THE ROLE OF MANAGEMENT ACCOUNTANT TO COST CONTROL AND PROFIT PERFORMANCE IN AN ORGANIZATION
(A CASE STUDY OF INNOSON NIGERIA LIMITED ENUGU)

BY

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ACC/2009/536

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APPROVAL PAGE

The project topic on the role of Management Accountant to cost control and profit performance in an organization is approved in the partial fulfilment for the award of B.Sc Degree in accountancy of caritas university, Enugu.

MR DESMOND OBANI Project Supervisor	DATE
DR. FRANK E. OVUTE H.O.D	DATE
EXTERNAL SUPERVISOR	DATE

CERTIFICATION

I NWAFOR LUCY CHINEMEREM, an undergraduate of Accountancy with Registration number ACC/2009/536, have satisfactorily completed the requirement for a Bachelor of Science Degree in Accountancy. I certify that this work is originally done and has not been submitted either partially or wholly for any other Diploma or Degree in this or any other institution.

_________________________ ______________

MR DESMOND OBANI DATE

Project Supervisor

_________________________ ______________

DR. FRANK E. OVUTE DATE

H.O.D

DEDICATION

This research is dedicated to the almighty God, God the son, God the Holy Spirit who made me what I am today, and to the blessed mother Mary for her fervent intercession

ACKNOWLEDGMENT

I must acknowledge and express my gratitude to all those who contributed in one way or the other to bring about the fulfilment of this research work. First and foremost, my unfailing gratitude goes to God almighty, the sole owner of my life who never failed me and will never fail, to him alone will glory be forever. I humbly appreciate my supervisor Mr. Desmond Obani and my former supervisor Mr Nsoke P.U for their support, my H.O.D Dr Frank Ovute and my wonderful lecturers; Mr Enekwke Chinedu, Mr Ugwu James, Agu C.I, Prof Nwadialor E.O, Mr Ezeamama Martin whose assistance and encouragement cannot be denied.

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ABSTRACT

Accountants have been bestowed with the role of providing information to the management regarding the affairs of the organization in particular and to the stakeholders in general. Internally, in manufacturing organization, management has always relied on the management accountant for cost evaluation and performance efficiencies of cost element. This role of management accountant to the management has been in doubt because of incessant increase in the cost elements of goods manufactured in Nigeria which in cause has resulted in constant increase in the price of goods. The aim of this research study is to evaluate the role of management accountant to cost control and profit performance in an organization. a quasi-experimental research design was adopted for this research study and the sample size was selected using the Taro Yamane sampling technique. Primary and secondary sources of data were used in collecting information which was analyzed using simple percentages. The hypothesis was tested using chi- square statistical method at 0.05 level of significance for validity and decision making. The findings from the analysis of the research study depicts that organizational strategic managers should rely on management accountant information for decision making. Management of any manufacturing company cannot make profitable decision without quality information. The researcher can confidently conclude based on the findings that the availability of skilled, knowledgeable and informative management accountant in an organizational profit performance promotes productivity. Therefore, this research work recommends that management accountants should provide information on time so as to hasten up in making vital decision because undue delay in decision making will definitely undermine the firms’ goal of profit maximization. Also, it recommends that adequate exposure should be given to management accountants through training programmes, appraisal and evaluation of seminars in order to acquaint them with the new technologies in vogue and keep pace with new knowledge.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Prices of goods and services are gradually increasing day by day, and due to the fact that the sole aim of a businessman, producer or manufacturer is to make profit they end up making use of low quality materials for production so as to reduce cost of production and maximize profit. Moreover, with the increase of competitors around, most of the producers have thought it wise to manufacture or package a quality product and also enhance their profit level. This elevated the interest of the researcher to bring to light of how this goal can be achieved through intensive study of the role of management accountants to cost control and profit performance in an organization. Apart from cooperate scandals; there has been anosmatic pressure for better profit maximization as the business environment became more volatile, prices of products increasing at an alarming rate, and the production of low quality products.

In the past management accountants operation is strictly on workers capacity usually separated from the managers for whom they provided reports and information. But in this present period, management accountant now serve as internal business consultants. Working together in cross functional teams with managers from all sectors of the organization.

However, the management face a broad array of decisions including production, marketing, financial and other relevant decisions. Also having in mind that decision making is a fundamental part of management; the management accountant must be equipped with some knowledge of accounts and management. He must have an understanding and knowledge of the environment and the operations of the organization in which those systems are implemented and appropriate technology to apply in each case for the provision of management information. It is obvious that the management of a manufacturing firm will need information that will enable them consider the factors affecting cost of production, cost reduction, product pricing and investment etc, so as to choose the best alternative.

1.2 STATEMENT OF THE PROBLEM

In recent years, the cost of products manufactured in Nigeria has been very expensive beyond the reach of common Nigerians. This cost challenges has made many products manufactured in the country unpatronized by the consumers, and as a result of that expires in the hands of the sellers. There is also a problem of poor inventory management which leads to overstocking thereby tying down the company's working capital. Another problem facing some or most of the manufacturing firm is the installation of improper plan to reduce cost of production so as to maximize profit, i.e. (making use of low quality raw material).

Management accountants are assigned with managing cost elements of products among other responsibilities. He aligns cost with efficiency; provide required information for cost minimization so that profit could be maximized. These assignments should reduce product pricing, but instead there have been a consistent product price racketing. These problems therefore brought the need for this research work which intends to find the reason for this persistent increase in product pricing where the services of management accountants were engaged and therefore putting up the following questions:

Do management accountants perform in their responsibility?

Is cost performance inefficiencies of management accountants included in the product pricing?

Is the recent in price caused by other factors rather than elements of cost of production managed by management accountants?

How would the role of management accountant in an organization improve profit performance?

1.3 OBJECTIVES OF THE STUDY

1 To determine the relevance of management accountant in an organizational internal cost performance efficiency.

2 to ascertain whether the resent increase in cost of products manufactured in Nigeria is caused by other factors rather than management inefficiency.

3 To ascertain if organizational strategic managers should rely on management accountant information for decision making.

4 To make recommendations based on the findings.

1.4 RESEARCH QUESTIONS

To what extent is management accountant still relevant in organizational internal cost performance efficiency?

Does the resent increase in cost of products manufactured in Nigeria caused by other factors rather than management accountant inefficiency?

To what extent should strategic managers rely on management accountant information for decision making?

1.5 FORMULATION OF HYPOTHESIS

The following hypothesis was formulated for this research work.

Hypothesis 1

H0: management accountant is not relevant in organizational internal cost performance efficiency

H1: management accountant is relevant in organizational internal cost performance efficiency.

Hypothesis 2

H0: resent increase in cost of products manufactured in Nigeria is not caused by other factors rather than management accountant inefficiency.

H1: resent increase in cost of products manufactured in Nigeria is caused by other factor rather than management accountant inefficiency.

Hypothesis 3

H0: organizational strategic managers should not rely on management accountant information for decision making.

H1: organizational strategic managers should rely on management accountant information for decision making.

1.6 SIGNIFICANCE OF THE STUDY.

The management accountant makes the necessary information available to the management by the application of his skill and knowledge. The significance of this study is to bring to the notice of the management the exemplary role of the management accountant and the technique he uses to provide information and also how these would affect the operations and the attainment of the organizational goal if these information provided are not recommended for use by the management. And with such knowledge and information put to use, management would be able to plan and control the organization such that the cost of operating the business will be at a minimum while profit will be maximized.

And if the profit objective is achieved, the customer will benefit from better and cheaper product while the investors will benefit from the profit as well.

1.7 SCOPE OF THE STUDY

The study is limited as it looks at the role of management accountants to cost control and profit performance in an organization. A case study of INNOSON Company Nigeria limited Emene, Enugu. This research work intends to cover:

1. How managerial accountants should be able to adapt their generalized knowledge of accounting to develop customized data and report that are logical and support sound management process.
2. The reporting structure is well defined and standardized.
3. The methods of preparation of information and the report presented are governed by rules.

1.8 LIMITATIONS OF THE STUDY

In the process of carrying out this research work, the most nagging problem facing the study is how to obtain reference materials. The time to carry out the research is short and insufficient, since it is done alongside with some other courses to contend with so as to present a good result. There are also difficulties associated with personnel’s accepting to give vital information which will be of help to the researcher.

1.9 DEFINITION OF TERMS

Accountant: An accountant is a practitioner of accountancy or accounting (referred as an accounting in the united states), which is the measurement, disclosure or provision of assurance about financial information that helps managers, investors, tax authorities and others make decisions about allocating resources.

Management Accountant: are those key officers that provide business data and analysis to managers within organizations to assist in decision making and control.

Profit maximization: A process that companies undergo to determine the best output and price levels in order to maximize its return. The company will usually adjust influential factors such as production costs, price of goods and output level as a way of reaching its profit goal.

Performance; General accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed.

Management;: this is defined as the process of dealing with or controlling things or people. It is the responsibility for control of a company or similar organization.

Company: this refers to a legal entity that carries out business in its name.

Information: this means data that is accurate and timely, specific and organized for a purpose, presented within a context that gives it meaning and relevance, and can lead to an increase in understanding and decrease in uncertainty. Information is valuable because it can affect a decision or an outcome. For e.g., if a manager is told, his company's net profit decreased in the past month, he may use this information as a reason to cut financial spending for the next month.

Decision making: the thought process of selecting a logical choice from the available option. It is done to achieve a specific objective or solve a specific problem

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 DEFINITION OF PROFIT PERFORMANCE

The term profit performance is the best known measure of the success of an enterprise, it is the surplus remaining after total cost (TC) are deducted from total revenue (TR). It is the accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed. Also, it is a process of putting all efforts in place to achieve the maximum profit from business operations. This can be achieved by widening the margins of the profit, selecting beneficial investments, utilizing inexpensive sources of finance and by achieving the economics of scale and growth. According to Charon. R (2005) it is an Input –Output relationship accessioned by an introduction of scarce resources as input into a manufacturing process in order to derive outputs that could be offered for consumption either directionally or industrially above the cost of production.

Profit can be defined as an essence of an income over expenditure either for a simple transaction or of series of transactions. Generally, where profits are referred to in business after all cost expenses and taxes of all kind have been subtracted. Profit plays a vital role in a free enterprise economy for example; they provide a yard stick with which to measure the efficiency of the economy.

2.2 THE CONCEPT OF PROFIT PERFORMANCE

There are various measures or means of attaining profit maximization. Embedded in them are concepts that boost the goal of profit performance. Key performance indicators (KPI) are one of the essential measures through which an organization define and measure progress toward organizational goals. Key performance indicators are quantifiable measurements agreed beforehand that reflect the critical success factors of an organization. They will differ depending on the organization.

A business may have as one of its key performance indicators the percentage of its income that comes from customers return. A school may focus its key performance indicators on graduation rates of students. Also a customer service department may have as one of its key performance indicators, in line with overall company's KPIs, percentage of customers calls answered in the first minute. Whatever key performance selected they must reflect the organizations goals, they must be key to its success, and they must be quantifiable (measurable). Key performers indicators usually are long term consideration the definition of what they are and how they are measured do not change often. The goals for a particular key performance indicator may change as the organizations goal changes, or as it gets closer to achieving its goal.

An organization that has as one of its goals to be the most profitable company or industry will have key performance indicators that measure pre tax profit and shareholders equity will be among them. However, if a key performance indicator is going to be of any value, there must be a way to accurately define and measure it. It is important to define the key performance indicators and stay with the same definition from year to year. for a key performance indicator to increase its sales, you need to address considerations like whether to measure by units sold or by naira value of sales. Will returns be deducted from sales in the month of the return? Will sales be recorded for KPI at a list price or at the actual sales price?

Thus, if a company's' key performance indicator is increased consumer satisfaction? That KPI will be focused differently in different departments. The manufacturing department may have a KPI of number of units rejected by quality inspection, while the sales department has a KPI of minutes a customer is on hold before a sales representative answers: success by the sales and manufacturing departments in meeting their respective departmental key performance indicators will help the company meet its overall KPI which is to enhance the company's profit performance.

Finally, Key performance indicators can be used as performance management tool, but also as a carrot. KPIs gives everyone in the organization a clear picture of what is important, of what they need to make to make happen. You use that to manage performance and maximize the organizations profit as well. And also that everything the people in your organization do is focused on meeting or exceeding those key performance indicators.

Furthermore, Walter Johnson and Demand media (2005) stipulated that maximizing corporate or organization profit, as an idea seems straight forward, simple and obvious. In terms of basic managerial policy, however, it is anything but maximizing corporate profit at first blush seems to negate the maximization of less tangible assets such as public welfare, efficiency, labour, loyalty, managerial accountability or work place satisfaction. In free market economy, however this is rarely the case.

He argued that the foundation of maximizing organizations profit means that the value of goods and services created and sold in the open market is greater than the costs of creating this value. More specifically to maximize profit is to squeeze as much value out of the resources, machines and labour as possible so that the surplus value will go to the firm owners. The conceptual problem is how this goal of profit maximization relates to other genuine business assets in the market place. Therefore, other variables such as social welfare or marketing share cannot be terminated totally since all of these assist in the development of profit performance.

2.3 FUNCTIONS OF MANAGEMENT ACCOUNTANTS IN RELATION TO PROFIT MAKING IN AN ORGANIZATION.

1. One of the most important functions of the management accountants is to identify each source of profit within the organization and to accumulate the sales revenue and the expenses for each of these sources of profit. For example,

can you imagine an auto dealer or INNOSON company not separating revenue and expenses between new product for sales and the ones for service department? For that an auto dealer may earn more profit from financing operations than selling new and used cars.

2. He provides relevant information to help managers in their decision making, control and planning. This involves both routine and non-routine reporting in order to ensure that only profitable activities are undertaken

3 Provides essential information for controlling current profit performance and for planning future profit performance. Planning involves translating goals and objectives into specific activities and resources that are required for the attainment of profit after production.

4 Assists managers and employees in identifying those courses of action which are in the best interest of the organization and encourages the appropriate individuals to select and implement the organizationally desired courses of action.

5 Management accountants provides the management with the feedback information in the form of periodic reports suitably analyzed to enable them in determining if the organizational operations are proceeding according to plan and identify those activities where corrective action is necessary. They should particularly perform the function of providing the managers with economic feedback to assist them in controlling costs effectively and improving the efficiency and effectiveness of operation.

6 They follow the organizational structure by reporting relevant information for which each manager who is responsible of. The manager who is in charge of sales in a territory, the controller reports the sales activity for that territory during the period to the sales manager.

2.4 BASIC TOOLS EMPLOYED BY MANAGEMENT ACCOUNTANTS IN PROFIT MAXIMIZATION

Below are some of the tools at the disposal of the management accountants in achieving the goal of profit maximization while employing the concept. They include: Standard costing, Marginal costing, Budgeting and Variance analysis, and Cost volume profit analysis (CVP).

2.41 STANDARD COSTING:

Standard costing are target cost that should be incurred under efficient operating conditions. According to Vafeas (2005) standard costing are predetermined costs. A standard costing system can be applied to organizations that produce many different products as long as production consists of a series of common operations. For example, if the output from a factory is the result of a given common operations, it is therefore possible that a large product range may result from a small number of common operation. This standard costs should be developed for respective operations and product. Standard costs are simply derived by combining the standard cost from operations which are necessary to make the product

Standard costing is a system of accounting which is used in determining the standard cost relating to each element of costs material, labour and overhead for each line of product manufactured or service supplied.

According to Brown (2006) a standard is a predicted measurement of what amount of input should be and what that input should be and what that input should cost per unit of that input. A standard should be reasonable be reasonable in that it should be attainable by skilled and motivated workers and should also enable the company to produce a product that is high enough in quality and low enough in cost so as to meet the demands of the competitive market. It is a tool used by management for cost planning and cost control purpose. When a company uses standard cost, all costs affecting the investor accounts and the cost of goods sold accounts are stated in terms of practice, five standards are usually predetermined for the product of a manufacturing company. They are as follows:

1 Material quantity standard: This is the amount of material that should be used from a unit of product. In some cases more than one type of material is used, as a standard is set for each material.

2 Material price standard: This is the cost per unit of material.

3 Labour Quantity Standard: is the amount of labour usually expressed in direct labour hours that should be used per unit of product.

4 Labour Price Standard: is the cost of direct labour per direct labour hours. The common name for this type of standard is wage rate standard.

5 Overhead Standard: This is the amount of overhead cost that should be per direct labour hour.

From the definition above, it will be seen that the following process are involved:

1. Predetermination of standard cost.
2. Recording of actual cost.
3. Comparing actual cost with standard cost.
4. Obtaining the cost with standard cost.

Establishment of Standard Cost

The success of any system is assured if cost control depends to some extent on getting the standard cost guaranteed. If the target costs are unattainable, most of the subsequent work of cost control system may be wasted. The first stage warrants constant consideration and setting of suitable standards is not difficult provided that certain rules are observed and certain pitfalls are avoided.

Whether dealing with materials labour or overhead labour, the basic principle of setting standards are similar. The target cost should be estimated in terms of two distinct fact quality expressed in physical terms and the price to be paid for each physical unit. For example, in estimating material cost, the amount of material needed to make the product should be per unit of material.

There are reasons for recommending that target cost be considered in terms of both factors. First, prices may change especially in times of inflation but the physical quality which is required for production is not affected by change in price. This is because the same quantity has to be used and at the same time be maintained. The second ad more important reason for distinguishing these two factors is that it is essential for analysing the causes of variances if the actual material cost is said to be N300, 000 more than the standard estimated cost, the question that will arise because too much material were used or because the actual price paid was higher than the material allowed for the machine? Without this fundamental knowledge, it may be impossible to identify that proper standard which is extremely important because management will evaluate past performance.

Pitfall in Setting Standard

As earlier stated, standard can be easily started provided that certain pitfalls are avoided. Adequate allowances should be made in order to accommodate the inevitable waste involved in production process. For example, in a wood working business saw wood was inevitable. Moreover, some allowances may be appropriate for scrap breakage and other losses which whichever the best managed factors, only one is expected to be in practice in estimating the labour contained in a process allowance which must be made for the breaks, personnel needs, relaxation and other minor challenges.

Another pitfall in setting standard cost is overlooking the losses due to lower grade output. For instance, a factory using natural raw material such as cotton wool. A small portion of the end product may have to be classified as second or third grade and sold off at a lower price. Normally, it may be appropriate to make allowances for some standard output and the allowance must be made for both labour and material.

Communicating the target of estimated cost is very vital so as to enable the managers decide what will be done to improve the situation. If the manager, the foreman and others concerned is achieving the target cost be involved in determining the standard cost and they are more likely to agree the figures are realistic and attainable. The more they can participate in the targets and budgets, the earlier it becomes for them to accept the standard and more willingly work hard to achieve results. Having set the standard cost with the due degree of involvement, the communication is to ensure adequate instructions on facilities are given to all concerned.

Material Price Variance

This occurs when you compare the standard price with the actual price and there is a difference. Either that the price paid is greater than the specific price in the standard cost. This could occur due to an unexpected in the price of material or decrease in the discount payable when purchasing goods from the suppliers.

Material Usage Variance

This occurs when the actual material used is greater or less than the quantity of material that was budgeted. It may be due to excessive spoilage or lower proportion of cutting materials.

Similarly, actual labour cost may be higher or lower than the standard labour cost giving rise to what is called direct wage variance.

Taking Actual

This is the final stage of the control system and on the information revealed. The variances should be analysed in a systematic way in order to indicate the nature of the actual required. It requires different actual from the one caused by efficiency variance. Within the variance the various causes of it such as waiting tool machine breakdown, excessive work should be identified to guide the manager to take appropriate action. The essence of detailed analysis of causes of variance is to teach the managers or whoever is concerned not to make mistake over and over again.

If the analysis show excess labour cost because of waiting for material, this material indicates the need for better flow of work. If the record shows excess usage of materials it is too late to recover the wasted material and the last output.

The only way to prevent excess cost in practice is for the manager to take action before the event. For example, the foreman must organize the flow of work such that number of the workers will be waiting for materials or tools or even for instructions. He cannot prevent enforceable breakdown of plans while the repair is being carried out by the maintenance department or a quick replacement mode.

Generally speaking, the idea of profit maximization revolves around the sphere of quality information in decision making.

2.42 Marginal costing

Marginal costing is a method of costing that distinguishes between fixed cost and variable cost. The marginal cost of products is the marginal cost i.e. it include direct material, direct labour, direct expenses and the variable parts of overheads. This is used in making decision that occurs within the short run.

Brown. D (2006) points out those the accounting system in which variable cost are charge to cost unit and fixed cost of the period, one written off in full against aggregate contribution. Its special value is in decision making. The term, contribution mentioned in the above formal definition is the term given to be marginal cost = variable cost i.e. DL + DM +DE =VOLH. Contribution = Sales – marginal cost.

The term marginal cost is sometimes refers to the marginal cost to the department operation. The meaning is usually taken from the context. Alternatively, marginal costing could be referred to as contribution approach and direct costing.

Uses of Marginal Costing Principles

1) It can be used as basis for providing information to management for planning and decision making. It is particularly appropriate for short run decision involving in volume of activities and revealing cost changes.
2) It can be used in routine cost accounting system for the calculation of and the evaluation of stocks and work in progress contains both fixed and variable elements. On the other hand using marginal cost, fixed cost is not absorbed into the cost of producing and they are treated as period and written off in each

period in the cost profit and loss account. The effect of this is that finished goods and work in progress are valued at marginal cost of sales is deducted to show new profit.

2.43 Budgeting and Variance Analysis

CAMA defined budget as a pre determined statement of management policy which provides for comparison of results actually achieved during a given period. It is a financial or quantitative plan of operation for a forth coming accounting year.

Lucey (2007) stated that a budget is a statement or financial statement of a sovereign body for a definite period of time based on detailed estimates of planned or expected expenditure during the period and proposal for financing them.

Seal.W.B (2005) is of the view that budget is a financial or a quantitative statement prepared and approved prior to a definite period of the policy of attaining a given objective. It may include expenditure and the employment of capital monetary terms prepared and approved prior to a defined period of time usually showing planned income to be generated and expenditure to be employed to attain a given objective.

On the other hand, in the organisation, budgets are prepared every year. They are based on the long term planning of the organisation and hence assist in achieving long term goals of an organisation.

Importance of Budgeting

Budgeting is very essential in human endeavour. It serves as a plan for future fiscal period of a business or a firm budget to ensure certainty. Some of the benefits of budgeting are as follows:

1. It forces the manager to think ahead.

2. It provides definite goals and objectives which serves a benchmark for evaluating subsequent performance.

3. It uncovers potential bottle necks before the occurrences

4 It coordinates the activities of the entire organization.

The act of Preparing the budget termed budget planning involves the development of future objectives and formulation of steps to achieve this objective. Profit maximization is one of such objectives and it calls for accurate planning and budgeting system to be effective. It must provide a control for the plans involved.

Principles and Budget Factor

In preparation for budgets, it is necessary to consider the key factor or as it is being referred in budgeting the principle limited factor. This is the factor that imposes a limitation on the level of activity usually sales demand, but it may also be limitations on any resources such as materials, labour, time, working capital etc. Once this factor can be identified the rest of the budget can be prepared. The identification of this principles budget factors by the management accountant is responsible for profit planning and maximization.

The management may not know in advance that one of the methods of identifying this factor is to prepare a draft sales budget and ten consider whether any resources shortage prevents the level of sales from being met.

Budget Period: The first step in setting up a budget is choosing your budgeting period. Your budgeting period is the length of time over which you want to organize your income and expenses. It is the interval of time usually 12 months into which the project period is dividing for budgeting and funding purposes.

Budgeting periods are flexible _monthly, daily, weekly, fort nightly, quarterly and annually as preferred. Generally you add 3 extra periods beyond the required budgeting periods so a twelve month forecast should have periods. This is to take into account any end effects example, sales in 13 months may require the purchase of inventory in month 12 or11 and will affect the inventory levels, creditors and bank on the balance sheet for the year. Three month is sufficient to cater for most organizations end effects, but if you long lead times (e.g. farmer producing wine) you can increase the number of periods to forecast.

Relationship among period budget

Period budget are generally prepared for each departmental or functional cost and revenue producing segment of a company. These budgets are usually as follows:

i. Sales units

ii. Production units

iii. Selling and distribution unit

iv. Direct material usage

v. Labour requirement

These budgets are closely related to each other. The selling and distribution unit's budget also depends on the sales.

Sales Budget:

This is probably the most difficult period or functional budget they prepare. It is not easy to estimate consumers' future demands especially when a new product is being introduced in the market. Sales budget is the most important subsidiary budget because if the sales figure is wrong, then practically all the budget will be affected especially the master budget and mostly all other budgets depend on it in some ways.

Generally, the sales budget is accompanied by a competition of expected cash receipts for the forth coming budget period. This composition is needed to assist in preparing the cash budget for the year.

Production Budget:

After the preparation of the sales budget, the production budget or requirements for the forth coming period can be determined and organized in the form of a production budget. Sufficient goods will have to be available to meet sales needs and provide for the desired ending inventory portion of these goods which will exist in the form of the beginning inventory.

Direct Material Budgeting:

A direct material budget should be prepared to show the materials that will be required in the production process. Sufficient raw material will have to be provided for a desired ending raw material for the budget period. A direct material purchasing budget is also required. Specifying the expected quantities and price of each item for raw material bought.

Consequently, the direct raw material budget is usually accompanied by a computation of the schedule of cash in the preparation of the cash budget.

Cash Budget:

This involves the cash receipts and cash payments and the estimated cash balance and the position for each month of the year. Its main function is:

1. To ensure that sufficient cash is available when required.
2. To reveal any expected shortage of cash action may be taken e.g. a bank overdraft or loan arranged.
3. To reveal any expected plus of cash so that if the management desires cash may be investor or loaned.

Budget Income Statement

This statement enable the company to see what has been gained as a profit after considering the value in the sales and overheads that were incurred in production for the stated period'

The Master Budget:

Master budget is a combined set of department or functional period budget that has been consolidated into forecasted financial statement for the whole company. Brown.D. (2006) states that when the functional budget have been prepared, the budget officer will prepare a master budget in the form of budgeted profit and loss in which he will incorporate the production sales and cost estimated for the budget period. The board of directors will then consider the budget and call for amendment if they are not satisfied with its contents. The budgets however represent a standard which should be achieved by each department in the business. Each of the separate budget s gives the projected cost and revenue for that part of the company when they are combined. These budgets show all anticipated transactions of the company for a future accounting period. With this information, the anticipated results with the beginning general ledger balance to prepare forecasted statement of the company's income and financial position for the time period.

Three steps that leads to a complete master budget

1. the period budget

2. the forecasted income statement
3. the forecasted balance sheet

Charon R. (2005) stipulated that the profit and loss account, the balance sheet and the cash budget will be submitted by the accountant to the committee together with a number of budget financial ratios such as the return on capital employed, working capital, liquidity and gearing ratios. If their ratios prove acceptable, then the budget will be approved.

Variance Analysis: is the comparison of a standard budget and actual outputs. This comparison enables managers to know about the deviations from one plan. The deviations can be good or bad. Positive deviations are called favourable variance and negative deviations are called unfavourable variance.

2.44 Cost Volume Profit Analysis (CVPA):

cost volume profit analysis assist managers in finding out the level of output at which the cost and the revenue are equal. It is “no profit no loss” situation is also known as breakeven point.

Seal, W.B (2006) opines that CVPA represents an application of marginal costing that seek to study the relationship between cost volume and profit at different activity level and can be valued upon for short term planning and decision making.

Cost volume analysis is useful for predicting future results. A company may use for predicting C.V.P analysis as a tool for planning when sales volume is known and management needs to find out how much profit will result. Cost volume profit analysis is a way to measure how well different department in the company are doing. At the end of the period, the company analyses sale Volume and relates it to actual cost to get the actual profit.

Assumption underlying cost volume profit analysis

1. All cost can be separated into fixed and variable cost.
2. Fixed cost will remain constant and variable cost will remain variable per unit.
3. Over the range of activity, fixed cost and variable cost remain constant.
4. Only volume affects cost.
5. Technology and efficiency are valued at marginal cost.
6. There is an assumption of uncertainties.

2.5 The Concept of Profit Maximization

According to Seal.W (2006) cost is described as the total amount of expenditure incurred in manufacturing a product and rendering of services. And the total cost of manufacturing can be classified into three broad headings popularly known as the elements of cost, direct labour cost and overhead cost.

Direct Material Cost

These are material that eventually became part of the finished product and can be conveniently economically traced to specified products units. For example, wood used in manufacturing of many different tables are classified as indirect materials'

Direct Labour Cost

These consist of those labour cost that can be specifically traced or identified with a particular product. Examples include, the wages operatives who assembled parts into finished products or machine operatives engaged in production process.

Overhead Cost

This consists of all manufacturing cost other than direct labour, direct materials and indirect expenses. It therefore includes all indirect manufacturing labour and material cost plus indirect manufacturing expenses in a multi product company includes rent of factory and depreciation of machinery. Manufacturing overhead cannot be traced directly to a product. Instead they are assigned to products using cost allocations. Cost allocation is the process of estimating the cost of resources consumed by the products that involves the use of surrogate rather than direct measure.

The Concept of Cost Reduction

Cost reduction is essentially the reduction or lowering of the cost of production or operation in an organization while still manufacturing the functional value. It aims at reducing the target cost by a system approach and at the same time provide consumers with quality products while reducing cost of making and supplying the goods and services.

As one of the methods of profit maximization, it is safe and simple since they don't depend on external changes. The process of cost minimization is profit itself. Every reduction in annual cost has its counterparts in an equivalent increase in annual profit. There are company successes in minimizing its annual cost of product by one percent (1%) it will have a commensurate increase in annual profit.

2.6 WAYS OF REGULATING COST IN A MANUFACTURING COMPANY

A company aims at maintaining a high rate of profit. And for a company to achieve its aim of profit maximization, cost incurred by the company in the process of production must be properly regulated. Therefore, the concept of cost control and cost reduction will be discussed in details as they are very essential for the achievement of this one goal.

Cost control:

Seal.W.B (2006) refers cost control as the planned or budgeted cost by systematic approach or techniques; cost should be monitored as well. It is one of the methods or techniques of improving profitability.

Seal. W.B (2006) refers cost control as the regulation of the cost of operating a business and is concerned with keeping cost to its acceptable limits. It is a practice of managing or reducing business expenses.

Cost control is the process or activity on controlling cost associated with an activity, purpose, or company. A cost control action will be necessary in order to attain the sole aim of the company.

Cost Reduction

Cost reduction assume the current cost level or planned cost level are too high even though control might be good enough and its efficiency level high. Cost reduction is a process used by companies to reduce the cost and increase their profits depending on a company’s services or product, the strategies can vary. Every decision in the product development process affects cost. Companies typically launch a new product without focusing too much on cost. Cost becomes a differentiator in the market.

Main Strategies of Cost Reduction are as follows:

1 Supplier consolidation.

2 Component consolidation.

3 Re-source to low cost countries.

4 Function analysis.

5 Design for Manufacture.

6 Product benchmarking.

7 Design to cost.

8 Design workshop with suppliers and

9 Competitors benchmarking.

PLANNING FOR COST CONTROL

Seal W.B (2006) stipulated the two basic approaches to cost reduction, they include:

4 Crash Programmes to Cut Spending Level: The management might decide on an immediate programme to reduce spending to a minimum by abounding some current project, differing capital expenditure, making some employee redundant and stopping new recruitment. Inadequate planning might give such crash programmes the characteristics of panic measure and authoritarian dictatorship from top management.

Hence, poor planning crash might result to decision being taken which may be reducing the operation efficiency without taking note of the effect immediately.

5 Planning programmes to reduce cost:

A far better approach is to introduce continual assessments of an organizations entire products production method, services of internal administration systems and so on. The management accountants normally at this stage compute report in the cost and benefits analysis of the cost reduction scheme services.

WAYS OF REDUCING COST

Cost can be reduced by improving the efficiency standards. And they involve improving the efficiency of material usage, the productivity of labour or the efficiency or other equipment. This might be achieved through the following methods:

Changing the specification for cutting the material

Introducing new equipment that will reduce wastage in processing or handling materials.

Identifying poor quality output at an earlier stage in the operational process.

Labour Productivity can be improved by the following:

Giving pay incentive for better productivity.

Changing work methods to eliminate unnecessary procedures and make better use of use of labour time. Changing work patterns so as to smooth out seasonal fluctuations over the height of seasonal production.

Improving the methods for achieving cooperation between groups of departments.

Improving the efficiency of equipment usage might involve the following:

Making better use of equipment resources.

Applying preventive maintenance rather than machine downtime for repairs.

Finally, cost reduction can be achieved if serious managers ensure that proper control over spending decision is exercised. Replacing humans with machinery is another alternative; hence the substitution of human labour by automatic equipment might reduce cost substantially.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1RESEARCH DESIGN

In the language of research project, the word design means the plan or approach the researcher has agreed to use in solving research problem.

Research design comprises a series of prior decisions that taken together provide a master plan for executing a research project. Research design is the specification of procedures for collecting and analyzing data necessary to help solve the problem at hand, such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated with each level of accuracy is maximized. Research design requires the specification of procedures. These procedures involve decisions on what information to generate, the data collection method, the measurement approach, the way in which the data are to be analyzed.

According to Seal, W. (2006) research design is concerned with the question of how the study will be brought into scope of the research to yield the required or appropriate data.

The research design adopted is the quasi-experimental research design. Thus, this method will enable us carryout an explanatory survey, which is mainly what this study is all about. Research design could therefore be seen as a framework or a plan that is used as guide in collecting and analyzing data for study. The study attempts to find out the role of professional accountants i.e. management accountants play in improving the profit potential of manufacturing firms.

3.2 SOURCES OF DATA

There are two sources of data in any project work of this nature. They are the primary sources of data collection and the secondary sources of data collection. Data for this research work were obtained by the research from both primary and secondary sources.

Primary data includes raw data gathered by the research from INNOSON manufacturing company Nigeria limited Emene Enugu State. Secondary data were collected from professional journals, published locally by financial and management accountants, others are financial statement, magazines, newspaper and other tests.

3.3AREA OF STUDY

All interviews were held at INNOSON Company situated in Emene Enugu. Most of the top management and accountants were all interviewed as well.

3.4 POPULATION OF THE STUDY

The population or target of the study must be clearly defined and identified. INNOSON Company has been in existence since 2002.

However, the population used in the study of this research work was derived from the population of the management cadre and accounts department of the industry used as the case study. The population size is estimated at 70 people.

3.5 DETERMINATION OF SAMPLE SIZE

After defining the population, the next important issue is sample size determination. The idea of sampling or determining of sample size is to obtain a part of the population from which some information of the entire population can be inferred. The sample for this research was derived from the population of the staff of INNOSON Company Emene, Enugu State. But in order to acquire the necessary information, only the staff in the management cadre and accounts department was tested using the Taro Yamane's formula:

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

Where:

n = sample size

N = population size (70)

e = level of significance

1 = constant

n = ?

N = 70

e = 0.05 or 5%

substitution the above values into the formula we have:

$$n = \frac{70}{1+70\,(0.005)^2}$$

$$= \frac{70}{1+70\,(0.0025)}$$

$$= \frac{70}{1+0.175}$$

$$= \frac{70}{1.175}$$

= 59.57

Approximately 60

n = 60

3.6 RELIABILITY TEST

One of the easiest ways to determine the reliability of empirical measurements is by retest method in which the same test is given to the same people after a period of time. The reliability test (instrument) can be estimated by examining the consistency of the responses between the two tests. Data from the primary sources are very reliable. It has been tested over and over again and same result was obtained which means the information is very reliable.

Thus, the critical value for accepting or rejecting the null hypothesis is determined from the chi-square table via appendix ‘’o’’, and the following method was used in calculating the degree of freedom.

DF= (C-1) (R-1)

Where DF = Degree of freedom

C = number of columns in the response table

R = number of rows in the response table.

1 =constant.

This indicates that null hypothesis will be accepted if the table value of (X^2) is greater than the calculated value (X^2) while it will be rejected if the table value of (X^2) is less than the calculated value of (X^2)

3.7 VALIDITY TEST

The questionnaire has been read, corrections has been made by the supervisor and thus has been validated by the researchers supervisor.

3.8 METHOD OF DATA ANALYSIS

One purpose of statistical analysis is to reduce a mass data into a more compact form which highlights general trends and relationship between variables. So it is appropriate to use percentages when determining the number of respondent that are in agreement or disagreement with the question asked. For this work, simple percentage has been used in analysing some of the questions. And also chi-squared goodness of fit was used in testing the hypothesis.

The chi – square as stated above will be employed using the formula below;

$$X^2 = \quad i\,\frac{(oi - ei)^{2}}{ei}$$

Where X^2 = chi- square

i = summation of all items in 1 term

oi = observed frequency

ei = expected frequency

CHAPTER FOUR

REPRESANTATION AND ANALYSIS OF DATA

4.1PRESENTATION OF DATA

This chapter focuses on the analytical aspect of the research work. The general report of activities conducted on the primary data collection from the sample population was made for proper presentation and analysis of responses generated from the administrative questionnaire.

The presentation was administered into two parts; section A covered the classification of respondents according to sex, age, education background, states (position within the organization) and working experience. Section B covered the classification of responses according to the research questions and hypothesis.

4.2 ANALYSIS OF DATA

The result was represented in tables and analysed using percentage while the chi-square test was used for the hypothesis. A total of sixty copies of the questionnaire were administered on respondents working in the management cadre and accountants department of the organization out of which fifty copies were successfully completed and returned representing 83.3% of the total number of the questionnaire distributed while ten copies were not returned which represents 16.7% of the total questionnaire administered.

DISTRIBUTION AND COLLECTION OF QUESTIONNAIRE

QUESTIONNAIRE ADMINISTRATION

TABLE 4.2.1- QUESTION 7: DOES THE MANAGEMENT ACCOUNTANTPLAY ANY ROLE IN PROFIT MAKING IN YOUR ORGANIZATION?

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	44	88%
No	2	4%
Don’t know	4	8%
Total	50	100%

Source: field work 2013

From the table above, the response on whether management accountant play any role in the profit making shows that 44 respondents (88%) are of the opinion that they do not and 4 respondents (8%) don’t know.

TABLE 4.2.2- QUESTION 8: DO YOU AGREE THAT COST IS CLASSIFIED BY THHE MANAGEMENT ACCOUNTANT TO PROVIDE USEFUL INFORMATION FOR PROFIT PLANNING?

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	26	52%
Disagree	15	30%
Undecided	9	18%
Total	50	100%

Source: field work 2013

Table 4.2.2 shows the response on whether cost classified by management accountant to provide useful information for profit planning. A critical look at table 9 shows that 26 respondents(52%) says that cost are classified by management accountant to provide useful information for profit planning, while 15 respondents(30%) disagrees to that and 9 respondents(18%) are undecided.

TABLE 4.2.3- QUESTION 9: IS THERE ANY RELATIONSHIP BETWEEN THE

QUALITY OF INFORMATION GIVEN TO THE MANAGEMENTAND PROPER PLANNING CONTROL AND DECISION MAKING?

VARIABLES	RESPONDENTS	PERCENTAGE
Very often	22	44%
Often	20	40%
Not often	8	16%
Total	50	100%

Source: field work 2013

Table 4.2.3 indicates that 22(44%) of the respondents assert that the management accountant provide useful information for profit making is very often, while 20(40%) of the respondents said that it is often. And 8(16%) of the respondents said that it is not often.

TABLE 4.2.4 - QUESTION 10: HOW OFTEN DOES THE MANAGEMENT ACCOUNTANT PROVIDE USEFUL INFORMATION FOR PROFIT MAKING?

VARIABLES	RESPONDENTS	PERCENTAGE
Very often	32	64%
Often	10	20%
Not often	8	16%
Total	50	100%

Source: field work 2013

Table 4.2.4 depicts that 32(64%) 0f the respondents are of the opinion that management accountant provide useful information for profit making very often while 10(20%) of the respondents asserts that it is often. 8(16%) of the respondents said that it is not often.

TABLE 4.2.4- QUESTION 11: DO YOU AGREE THAT THE COMPANY'S FIXED COST WILL REMAIN CONSTANT OVER THE RELEVANT RANGEO OF OUTPUT?

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	38	76%
Disagree	4	8%
Undecided	8	16%
Total	50	100%

Source: field work 2013

Table 4.2.4 shows that 38(76%) of respondents agree that the company's fixed cost will remain constant over the relevant range of output while 4(8%) respondents disagree to that and 8(16%) respondents are undecided.

TABLE 4.2.5- QUESTION 12: DO YOU THINK THAT THE ROLE OF MANAGEMENT ACCOUNTANT SHOULD BE INVOLVED

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	20	40%
No	18	36%
Don’t know	12	24%
Total	50	100%

Source: field work 2013

Table 4.2.5 shows that 20(40%) of the respondents asserted that the role of management accountant should be improved since it is of high percentage, this indicates the need or room for improvement. 18(36%) respondents asserted negative to the question while 12(24%) respondents don’t know if the role of management accountant should be improved.

TABLE 4.2.6: QUESTION 13- DO YOU CONSIDER THE ROLE OF THE MANAGEMENT ACCOUNTANT IN YOUR ORGANIZATION IMPORTANT?

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	33	66%
No	11	22%
Don’t know	6	12%
Total	50	100%

Source: field work 2013

Table 4.2.6 shows that 33(66%) of the respondents was of the opinion that the role of the management accountant in the organization are important, 11(22%) of the respondents was not in support of it while 6(12%) of respondents don’t know about it.

TABLE 4.2.7- QUESTION 14: DOES THE LINK BETWEEN THE PRICE OF PRODUCTS AND THE PROFIT REALIZED SRONGLY AGREE?

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	46	92%
Disagree	4	8%
Undecided	-	-
Total	50	100%

Source: field work 2013

Table 4.2.7 indicates that 46(92%) of the respondents are completely in support that there is a link between the price of products and the profit realized strongly agree, while 4(8%) of respondents disagrees to that. From the result above, it is crystal clear that the link between the price of products and profit realized strongly agree.

TABLE 4.2.8- QUESTION15: THE IMPACT OF MANAGEMENT ACCOUNTANT ON ORGANIZATIONAL PROFITABILITY IS?

VARIABLES	RESPONDENTS	PERCENTAGE
High productivity	39	78%
Medium productivity	8	16%
Low productivity	3	6%
Total	50	100%

Source: field work 2013

Table 4.2.8 shows that 39(78%) of the respondents asserted that the impact of management accountant on organizational profitability was high productivity. 8(16%) responders said that it was of medium productivity. However, the minority of respondents 3(6%) agree that the impact of management on organizational profitability was low productivity.

TABLE 4.2.9 - QUESTION 16: MANAGEMENT ACCOUNTANTS AFFECT ORGANIZATIONAL DEVELOPMENT POSITIVELY?

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	45	90%
No	-	-
Don’t know	5	10%
Total	50	100%

Source: field work 2013

Table 4.2.9 above depicts that 45(90%) respondents are in support that the management accountants affects organizational development positively, 5(10%) of the respondents maintained that they don’t know the description they would give as to whether management accountants affect organizational development positively.

With the analysis above, it means that management accountants are really necessary in organizations.

TABLE 4.2.10- QUESTION17: THE STRENGHT AND WEAKNESS OF THE ORGANIZATION IN MAKING PROFIT CAN BE IDENTIFIED THROUGH THE ROLE OF MANAGEMENT ACCOUNTANT?

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	31	62%
Disagree	6	12%
Undecided	13	26%
Total	50	100%

Source: field work 2013

Table 4.2.10 indicates that 31(62%) of respondents are of the opinion that strength and weakness of the organization in making profit can be identified through the role of management accountant, while 6(12%) of respondents are undecided about the description they would give.

TABLE 4.2.11- QUESTION 18: IS PROFIT MAXIMIZATION NECESSARY FOR ORGANIZATIONAL GROWTH?

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	47	94%
No	-	-
Don’t know	3	6%
Total	50	100%

Source: field work 2013

As it can be seen from table 4.2.11, 47(94%) responders maintained that profit maximization is necessary for organizational growth, while 3(6%) respondents maintained that they don’t know if profit maximization is necessary for organizational growth. From the analysis above, one will agree with me that a firm that is not making profit is bound to fail.

TABLE 4.2.12- QUESTION 19: MANAGEMENT ACCOUNTING ALSO INVOLES PLANNING PROGRAMME TO REDUCE COST

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	32	64%
No	13	26%
Don't know	5	10%
Total	50	100%

Source: field work 2013

Table 4.2.12 indicates that 32 respondents representing 64% are of the opinion that management accounting involves planning programme to reduce cost, 13(26%) respondents declines that management accounting involves planning programme to reduce cost while 5(10%) don't know.

TABLE 4.2.13- QUESTION 20: INCREASE IN THE COST OF PRODUCTS MANUFACTURED IN NIGERIA ARE CAUSED BY MANAGEMENTS INEFFICIENCY

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	3	6%
Disagree	35	70%
Undecided	12	24%
Total	50	100%

Source: field work 2013

Table 4.2.13 depicts the response of respondents on whether to increase in cost of products manufactured in Nigeria are caused by management accountant's inefficiency. A look shows that 35(70%) respondents disagree, while 12(24%) respondents are undecided and 3(6%) of respondents agree to it.

TABLE 4.2.14- QUESTION 21: DO YOU AGREE THAT ORGANIZATIONAL STRACTEGIC MANAGERS SHOULD RELY ON MANAGEMENT ACCOUNTANTS INFORMATION FOR DECISION MAKING

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	40	80%
Disagree	2	4%
Undecided	8	16%
Total	50	100%

Source: field work 2013

From table 4.2.14 above, 49(80%) respondents are in agreement that managers should rely on management accountant information for decision making, while 10(20%) respondents are undecided on whether managers should rely on management accountant information for decision making. From the above analysis, it is clearly seen that information is very vital for improvement.

TABLE 4.2.15- QUESTION 22: MANAGEMENT ACCOUNTING IS RELEVANT IN ORGANIZATIONAL INTERNAL COST EFFICIENCY

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	23	66%
No	4	8%
Don’t know	13	26%
Total	50	100%

Source: field work 2013

Table 4.2.15 indicates that 33(66%) of the respondents asserted that the management accountant is relevant in organizational internal efficiency, while 13(26%) of the respondents don’t know if management accountant is relevant in organizational internal cost efficiency. 4(8%) respondents are of the opinion that management accountant is not relevant in organizational internal cost efficiency.

4.3 TESTING OF HYPOTHESIS

The hypothesis is tested using the chi- square statistical tool.

$$X^2 = \quad i\,\frac{(oi-ei)^2}{ei}$$

Where X^2 = chi- square

i = summation of all items in 1 term

oi = observed frequency

ei = expected frequency

The level of significance is 0.05

HYPOTHESIS 1

H0: management accountants are not relevant in organizational internal cost performance efficiency.

H1: management accountants are relevant in organizational internal cost performance efficiency.

TABLE 23- QUESTION 22: MANAGEMENT ACCOUNTANT IS RELEVANT IN ORGANIZATIONAL INTERNAL COST INTERNAL COST EFFICIENCY?

VARIABLES	RESPONDENTS	PERCENTAGE
Yes	33	66%
No	4	8%
Don't know	13	26%
Total	50	100%

Source: field work 2013

Using chi- square, we have

VARIABLES	Oi	Ei	oi – ei	$(oi – ei)^2$	$\frac{(oi-ei)^2}{ei}$
Yes	33	16.7	16.3	265.69	15.91
No	4	16.7	-12.7	161.29	9.66
Don't know	13	16.7	-3.7	13.69	0.82
Total	50				26.39

Source: field report 2013

Were Ei = $\frac{sum\ of\ responses}{no\ of\ categories} = \frac{50}{3}$ = 16.7

To determine the degree of freedom

(Row-1)(Column-1) = (2-1) (3-1) = 2, level of significance is 0.05

∴ X^2 critical value is 5.991

Decision rule: if X^2 calculated is greater than X^2 critical value accept the alternative hypothesis. Otherwise, do not reject the alternative hypothesis.

Decision: since X^2 calculated value (26.39)> X^2 critical value (5.991), we accept the alternative hypothesis, which states that management accountant is relevant in organizational internal cost efficiency. It is further evidently in table 23 where 66% of respondents agreed that management accountant is relevant in organizational cost performance efficiency.

HYPOTHESIS 2

H0: recent increase in cost of products manufactured in Nigeria is not enhanced by other factors rather than management inefficiency

H1: recent increase in cost of products manufactured in Nigeria is caused by other factors rather than management accountant inefficiency.

TABLE 21- QUESTION 20: INCREASE IN COST OF PRODUCTS MANUFACTURED IN ARE CAUSED BY MANAGEMENT ACCOUNTANT INEFFICIENCY

VARIABLES	RESPONDENTS	PERCEENTAGE
Agree	3	6%
Disagree	35	70%
Undecided	12	24%
Total	50	100%

Source: field work 2013

VARIABLES	Oi	Ei	oi – ei	$(oi – ei)^2$	$\frac{(oi - ei)^2}{ei}$
Agree	3	16.7	-13.7	187.69	11.24
Disagree	35	16.7	18.3	334.89	20.05
Undecided	12	16.7	-4.7	22.09	1.32
Total	50				34.61

Source: field work 2013

$$X^2 = \frac{(oi - ei)^2}{ei}$$

Where oi = observed frequencies

ei = expected frequency

The level of significance is 0.05

Ei = $\frac{sum\ of\ responses}{no\ of\ categories} = \frac{50}{3}$ = 16.7

$\therefore\ X^2$ = 34.61

Degree of freedom = (2-1) (3-1) = 2

Level of significance is 0.05

$\therefore\ X^2$ critical value is 5.991

Decision rule: accept alternative hypothesis if X^2 calculated value is greater than X^2 critical value. Otherwise, do not regret the alternative hypothesis.

Decision: thus, X^2 calculated value (34.61) > X^2 critical value (5.991), we accept the alternative hypothesis, which states that recent increase in cost of products manufactured in Nigeria is caused by other factors rather than management accountant. It is clearly stated in table 21 where 70% of respondents disagree to the fact that recent increase in cost of goods manufactured in Nigeria are caused by managements accountant inefficiency.

HYPOTHESIS 3

H0: organizational strategic managers should not rely on management accountant information for decision making.

H1: organizational strategic managers should rely on management accountant information for decision making.

TABLE 22- QUESTION 21: DO YOU AGREE THAT ORGANIZATIONAL STRATEGIC MANAGERS SHOULD RELY ON MANAGEMENT ACCOUNTANT INFORMATION FOR DECISION MAKING

VARIABLES	RESPONDENTS	PERCENTAGE
Agree	40	80%
Disagree	2	4%
Undecided	8	16%
Total	50	100%

Source: field work 2013

Formula

$$X^2 = \frac{(oi - ei)^2}{ei}$$

Where oi = observed frequencies

ei = expected frequency

The level of significance is 0.05

$$Ei = \frac{sum\ of\ responses}{no\ of\ categories} = \frac{50}{3} = 16.7$$

VARIABLES	Oi	Ei	oi – ei	$(oi - ei)^2$	$\frac{(oi-ei)^2}{ei}$
Agree	40	16.7	23.3	542.89	32.51
Disagree	2	16.7	-14.7	216.09	12.94
Undecided	8	16.7	-8.7	75.69	4.53
Total	50				49.98

Source: field work 2013

Decision rule: accept alternative hypothesis if X^2 calculated is greater than critical value.

Decision: since X^2 calculated (49.98) > X^2 critical value (5.991), we accept alternative hypothesis which says that organizational strategic managers should rely on management accountant information for decision making. From table 22 above, one can see that maximum number of respondents asserted to the alternative hypothesis.

CHAPTER FIVE

SUMMARY OF FINDINDS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In line with the objectives of the research which is essentially concerned with the role of management accountants. The research has studied the role of management accountants to cost control and profit performance in an organization. Findings of the research from previous chapters are discussed in this chapter and the discussion will base on the presented and analyzed data from the questionnaire administered and information gathered.

5.2 SUMMARY OF FINDINGS

In chapter four, we have been able to present and analyze all the relevant data collected. Equally, a test of hypothesis was carried out. The following are the result of the test:

Management accountants are relevant in organizational internal cost performance efficiency.

Recent increase in cost of products manufactured in Nigeria is caused by other factors rather than management accountant inefficiency.

Organizational strategic managers should rely on management accountant's information for decision making.

Most manufacturing firms are struggling to maintain high profit and also deliver a quality product. Hence, it is pertinent to know the function of the management accountant in a manufacturing company whose information is needed for the maximization of profit. The objective of the study was not just to define the role of management accountants only but to find out its impact to cost control and profit performance. In chapter one, the problem being investigated was clearly stated and this was aimed at considering and assessing the role of management accountant to cost control and profit performance in an organization on the productivity of INNOSON company Nigeria limited, also theoretical framework was made on the research. In chapter two, all known literatures that were relevant to the study under focus were reviewed.

On methodology, in chapter three, descriptive information on statement of study population, sampling technique and size, research instrument, methods of data collection and the analysis were given. As a result of the critical presentation and analysis of data in chapter four, various facts as regard the role of management accountants to profit performance in an organization were unveiled. For instance, the following observations were made by the researcher as a result of the study carried out;

1 That the sole aim of a businessman is to make profit therefore most of them neglect the issue of quality.

2 The study also revealed that information is very vital in any organization. And it is a determining factor for decision making.

3 It was further highlighted in this study that with the aid of management accountant, their skills and knowledge, organizations can be able to maintain a high level of quality and profit.

5.3 CONCLUSION

The following conclusions were made from the findings of this study:

Management accountants' information serves as a backbone to the management. Also lack of quality information undermines the efficiency of management.

The availability of skilled, knowledgeable and informative management accountant in an organizational profit performance promotes productivity. Management is encouraged to make decisions based on the information provided by the management accountant. This is because if management should adhere to the above statement, not only will they enhance the quality of the product but also reduce cost of production and maximize profit as well.

This could be achieved, because management accountant is good with the allocation of appropriate cost of production in order to reduce cost and increase productivity and efficiency. Since the yardstick of managements' decision making is on the quality of information provided by the management accountants, it is worthwhile that management should encourage the management accountant to attend seminars in other to follow up with the advancing world.

5.4 RECOMMENDATIONS

In a view to improve and ensure high productivity and profit enhancement, the following recommendations are made;

Business decision today guarantees the continuous existence of the business and the effectiveness of the decision made by the management is as a result of the information given. Therefore management should maintain a qualified management accountant both in skills and knowledge.

Information is useful when it is relevant and timely, therefore management accountants are being required to provide information on time so as to hasten up in making vital decision because undue delay in decision making will definitely undermine the firms goal of profit maximization. Also, since the world is advancing day by day and technology as well, it is advisable that the management of the company should give adequate exposure to their management accountant through training programmes, appraisal and evaluation of seminars in order to acquaint them with the new technologies in vogue and keep pace with new knowledge.

Ultimately, I suggest that further research should be done on this topic since high rate of price of goods affects the nation’s economy and affect us in a way or another whether a manufacture, wholesaler and consumers as well.

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Department of Accountancy
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Dear Sir/ Ma

REQUEST FOR ASSISTANCE

I am a final year student of the above mentioned university and department. I am conducting a research on the role of management accountant to cost control and profit performance in an organization case study of INNOSON Company Nigeria limited Emene, Enugu. This research work is needed for the award of B.sc degree in Accountancy.

Please do me the favour of completing the questionnaire attached to this letter by filling the necessary space with the correct answer and be rest assured that the information supplied by you will be treated in utmost confidentiality and solely for academic purpose. Thanks for your cooperation.

Yours faithfully,

Nwafor Lucy. C.

QUESTIONNAIRE

Please tick [in the appropriate box as it suits your response.

SECTION A

1 Sex:

Male [ ] Female [ ]

2 Age:

20 -30 years [ ] 31 – 40 years [ ] 41 and above [ ]

3 Marital status:

Single [ ] Married [ ] Divorced [ ]

4 Educational Qualification:

FSLC [ ] SSCE/NECO [ ] HND| B.sc| BA [ ] MBA | MSc | Ph .D [ ]

5 What grade of staff do you belong to?

Junior staff [ ] senior staff [ ] Management [ ]

6 How long have you been in the service?

1 – 5 years [ ] 6 - 10 years [ ] 11 – 15 years [ ] 16 years and above [ ]

SECTION B

7 Does the management accountant perform any role in profit making in your organization?

Yes [ ] No [ ] don't know [ ]

8 Do you agree that cost are classified by management accountant to provide useful information for profit planning

Agree [ ] Disagree [ ] Undecided [ ]

9 Is there any relationship between the quality of information given to the management and proper control and decision making?

Yes [ ] No [ ] don't know [ ]

10. How often does the management accountant provide useful information for profit making?

Very often [ ] often [ ] not often [ ]

11. Do you think that the company's fixed cost will remain constant over the relevance of output?

Agree [ ] Disagree [ ] Undecided [ ]

12. Do you think that the role of management accountant in your company should be improved?

Yes [ ] No [ ] don’t know [ ]

13. Do you consider the role of the management accountant in your company as important?

Yes [ ] No [ ] don’t know [ ]

14. Does the link between price and products and the profit realised strongly agree?

Agree [ ] Disagree [ ] Undecided [ ]

15. The impact of management accountant on organizational profitability.

High profitability [ ] medium profitability [ ] low profitability [ ]

16. Does management accounting affect organizational development positively?

Yes [ ] No [ ] don’t know [ ]

17. The strength and weaknesses of an organization in making profit can be identified through the role of management accountant.

Agree [ ] Disagree [ ] Undecided [ ]

18. Profit maximization is necessary for organizational growth.

Yes [ ] No [ ] don’t know [ ]

19. Management accounting also involves planning programme to reduce cost.

Yes [ ] No [ ] don’t know [ ]

20. Increase in cost of products manufactured in Nigeria is caused by management accountant inefficiency.

Agree [ ] Disagree [ ] Undecided [ ]

21. Do you agree that managers should rely on management accountant information for decision making?

Agree [ ] Disagree [ ] Undecided [ ]

22. Management accountant is relevant in organizational internal cost efficiency.

Yes [ ] No [ ] don’t know [ ]