricing (Objective 1)</b>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
We calculate our selling price by first determining the total cost of production/service and then adding a fixed profit margin/percentage.					
We regularly update our cost records (materials, labor, overhead) to ensure the cost-plus markup remains accurate and profitable.					
We apply the same profit percentage/markup to most or all of our products/services when setting prices.					
Cost-plus pricing is the most common or default method we use to determine selling prices.					
We review and adjust our cost base and markup percentage at least every 6–12 months or when major costs change.					

<b>COST ACCOUNTING PRACTICES – Record-Keeping and Cost Classification (Objective 1)</b>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
We maintain detailed records (ledgers, receipts, or files) of past production, operating, and overhead costs.					

We regularly update and review historical cost records (at least every 3–6 months).					
We keep cost records covering at least the last 12–24 months for reference.					
We separate costs into fixed costs (e.g., rent, salaries) and variable costs (e.g., raw materials, utilities).					
We distinguish between direct costs (directly tied to products/services) and indirect/overhead costs.					
We prepare simple classified cost summaries or statements to understand how costs behave.					
<b>PRICING DECISIONS – Profitability and Market Competitiveness (Objective 2)</b>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Using historical cost records helps us set more accurate and realistic selling prices.					
Proper classification of costs (fixed vs. variable, direct vs. indirect) enables us to calculate minimum prices that cover all costs and ensure profit.					
Regular market analysis combined with cost data helps us set competitive prices without eroding margins.					
Our cost accounting practices (records, classification, market analysis) improve overall profitability through better pricing.					
Cost information allows us to respond quickly and effectively to competitor price changes or cost increases.					

Our pricing decisions contribute to maintaining or increasing our customer base and market share in Bugujju Trading Center.					
<b>CHALLENGES IN ADOPTING COST ACCOUNTING PRACTICES (Objective 3)</b>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Lack of knowledge or training on how to keep proper cost records or classify costs.					
High costs or time required to maintain cost records and perform market analysis.					
Limited access to simple accounting tools, software, or templates suitable for small businesses.					
Informal nature of the business (e.g., cash-based, no dedicated accountant/bookkeeper).					
Difficulty in collecting reliable market/competitor data in Bugujju Trading Center.					
Low priority given to cost accounting due to daily business pressures.					

### SECTION C: RESPONDENTS' SUGGESTIONS

1. What do you think are the biggest challenges your business faces in using cost accounting practices for making better pricing decisions?

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2. What solutions or improvements would help SMEs in Bugujju Trading Center, Mukono Municipality, adopt and use cost accounting practices more effectively for pricing decisions?

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## **Appendix B: Interview Guide**

(For Key Informants: Business Association Leaders and Accounting Advisors)

4. What do you think prevents small-scale business owners in Bugujju Trading Center from effectively applying cost accounting practices such as keeping records of previous costs and classifying costs in their pricing decisions?
5. How can cost accounting training be improved to support better pricing decisions among SMEs in Bugujju Trading Center?
6. What specific challenges do you observe in SMEs regarding cost management practices, and how do these affect their pricing accuracy and profitability?
7. From your experience, what cost accounting approaches have been most effective for SME owners operating in informal or semi-formal settings like Bugujju Trading Center?
8. What policy or institutional reforms would you recommend to improve cost accounting practices and pricing decisions among SMEs in Mukono Municipality?

**Appendix C: Informed Consent Form**

I am giving my consent to be part of the research study of IRIZA CELESTE on THE ROLE OF COST ACCOUNTING PRACTICES IN PRICING DECISIONS OF SMALL AND MEDIUM ENTERPRISES IN BUGUJJU TRADING CENTER, MUKONO MUNICIPALITY.

I shall be assured of privacy, anonymity, and confidentiality and that I will be given the option to refuse and the right to withdraw my participation at any time. I have been informed that the research is voluntary and that the results will be made available to me upon request.

Initials: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix D: Primary Data

### COST ACCOUNTING PRACTICES

<b>Value-Based Pricing</b>	<b>Mean</b>	<b>Std. Dev.</b>
We set prices based on perceived value rather than just costs.	3.12	0.84
We regularly observe the market to understand customer willingness to pay.	2.88	0.90
We adjust prices upward when we improve quality or add features.	3.01	0.87
We use customer feedback to justify charging premium prices.	2.73	0.92
Value-based pricing is one of the main methods we use when setting prices.	2.91	0.88
<b>Average Mean and Std. Dev.</b>	2.93	0.88

<b>Cost-Plus Pricing</b>	<b>Mean</b>	<b>Std. Dev.</b>
We determine selling price by adding a fixed margin to total production cost.	3.47	0.81
We regularly update cost records to ensure the markup remains accurate.	3.22	0.86
We apply the same profit percentage to most products/services when setting prices.	3.38	0.83
Cost-plus pricing is the most common method we use to determine selling prices.	3.61	0.79

We review and adjust our cost base and markup at least every 6–12 months.	3.19	0.88
<b>Average Mean and Std. Dev.</b>	3.37	0.83

<b>Record-Keeping and Cost Classification</b>	<b>Mean</b>	<b>Std. Dev.</b>
We maintain detailed records of past production, operating, and overhead costs.	3.08	0.91
We regularly update and review historical cost records at least every 3–6 months.	2.79	0.94
We keep cost records covering at least the last 12–24 months for reference.	2.63	0.96
We separate costs into fixed costs (rent, salaries) and variable costs (materials).	3.21	0.88
We distinguish between direct costs and indirect/overhead costs.	3.04	0.89
We prepare simple classified cost summaries to understand how costs behave.	2.88	0.92
<b>Average Mean and Std. Dev.</b>	2.94	0.92
<b>Grand Mean and Std. Dev. – Cost Accounting Practices</b>	3.08	0.88

## **PRICING DECISIONS**

<b>Profitability of the Business</b>	<b>Mean</b>	<b>Std. Dev.</b>
Using historical cost records helps set more accurate and realistic selling prices.	3.44	0.81

Classification of costs enables calculation of minimum prices that cover all costs.	3.29	0.86
Regular market analysis combined with cost data helps set competitive prices.	3.37	0.84
Our cost accounting practices improve overall profitability through better pricing.	3.18	0.90
Cost information allows us to respond quickly to competitor price changes.	3.22	0.87
Our pricing decisions contribute to maintaining or increasing market share.	3.31	0.85
<b>Average Mean and Std. Dev.</b>	3.30	0.86

<b>Market Competitiveness</b>	<b>Mean</b>	<b>Std. Dev.</b>
Our prices enable us to retain existing customers against competitors.	3.19	0.89
We regularly compare our prices with competitors in Bugujju Trading Center.	2.88	0.93
Our cost-informed pricing allows us to respond to market demand changes.	3.06	0.91
Customers consider our prices fair relative to the value offered.	3.24	0.88
Our pricing practices have helped us maintain or grow our market share.	3.11	0.90
<b>Average Mean and Std. Dev.</b>	3.10	0.90
<b>Grand Mean and Std. Dev. – Pricing Decisions</b>	3.20	0.88