

THE EFFECT OF COSTING METHODS ON DECISION MAKING IN MANUFACTURING ORGANIZATIONS: A case study of Mukwano Group of Companies

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**A RESEARCH DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT
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ABSTRACT

The study will be carried out in Mukwano Group of Companies, Kampala District. It is intended to establish relationship between Costing methods and Decision making of Mukwano. The study objectives include; To find out how traditional costing is applied in decision making in Mukwano Group of Companies, to find out how Activity based costing is applied in Mukwano Group of Companies, to find out how Target costing is applied in decision making in Mukwano Group of Companies. The researcher will use a case study. Questionnaires guides will be used in the study. Purposive and systematic random sampling will be used to get a representative sample size of thirty respondents. The selected respondents will be from top management, production staff, accounts staff and support employees.

DECLARATION.

I MUTUNGI ALVIN, hereby declare that this dissertation was produced out of my own effort and has not been submitted to any other institution for the same award and Uganda Christian University is the first institution to receive this work of Bachelor of Sciences in Accounting and Finance

Signature;

Date;

.....

.....

APPROVAL.

This is to confirm that MUTUNGI ALVIN carried out this research and it is ready for submission for the award of a Bachelor of Science in Accounting and Finance at Uganda Christian University academic board with due respect.

Signed By;

.....

Date;.....

RESEARCH SUPERVISOR

ACKNOWLEDGEMENT.

I would like to extend my appreciation to the almighty God for giving me life, knowledge and always being there for me throughout my studies.

I am thankful to my supervisor Madam Lorraine Akinyi whose encouragement, guidance and dedication from the initial stages of the research enabled me develop an understanding of my work. I am entirely grateful to her for finalizing this and graduating successfully.

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CHAPTER ONE

INRRDUCTION

1.0 Introduction

This chapter presents the background to the study, statement of the problem, objectives of the study, significance of the study. The study will consider costing management and cost methods, as independent variable and the impact of costing methods of used to assist the business organization in the making specific decisions, planning and control requirements as dependent variable.

1.1 Historical Background to the study

Cost accounting, dated back to the ancient times, was one of the oldest managerial tools used to determine the amount of taxes that were taken by kings or used to determine the prices of the products that trading people of antiquity were selling. The trading people of ancient times such as the Chinese, Egyptians and Arabs had accountants in the service of the royal courts, some of whom were experts in the determination of costs (Perren, 1944). According to Perren (1944), In Egypt, 3,000 years before Christ, accountants had to present to the Pharaohs each year a detailed report on the net cost of harvest, so that just taxes on wheat could be levied. The ancient Code of Manu made obligatory the periodical auditing of trading profits by court auditors. In Books VII and VIII of these sacred Laws we find the following two passages: `Merchandising experts will establish the sales price of goods, so that the king may levy 1/20 of the profit thereon' ... `the sales price of merchandise shall be evaluated according to the distance it has travelled, the time it was kept in storage, the expenses connected with it, the time it has to travel to reach its final destination, and the profit that can be anticipated.

Over the years, Cost accounting techniques have been employed in the determination of the prices of products as well as in assisting and facilitating the process of decision making. Although cost accounting has evolved as a result of advancements in production technology, some of its early practices may be stated to be somewhat similar to those that are being used today. The main objective of this study is to examine the historical development of cost and management accounting and the reasons that support this development in the academic literature. A better understanding of the modern cost and management accounting systems which are otherwise referred to as the „traditional“ systems can be achieved if they are properly linked to the past. This was to say that it would be better appreciated if the historical perspective was brought to lime light. However, this study would examine the evolution of the traditional systems by way of describing the various methods of cost allocation, cost drivers as well as their usefulness in the decision making process. This study would also create a link between the old and modern practices in cost and management accounting th

us, providing a guide for researchers and advanced business students in the event of future researches.

1.2 Problem statement

In the highly competitive landscape of manufacturing organizations, effective decision making plays a critical role in ensuring profitability, sustainability and growth (Ittner&Larcker,2001). One crucial aspect of decision making in manufacturing organizations is the selection and utilization of appropriate costing methods. However with a plethora of costing methods available, ranging from traditional costing available such as absorption costing to modern techniques like activity based costing and target costing, manufacturing organizations often face challenges in determining the most suitable costing method for their specific operational and specific needs (Shank, 1989).

The problem lies within the limited empirical evidence and inconsistent findings regarding the effect of different costing methods on decision making within the manufacturing organizations. Although prior research has explored the impact of costing methods on cost estimation, pricing, product mix decisions and overall financial performance, there was a lack of comprehensive studies that directly compared and assessed the effect of various costing methods on decision making process (Gosselin, 1997).

Furthermore, the rapid advancements in technology and increasing complexity of manufacturing processes have introduced new cost drivers and dynamics that traditional costing methods may not adequately capture (Cooper& Kaplan, 1992). As a result, manufacturing organizations may face difficulties in accurately allocating costs, making informed decisions and effectively managing their resources (Kaplan & Anderson, 2007)

Therefore this research aims to investigate and compare the effect of different costing methods on decision making in manufacturing organizations. By analyzing the strengths, weaknesses and suitability of various costing methods, this study seeks to provide valuable insights and practical recommendations to manufacturing organizations for enhancing their decision-making processes and overall operational performance.

Objectives of the study

1.3 Main objective

The general objective of this research study was to study the effect of costing methods on decision making in Mukwano Group of Companies Kampala.

1.4 Specific objectives

1. To find out how traditional costing was applied in decision making in Mukwano Group of Companies.
2. To find out how activity-based costing was applied in decision making in Mukwano Group of Companies.
3. To find out how target costing was applied in decision making in Mukwano Group of Companies.

1.5 Research questions

This study will be guided by the following questions:

1. How is traditional costing applied in decision making in manufacturing organizations?
2. How is activity-based costing applied in decision making in manufacturing organizations?
3. How is target costing applied in decision making in manufacturing organizations?

1.6 Scope of the Study

In the scope of the study, the researcher was focused on the following key areas of the study that is to say; content scope, geographical scope and the time scope.

1.6.1 Content scope

The study was confined to assess the effect of costing methods on decision making in Mukwano Group of companies, to find out how traditional costing was applied in decision making, to find out the application of activity based costing in decision making and how target costing was applied in decision making in Mukwano Group of companies

1.6.2 Time scope

The study will consider data for a period of four years at Mukwano Group of Companies to make logical decisions and advancing on the policy recommendations.

1.6.3 Geographical scope

The study was confined to to Mukwano Group Corporate headquarters located in the heart of the industrial area of Kampala. Mainly the accounts, purchasing, production and stores department will be considered.

1.7 Significance of the study

The research study was to provide useful information to scholars as regards to costing management and the various methods it employs.

To the procurement and stores management, it enabled them determine the level of activity and output of goods produced. High level and identical volume outputs require a costing method which is different from single unit goods produced to meet customers specific requirements.

To the production management, it enabled them determine the time taken in the production of goods. Different products take different amounts of time to be processed into finished goods.it is therefore vital to choose a costing method that suits the time duration of the products.

In further explanation, to the production management, it enabled them to choose the appropriate costing method based on the number of stages and processes the products go through before reaching the final consumer.

To the technical management, it enabled them assess installation and maintenance cost required for systems that are required to capture and analyze production. The costing method to be put in place by the organization may be entirely based on systems used.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter was addressed to review literature pertaining to costing management methods, decision making in companies. This research was guided by the following study themes;

costing management methods, decision making in manufacturing companies and the relationship between costing methods and decision making in manufacturing companies.

2.1 Traditional costing and decision making in organizations

Traditional costing can have a significant impact on decision making in organizations. these costing methods like job costing, process costing allocate costs to products based on the direct labor, direct materials and overheads. While they have been widely used in the past, they may not accurately reflect the true cost of production and can lead to distorted decision making. Here are some ways in which traditional costing methods can affect decision making in organizations;

To begin with Overhead allocation, traditional costing methods often allocate overhead costs based on predetermined allocation bases such as direct labor hours or machine hours. This can result in products that require a higher proportion of overhead costs being under-costed while products with lower overhead requirements are over-costed. As a result, decision makers may prioritize products with lower reported costs even if they are less profitable or have lower demand (Kaplan, R.S& Anderson, S.R, 2007)

Further more product mix decisions, when using traditional costing methods, organizations may not have accurate information on the profitability of individual products. This can lead to suboptimal decisions regarding product mix, as managers may prioritize products that appear to have lower costs but provide less overall contribution to the organizations profitability. Consequently, profitable products may be neglected resulting in missed opportunities for revenue growth. (Cooper, R& Kaplan, R. S, 1992)

To explain more cost reduction controls, traditional costing methods often fail to capture the complexity of modern manufacturing processes, especially in organizations with high levels of automation and diverse product lines. This can make it challenging to identify areas of cost reduction accurately. Decision makers may depend on flawed cost information leading to ineffective cost reduction

initiatives and missed opportunities for improving efficiency. (Johnson, H.T& Kaplan, R.S, 1987)

In conclusion Price decisions, inaccurate cost allocation under the traditional costing methods can result in incorrect pricing decisions. If products are under-costed, their prices may be set too low, leading to missed revenue opportunities. On the other hand, products that are over costed may be priced too high, resulting in reduced competitiveness and potential loss of market share. (Drury, C.2007)

2.2 Activity based costing (ABC) and decision making.

This is a costing methodology that assigns costs to specific activities and then allocates those costs to products, services or customers based on the resources consumed by each activity. ABC provides a more accurate and detailed view of the costs associated with various activities in an organization compared to traditional costing methods such as the traditional volume based costing system. The implementation of ABC can have a significant impact on decision making processes within an organization. Here are some ways in which ABC can affect decision making;

First and foremost Product pricing, ABC provides a more precise understanding of the costs incurred for producing each product and services. This information enables managers to set appropriate prices that reflect the actual costs associated with each product. By incorporating accurate cost data, organizations can avoid underpricing or overpricing their products leading to more informed pricing decisions. (Kaplan& Cooper,1998)

Secondly product mix decisions , ABC helps in evaluating the profitability of different products or services offered by an organization. By identifying the costs associated with each activity, managers can analyze the profitability of individual products or services and make informed decisions regarding their product mix. They can focus on the high profit products or modify or discontinue low profit offerings. (Kaplan& Cooper, 1998)

To add on Process Improvement, ABC provides insights into the cost drivers and activities that consume resources with a process. By identifying the activities that are inefficient or unnecessary, managers can target process improvements and eliminate nonvalue added activities. This information helps in streamlining operations reducing and improving overall efficiency. (Kaplan& Cooper, 1998)

Not forgetting Cost Control, ABC enhances cost control by identifying the activities that incur significant costs. Managers can monitor these cost drivers and take actions to manage and reduce costs associated with them. By understanding the underlying causes of costs, organizations can implement effective cost control measures and optimize resource allocation. (Kaplan& Cooper, 1998)

Further-more Customer Profitability Analysis, ABC enables organizations to evaluate the profitability of individual customers or customer segments. By assigning costs based on the activities consumed by each customer, managers can identify the most and least profitable customers. This information helps in making decisions related to customer retention, pricing strategies and resource allocation to maximize overall profitability. (Kaplan & Cooper, 1998)

2.3 Target costing and decision making in organizations

This is a strategic cost management technique used by organizations to set prices based on the desired profit margins while considering customer preferences and market conditions. It involves analyzing the costs of a product or service during the design and development phase to meet a predetermined target cost. By adopting target costing , organizations can make informed decisions about product design, pricing and profitability. Here are some ways in which target costing affects decision making in organizations;

To begin with Design Decisions, target costing encourages cross functional collaboration between design, engineering and cost accounting teams. The focus is on designing products that meet customer needs while minimizing costs. Design decisions are made with cost implications in mind, ensuring that the final product can be produced within the target cost. By considering costs early in the design process, organizations can avoid costly redesigns and optimize resource allocation. (Cooper, R& Slagmulder, R, 2003)

To further explain Cost Reduction, target costing encourages organizations to identify cost reduction opportunities throughout the product lifecycle. Teams analyze each component and process to identify areas where costs can be reduced without compromising the quality or customer value. Costs reduction initiatives may involve redesigning components, sourcing cheaper materials or streamlining production processes. These decisions are driven by the target cost and the desired profit margin. (Cooper, R. & Slagmulder, R. 2003)

Further more Pricing decisions, target costing directly influences pricing decisions. Once the target cost is determined, organizations calculate the selling prices by adding the desired profit margin. This approach ensures that the selling price is competitive in the market while covering costs and generating the desired profits. Pricing decisions are based on a thorough understanding of customer preferences, market dynamics and the cost structure determined through target costing. (Cooper, R. & Slagmulder, R. 2003)

Additionally Supplier selection, organizations practicing target costing carefully select suppliers based on their ability to provide components and materials at the desired cost. The procurement process involves evaluating supplier proposals, negotiating prices and considering the overall cost impact on the target cost.

Suppliers who can offer competitive prices without compromising quality and delivery timelines are preferred. Supplier selection decisions are driven by the need to achieve the target cost and maintain profitability. (Gunasekaran, A. & Yusuf, Y.Y 2002)

In conclusion Continuous Improvement, target costing fosters a culture of continuous improvement within organizations. By regularly evaluating the actual costs against target costs, organizations can identify areas where cost reduction initiatives can be implemented. The feedback loop between cost accounting, design and production teams helps refine the target cost for future products. Decision making is driven by the objective of continually improving efficiency and profitability. (Innes, J, Mitchell, F, & Sinclair, D. 2000)

2.4 Decision making in an organization

First introduced by Herbert A Simon in 1978, there is a theory on decision making which implies that; Decision making is a theory of how rational individuals should behave under risk and uncertainty. It is the process of adopting and application of rational choice for the management of a private, business or government organization in an efficient manner. The theory argues that making a decision is choosing between alternative courses of action. This theory also considers psychological aspects that economists overlooked. Internal factors such as stress and motivation limit individual capacity to solve complex problems. Decisions are based on bounded rationality- humans behave differently when there are risks and uncertainties involved. At the core of this theory lies satisficing and sufficing. It suggests pursuing objectives that involve minimum risk instead of focusing on maximizing profits.

Decision making modules

Decision making modules are algorithms or systems designed to aid in the process of making decisions by providing structured approaches and frameworks. Here

Cost volume profit analysis

This was a managerial accounting technique that examined the relationships between costs, volume, and profit to make informed business decisions.it helps businesses understand how changes in sales volume, costs and prices affect their profitability. (Warren, C.S, Reeve, J.M & Duchac, J)

Incremental analysis

This is also known as differential analysis which is a decision-making tool that involves analyzing the financial impact of a specific decision or course of action by

comparing the relevant costs and benefits associated with the alternatives under consideration such as relevant costs, opportunity cost, sunk costs and incremental revenues. (Garrison, R.H, Noreen, E.W,& Brewer , P.C)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research methodology that was used in the research study. These include research design, area of study, target population, sample size, sampling technique, sources of data, measurement levels, data collection methods, data collection instruments, procedure of data collection, data quality control, data presentation and analysis and ethical consideration

3.1 Research Design

This study used a cross-sectional survey research design where data from respondents was collected at a single point in time without repetition from the representative population. The design is chosen because of being economical to conduct in terms of time (Patrik & Ugo, 2019). It was also used because it helped the researcher to capture information based on data gathered for a specific point in time. More so, through the use of the cross-sectional research design, the research findings helped in removing assumptions and replaced them with actual data on the specific variables studied during the time period accounted for. The researcher opted to use a case study to explain the effect of costing methods have on the decision-making process. Case study research approach was selected because different categories of respondents will be studied such as the procurement and store management team, technical management responsible for all the technology and maintenance, production management team responsible for production of goods and the accounting team responsible for financing of inputs and costs related to production. The qualitative data will be collected through interviews, observations, use of questionnaires.

3.2 Study Population.

Considering that Mukwano Group of companies is a big establishment, the study population is 90 however the sample size is 30 members. The target population as Sekaran (2013) defines population as the entire group of people, events or things that a researcher wishes to investigate. During this study, the researcher will establish the population considering top management, production staff, accounts

staff, procurement staff and technical employees; all will be selected and used in order to obtain reliable and valid information. They will be interviewed so as to get variety of views so as to make the study findings more reliable and comprehensive.

Sample size

A sample is a section of the wider population that was engaged in the survey (Stuart,2006). According to Creswel (2012), a sample is a subgroup which is representative of the target population from whom findings can be generalized about the population. Therefore sample size was determined by the sample calculation formula by Taro Yamanes(1970) formula as follows;

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

“n” is sample size , N is population, e is error (00.5) or level of confidence.

“N” (population)= 90registered

$$n=90/1+90(0.05)^2$$

$$n=90/1+90(0.025)^2$$

$$n=90/ 1+2.25$$

$$n=90/3.25$$

$$n=28$$

Sampling Selection

The sampling methods provide information required about the selection of the samples. It also provides a detailed foundation where the research sample can be drawn, and for a population that is enough for a high-quality selection of the participants (Lewis and Ritchie, 2003). The study will base on purposive sampling which is a sampling technique in which the conscious selection by the researcher of certain people to include in a study. Participants are selected because they have particular characteristics that are of interest to the researcher.

3.4 Data collection method

The study used mostly primary data which was collected from the organization and secondary studies to interpret and explain the findings

3.41 Primary Source

Primary data are important for all areas of research because they are accurate information about the results of an experiment or observation. Primary data from the field was obtained through questionnaires to selected respondents in order to get their opinions. Primary data helped the researcher in collecting information for the specific purposes of their study. The researcher collected the data herself, using questionnaires. Secondary data refers to handling, collecting and possibly processing data by people other than the researcher in question. For the purposes of a historical research project, secondary sources are generally scholarly books and articles. This source was used to collect data from already written literature for example e-books, journals, published articles and periodicals. Documentary resources are classified in order to facilitate the data collection and textual analysis (Mubazi 2008).

3.5 Data collection tools.

The study will use questionnaires as data collection instrument.

3.5.1 Questionnaire

A questionnaire survey is a research method for collecting information from respondents using standardized questionnaires (Mugenda & Mugenda, 2003). This method involved collecting information from a sample of respondents from the employees of Mukwano Group of companies in a systematic way. A questionnaire survey was used because it provides a high level of general capability in representing a large population.. Because of the high representativeness brought about by the questionnaire survey method, it is often easier to find statistically significant results than other data gathering methods. Questionnaire survey was also used for these categories of respondents to save on time because their number is big to interview (Amin, 2005).

3.6 Validity

Validity in a study concerns the accuracy and trustfulness of findings. Reliability is concerned with consistence of the measuring instrument. According to Cohen,

Manion and Keith (2007), Validity is ensured by; choosing an appropriate scale, ensuring that there are adequate resources for the required research to be undertaken, selecting an appropriate methodology for ensuring the research questions, avoiding having too long or too short an interval between pre-test and post-test, ensuring standardized procedures for gathering data or for information administering tests, and tailoring the instruments to the concentration span of the respondents. Validity was done in order to find out whether the questions were capable of capturing the intended data. Experts in research reviewed the questions to see whether they were capable of capturing the intended response.

3.7 Reliability

Mugenda and Mugenda (2003) defined reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the questionnaire instrument was assessed using Cronbach's coefficient alpha. A pilot study was carried out on 10 respondents and the reliability results were computed using the Statistical Package for the Social Sciences (SPSS).

3.8. Ethical considerations.

In the context of research, ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by its findings (Saunders, Lewis, & Thornhill, 2009). This means that researcher ensured that research design is both methodologically sound and morally defensible to all those who are involved. The researcher ensured that respondents are not coerced into participating in research, also the respondents were fully informed about the procedures and risks involved in research and gave their consent to participate, the researcher did not put the participants in a situation where they might be at risk of harm as a result of their participation.

3.9 Data presentation and analysis.

Data analysis was done with the aid of the package (SPSS) which besides being user friendly, is appropriate for handling the correlations between the variables plus regressions in the study. All variables were assigned with names and coded for computer entry. Secondly all the responses were coded to facilitate computer data in-put. Thirdly, after data entry was completed, negatively worded scales were recorded and assigned with new values. Fourthly, in order to get composite scores

for items on a scale, target variables were computed. Fifthly, data was screened in order to minimize data entry errors.

A sample of Questionnaire to be used in the research study.

Dear respondent,

MUTUNGI ALVIN is a student of Uganda Christian University carrying out an academic research on the topic “The effect of Costing Methods on decision making in manufacturing organizations ”, as part of the requirement for partial fulfilment for the award of the degree of Bachelor of Science in Accounting and Finance at Uganda Christian University. We therefore humbly request you to spare a few minutes of your time and fill in this questionnaire. Please do note that whatever information you will provide here will be strictly for academic purposes and will be treated with utmost confidentiality.

GENERAL INFORMATION

Gender

male;

female;

years of experience in manufacturing industry;

1- 5 years.

6- 10 years

10-15 years

1.What type of costing method does the organization primarily use?

activity based costing	<input type="checkbox"/>
target costing	<input type="checkbox"/>
traditional costing	<input type="checkbox"/>

2. . How frequent does your organization review the chosen costing method?

Daily	<input type="checkbox"/>
Weekly	<input type="checkbox"/>

Monthly	
Quarterly	
Annually	

3. How often do you and your team make significant decisions based on the costing methods?

Very often	
Often	
Sometimes	
Rarely	
Never	

SECTION B; TRADITIONAL COSTING METHODS.

Direction: Under the following sections, please tick according to your level of agreement.

1. Agree
2. Strongly agree
3. Disagree
4. Strongly disagree
5. neutral

Please evaluate the statement by ticking in the box with the number that best suits you.

No.	Details	1	2	3	4	5
1	Mukwano Group of companies uses traditional costing methods					
2	Traditional costing methods play a crucial role in enhancing efficiency and effectiveness of decision making.					
3	Traditional costing is essential for overhead allocation and product mix decisions.					
4	The integration of traditional costing methods enables easy decision making on product pricing and cost reduction initiatives.					
5	The adoption of traditional costing methods has enabled the organization to meet the demands of its customer base.					

SECTION C; ACTIVITY BASED COSTING.

Direction: Under the following sections, please tick according to your level of agreement.

1. Agree
2. Strongly agree
3. Disagree
4. Strongly disagree
5. neutral

Please evaluate the statement by ticking in the box with the number that best suits you.

No	Details	1	2	3	4	5
1	How familiar are you with the use of activity based costing methods in the organization					
2	Activity based costing is essential in the process improvement of products from Mukwano Group of Companies					
3	The use of cost drivers is very crucial in implementing of cost controls in the organization					
4	How well does activity based costing system support the information needs of the decision makers in the organization?					
5	Is Activity based helpful in the analysis of customer profitability index					
6	How well does activity based costing support product mix decisions of the organization.					

SECTION D; TARGET COSTING.

Direction: Under the following sections, please tick according to your level of agreement.

1. Agree
2. Strongly agree
3. Disagree
4. Strongly disagree
5. neutral

Please evaluate the statement by ticking in the box with the number that best suits you.

No	Details	1	2	3	4	5
1	Target costing is considered highly					

	efficient in product design decisions in the organization					
2	The adoption of target costing techniques has enabled the organization in determining efficient suppliers for materials needed for production					
3	Target costing has provided the organization with avenues for continuous improvement of their products					
4	Target costing is essential in continuous improvement of products through evaluating the actual costs incurred against target cost.					
5	Target costing is important in making pricing decisions of products in organization.					

CHAPTER FOUR.

PRESENTATIONS, INTERPRETATIONS AND DISCUSSIONS

4.0 Introduction.

This chapter presents the analysis and interpretation of the research findings; the findings were based on the primary data collected from the field with the aid of the self-administered questionnaires. It also presents the demographic characteristics of respondents who participated in the study. The data was interpreted with the aid of computer software known as statistical package for social sciences (SPSS) and summarized in the frequency tables where the pie charts and bar graphs were used to illustrate the level of responses.

4.1 Findings on the Bio data of the respondents.

The background information of the respondents solicited data on the samples and this has been presented below categorized into; gender, years of experience in the organization, department, the type of costing method they consider used in the organization, the frequency of the review of costing method and how it has influenced decision making in the organization.

GENDER

	Frequency	Percent	Valid Percent	Cumulative Percent
MALE	16	53.3	53.3	53.3
Valid FEMALE	14	46.7	46.7	100.0
Total	30	100.0	100.0	

Source; Primary data

From the above figure it is realized that 16 (53.3%) of the respondents were male and 14 (46.7%) were female. This indicated that majority of the respondents who work in Mukwano Group of Companies are males and this implies that output is high since males are considered to be stronger, most of the work is manual labor and involves lifting either by workers or forklifts. The two sex groups were considered for the study in order to get a balanced discussion from the respondents.

4.2 Findings on the costing methods used by the organization.

COSTING METHOD					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	ACTIVITY BASED COSTING	7	23.3	23.3	23.3
	TARGET COSTING	16	53.3	53.3	76.7
	TRADITIONAL COSTING	7	23.3	23.3	100.0
	Total	30	100.0	100.0	

Source; Primary source.

From the above table, it shows that most respondents concluded that the organization uses target costing as its method of pricing goods and services which is at 16(53.3%) followed by activity based and traditional costing methods. Target costing is a cost management technique used by organizations to set prices based on the desired profit margins while considering customer preference and market conditions.

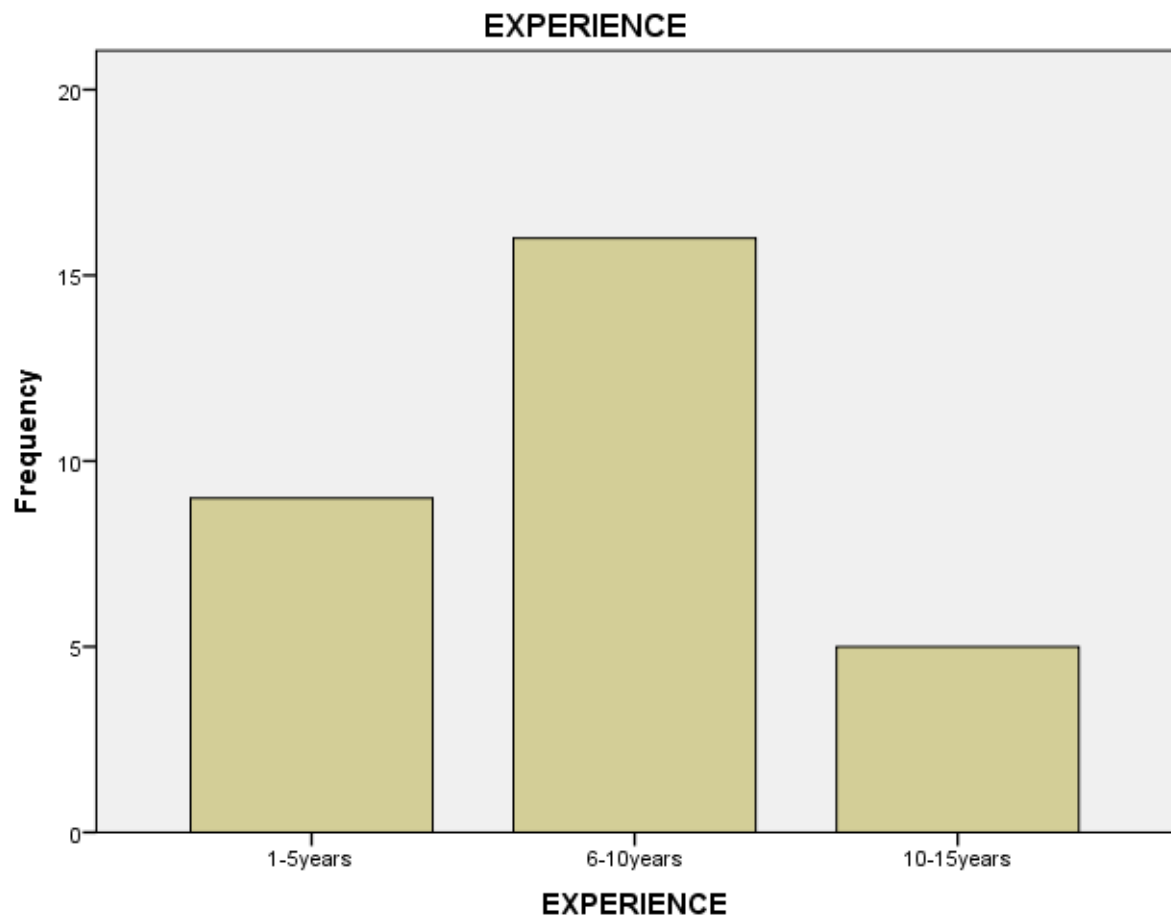
4.3 findings about the years of experience of employees in Mukwano Group of Companies.

EXPERIENCE					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1-5years	9	30.0	30.0	30.0
	6-10years	16	53.3	53.3	83.3
	10-15years	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

Source; Primary data

From the above table, it shows that most of the respondents were people who have been in the organization for 6-10years having a percentage of 53.3%, followed thus it is safe to assume that these are more people who are more knowledgeable and well versed with the decisions and costing methods used by the organization. The respondents who have been in the organization for 1-5years having a percentage of 30% and the last is 10-15 with 16.7%. the people following in the last category were the employees who weren't easily accessible due to the sensitivity

of their work and schedules. This is also illustrated by the bar graph portrayed below.



Source; Primary data

4.4 findings about the use of costing methods, review frequency and the decision criteria(how often they base on costing methods to make decisions)

Statistics

		COSTING METHOD	REVIEW FREQUENCY	DECISION CRITERIA
N	Valid	30	30	30
	Missing	0	0	0
Mean		2.00	2.73	2.57
Median		2.00	3.00	3.00
Mode		2	2	3
Std. Deviation		.695	1.172	1.073
Variance		.483	1.375	1.151
Range		2	4	4
Minimum		1	1	1
Maximum		3	5	5

Source; primary data

From the above table it indicates that costing methods has a lower standard deviation of 695 compared to Review frequency which has a standard deviation the highest standard deviation of 1.172 and lastly decision criteria having 1.073 which suggests consistency and uniformity in the way costing methods are applied in the organization.

Variance of costing methods shows that costing methods have the least variability which means that there is less spread in the values of cost methods compared to review frequency and decision criteria.

4.5 Inferential findings

The study was mainly guided by the following research objectives;

1. To find out how traditional costing is applied in decision making in Mukwano Group of Companies.
2. To find out how activity-based costing is applied in decision making in Mukwano Group of Companies.
3. To find out how target costing is applied in decision making in Mukwano Group of Companies.

Objectives 1, 2 and 3 were assessed by calculating descriptive statistics mainly standard deviation, mean and median.

4.5.1 To find out how traditional costing is applied in decision making in Mukwano Group of companies.

TRADITIONAL COSTING Q1

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	2	6.7	6.7	6.7
STRONGLY AGREE	5	16.7	16.7	23.3
DISAGREE	5	16.7	16.7	40.0
Valid STRONGLY DISAGREE	5	16.7	16.7	56.7
NEUTRAL	13	43.3	43.3	100.0
Total	30	100.0	100.0	

Source; primary data

From the above table, it shows that the highest number of respondents 13(43.3%) answered **Neutral** that Mukwano Group of companies uses traditional costing methods in decision making. The second group of respondents were equally divided between the answers of **Strongly Agree, Disagree and Strongly Disagree** each having 5(16.7%) and finally the least respondents answered with **Agree 2 (6.7%)**

TRADITIONAL COSTING Q2

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	2	6.7	6.7	6.7
STRONGLY AGREE	6	20.0	20.0	26.7
DISAGREE	3	10.0	10.0	36.7
Valid STRONGLY DISAGREE	11	36.7	36.7	73.3
NEUTRAL	8	26.7	26.7	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table it shows that majority of the respondents Strongly Disagree that Traditional Costing methods play a crucial role in enhancing efficiency and effectiveness of decision making. They registered 11 (36.7%), followed by respondents who were Neutral having 8 (26.7%), Strongly Agree having 6 (20%) and the last is Agree having 2 (6.7%)

TRADITIONAL COSTING Q3

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	1	3.3	3.3	3.3
STRONGLY AGREE	3	10.0	10.0	13.3
DISAGREE	19	63.3	63.3	76.7
Valid STRONGLY DISAGREE	3	10.0	10.0	86.7
NEUTRAL	4	13.3	13.3	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table, the highest number of respondents Disagree that Traditional Costing is essential for overhead allocation and product mix decisions having 19 (63.3%), followed by Neutral having 4 (13.3%), next is Strongly Disagree and Strongly Agree having 3 (10%) finally Agree having 1 (3.3%).

TRADITIONAL COSTINGQ4

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	4	13.3	13.3	13.3
STRONGLY AGREE	11	36.7	36.7	50.0
DISAGREE	10	33.3	33.3	83.3
Valid STRONGLY DISAGREE	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Source; Primary Data.

From the above table, the highest number of respondents answered Strongly Agree having 11 (36.7%) that The integration of traditional costing methods enables easy decision making on product pricing and cost reduction initiatives, the second highest number of respondents answered Disagree having 10 (33.3%), the third is Strongly Disagree having 5 (16.7%) and finally Agree having 4 (13.3%).

TRADITIONAL COSTING Q5

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	2	6.7	6.7	6.7
STRONGLY AGREE	7	23.3	23.3	30.0
DISAGREE	2	6.7	6.7	36.7
Valid STRONGLY DISAGREE	8	26.7	26.7	63.3
NEUTRAL	11	36.7	36.7	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table, the highest number of respondents answered Neutral having 11 (36.7%) to The adoption of Traditional costing methods has enabled the organization to meet the demands of the customer base. The second answered Strongly Disagree having 8 (26.7%) while the third answered in Strongly Agree having 7 (23.3%) while the least answered Agree 2 (6.7%)

Statistics

	DECISION CRITERIA	TRADITIONAL COSTING Q1	TRADITIONAL COSTING Q2	TRADITIONAL COSTING Q3	TRADITIONAL COSTING Q4	TRADITIONAL COSTING Q5
N Valid	30	30	30	30	30	30
Missing	0	0	0	0	0	0
Mean	2.57	3.73	3.57	3.20	2.53	3.63
Median	3.00	4.00	4.00	3.00	2.50	4.00
Std. Deviation	1.073	1.363	1.278	.925	.937	1.377

Source; Primary data.

From the above table, the mean of question 1 indicates that the decision criteria is higher question 2 , the median indicates that there is skewed distribution of data and the standard deviation indicates moderate variability. For question 3 the mean is higher than question 4 thus showing high decision criteria, the median shows skewed distribution of data and in question 3 there is low variability while in question 4 there is moderate variability.

4.5.2. To find out how activity-based costing is applied in decision making in Mukwano Group of Companies.

ACTIVITY BASED COSTING Q1

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	6	20.0	20.0	20.0
Valid STRONGLY AGREE	17	56.7	56.7	76.7
DISAGREE	7	23.3	23.3	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table, it shows that the highest number of respondents answered Strongly Agree 17(56.7%) to How familiar are you with the use of activity based methods in the organization. The second class of respondents answered Disagree 7 (23.3%) and finally the last class of respondents answered 6 (20%).

ACTIVITY BASED COSTING Q2

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	5	16.7	16.7	16.7
Valid STRONGLY AGREE	7	23.3	23.3	40.0
DISAGREE	17	56.7	56.7	96.7
STRONGLY DISAGREE	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source; primary data

From the above table, it shows that the highest number of respondents answered Disagree having 17 (56.7%) to Activity based costing is essential in the process improvement of products. The second highest class of respondents answered Strongly agree having 7 (23.3%), while the third class answered Agree having 5 (16.7%) and finally the last class of respondents answered Strongly Agree having 1 (3.3%).

ACTIVITY BASED COSTING Q3

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid AGREE	14	46.7	46.7	46.7
Valid STRONGLY AGREE	14	46.7	46.7	93.3
Valid DISAGREE	1	3.3	3.3	96.7
Valid STRONGLY DISAGREE	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the table above, the highest classes of respondents to the question “The use of cost drivers is very crucial in implementing of cost controls in organizations” were in Agree and Strongly Agree having 14 (46.7%) while least classes were Disagree and Strongly Disagree having 1 (3.3%)

ACTIVITY BASED COSTING Q4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid AGREE	3	10.0	10.0	10.0
Valid DISAGREE	9	30.0	30.0	40.0
Valid STRONGLY DISAGREE	15	50.0	50.0	90.0
Valid NEUTRAL	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the table above, the highest number of respondents answered Strongly Disagree having 15 (50%) to the question “How well does activity based costing system support the information needs of the decision makers in the organization” followed by Disagree having 9 (30%) and finally Agree and Neutral having 3 (10%).

ACTIVITY BASED COSTING Q5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid AGREE	6	20.0	20.0	20.0
STRONGLY AGREE	19	63.3	63.3	83.3
DISAGREE	4	13.3	13.3	96.7
STRONGLY DISAGREE	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source; Primary data

From the above table, it shows that the highest number of respondents answered Strongly Agree having 19(63.3%) to the question “Is Activity based costing helpful in analysis of customer profitability index” followed by Agree having 6 (20%) then Disagree having 4 (13.3%) finally Strongly Disagree having 1 (3.3%).

ACTIVITY BASED COSTING Q6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid AGREE	1	3.3	3.3	3.3
STRONGLY AGREE	3	10.0	10.0	13.3
DISAGREE	17	56.7	56.7	70.0
STRONGLY DISAGREE	3	10.0	10.0	80.0
NEUTRAL	6	20.0	20.0	100.0
Total	30	100.0	100.0	

Source; Primary Data.

From the above table, it shows the highest number of respondents answered Disagree having 17 (56.7%) to the question “How well does activity based costing support product mix decisions of the organization” the second class answered Neutral having 6 (20%) followed by Strongly Agree and Strongly Disagree having 3 (10%) finally Agree having 1 (3.3%).

4.5.3 To find out how target costing is applied in decision making in Mukwano Group of Companies.

TARGET COSTING Q1

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	8	26.7	26.7	26.7
STRONGLY AGREE	19	63.3	63.3	90.0
DISAGREE	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Source; Primary data

From the table above, it shows highest number of respondents answered Strongly Agree having 19 (63.3%) to the question Target costing is considered highly efficient in product design decisions in the organization, followed by Agree having 8 (26.7%) and finally Disagree having 3 (10%).

TARGET COSTING Q2

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	5	16.7	16.7	16.7
STRONGLY AGREE	8	26.7	26.7	43.3
DISAGREE	12	40.0	40.0	83.3
STRONGLY DISAGREE	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Source; Primary Data.

From the table above, it shows that the highest number of respondents answered Disagree to the question “the adoption of target costing techniques has enabled the organization in determining efficient suppliers for materials needed for production”. The second class of respondents answered Strongly Agree having 8 (26.7%) and finally the remaining respondents answered Agree and Strongly Disagree having 5 (16.7%).

TARGET COSTING Q3

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	8	26.7	26.7	26.7
STRONGLY AGREE	14	46.7	46.7	73.3
DISAGREE	8	26.7	26.7	100.0
Total	30	100.0	100.0	

Source; Primary Data.

From the above table, it shows that the highest number of respondents answered Strongly Agree having 14 (46.7%) to the question “Target costing has provided the organization with avenues for continuous improvement of their products” and the remaining respondents answered Agree and Disagree each having 8 (26.7%).

TARGET COSTING Q4

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	17	56.7	56.7	56.7
STRONGLY AGREE	9	30.0	30.0	86.7
DISAGREE	4	13.3	13.3	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table, it shows that the highest number of respondents answered Agree having 17 (56.7) to the question “Target costing is essential in continuous improvement of products through evaluating the actual costs incurred against target cost.” The second class of respondents answered Strongly Agree having 9 (30%) and finally the remaining answered Disagree 4 (13.3%).

TARGET COSTING Q5

	Frequency	Percent	Valid Percent	Cumulative Percent
AGREE	9	30.0	30.0	30.0
STRONGLY AGREE	7	23.3	23.3	53.3
DISAGREE	14	46.7	46.7	100.0
Total	30	100.0	100.0	

Source; Primary data.

From the above table, it shows the highest number of respondents answered Disagree having 14 (46.7%) to the question “Target costing is important in making pricing decisions of products in organizations” followed by Agree having 9 (30%) and finally Strongly Agree having 7 (23.3%).

Statistics

		DECISION CRITERIA	TARGET COSTING Q1	TARGET COSTING Q2	TARGET COSTING Q3	TARGET COSTING Q4	TARGET COSTING Q5
N	Valid	30	30	30	30	30	30
	Missing	0	0	0	0	0	0
Mean		2.57	1.83	2.57	2.00	1.57	2.17
Median		3.00	2.00	3.00	2.00	1.00	2.00
Std. Deviation		1.073	.592	.971	.743	.728	.874

Source; Primary data.

From the above table, it shows that the traditional costing question 2 has a high mean score compared to question 1, 3,4,5 thus suggesting that the decision criteria was higher during that time than in the other periods. Question 1 and question 4 have the lowest mean scores thus suggesting that the decision criteria was lower during that period.

The standard deviation indicates that the degree of variability in the data sets between the five questions against decision criteria. Question 2 and question 5 have higher standard deviation thus indicating higher variability and spread in distribution compared to question 1, 3, and 4.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This is the final chapter of the research study which gives the summary of findings, the discussions, conclusions and recommendations of the study based on the objectives of the study.

5.1 Summary of data interpretation and findings

The study found out that the manufacturing firms adopted costing methods and techniques and these have a significant impact on the decisions made within the organization. From the results, it shows that different costing methods come with different advantages when applied in the organization as such there is consistency with the use of the different costing methods used. According to Hussein H. Hamood, Normah Omar, Suzana Sulaiman (2011) advocates that the adoption of advanced management accounting techniques have been seen by IFACs (1998) evolution framework as a shift towards creating value as well as for providing timely and relevant information necessary for decision making. Further more companies seek to formulate a strategy that works as a guide towards achieving the important indicators of global competition in providing services and goods such as cost reduction, quality control, continuous improvement and success all of which are embodied as goals in the modern accounting techniques such as Activity based, target costing and traditional costing methods.

From the above study one is able to assess the advantages of applying a particular costing method and how it impacts on the decision making in organizations. The study revealed that integration of traditional costing methods enables easy decision making on product pricing and cost reduction initiatives in organization. This had a 36.7% response in strong agreement. This goes to show that the organization employees traditional methods in order to price products as well as also reducing on the costs incurred in production.

The study also revealed that Mukwano Group of companies employees are highly familiar with the use of and importance of Activity based costing. It had a high response of 56.7% which is half the number of respondents in the sample size as well as it is highly efficient in the implementation of cost controls in the organization. This was responded to by 46.7% of the sample size.

This is quite similar to a study by Gregory Wegmann (2011) who wrote that the ABC method is the most popular and modern management accounting method for the two decades 80s and 90s. This is further defended by the advantages since it derives more accurate product costs which management can utilize for effective decisions on product mix and pricing. The company can identify the profitability of the products after a proper cost allocation. It comes with a wider comprehension of the associated cost drivers. It assists the management in deciding on capital investments, especially on new technologies. The company may switch to a flexible budget. The product designers can evaluate alternative courses of action to cut down on costs. The primary output of the ABC system can help management analyze profitability by looking at customers, distribution channels, brands. (Reyhanoglu 2004).

The study also revealed that the use of Target costing methods is essential in the continuous improvement of products through evaluation of actual costs incurred against target cost. This also registered the highest percentage of response which was 56.7%.

The study also revealed that Target costing is highly effective in product design decisions. It registered a high percentage of 19 (63.3%).

This is similar to the study by (Horngren, 2006) which looks at the Target cost for the estimation of unit price of a single unit, of the product that calls for disciplined estimation to the cost of the components or related parts in each unit of product or service, the company uses it to achieve the target operating income per unit when it is sold by target price the target cost for the unit cost of the product is considered an important cost which must be achieved through the stages of the product life cycle.

5.2 CONCLUSION

In regards to the effect of costing methods on decision making in manufacturing organizations, it was discovered that there was an overall positive effect of the Target costing on decision making due to its ability to enable the company to maintain and reach profit goals while also marketing products at a lower price compared to competitors. Operating in accordance with market change is a suitable model for organisations in a competitive market. It enables organisations

to achieve some control over their market positioning through cost reduction and cost management.

Additional the use of activity based in decision making in organization considering that it is essential in assigning of overhead costs Instead of assigning an equal value to all products, you can distribute the necessary budget in each area when using activity-based costing. Some products may be costlier to produce, depending on their indirect costs. This can also help with allocating costs that apply to more than one pool of manufacturing products, which can make resources more valuable and properly utilized.

To add on Traditional costing methods aren't widely applied or included in decision making and production in the manufacturing companies. This is simply because traditional costing system arbitrarily allocates indirect costs which is a base when used doesn't give accurate costs. it cannot effectively provide managers with accurate product cost information which means that accurate calculation of product profitability isn't possible. Traditional costing overhead rates are calculated using mostly direct labor hours, machine hours which doesn't favor accountability.

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Research Review on Activity Based Costing System(ABC); ABCs Development, Applications, Challenges and Benefits

The impact of Target cost method to strengthen the competitiveness of Industrial Companies.