

In this time of rising prices, brewery like any other manufacturing company needs an efficient system of cost control as an essential factor in reducing the cost system of production in order to maximize profit. Due to inefficient cost control system some companies just manage to break even or in most cases make substantial losses hence our assessment of cost control in Nigeria manufacturing at Guinness. As a result of this, our finding is to show the appropriate system of cost control which can be used to minimize production system of cost and its effect under the manufacturers condition. The entire study consist of five chapters, chapter one introduced us to the study, highlighted the background, purpose of the study and an insight into the historical background of Guinness Nigeria plc. Chapter two is a relevant literature on cost while chapter three briefly discuss the research method applied. A detail of data obtained in chapter four, chapter five the last chapter, contains summary, conclusion and recommendation.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background of the study**

Nigeria Commerce and Industry are passing through a period of economic recession, they are struggling to maintain satisfactory earnings in a situation where cost are raising and some industrialist complained that price increase are becoming more and more difficult to obtain even at less proportionate degree with cost .Foreign and domestic competition as well government effort to prevent further inflation put serious resistance and additional increase. In addition to those are government (both at the state and federal levels) stabilization measure aim at re-strutting and improving the economy and their attendant effect. Some of those measures like the second tier foreign exchange market (S.F.E.M) having had the effect of not only causing the increase price as a result of increased cost of inputs they have ever gone further to multiply in built imported inflation by the incremental exchange rate of the naira against

the convertible currency that are used in those importation market. To maintain earnings or increase earning in the face of those conditions, many companies are taking strong steps to control cost if not reduce cost and eliminating waste and increase productivity. Automation and improvement in technologies are helping to control and reduce cost but are often insufficient. The top managements of many companies a consequence are putting pressure on their organization at every point to reorganize the role of cost accounting jobs are being timed and standards set in manufacturing department where timing and standard did not exist previously. These procedures are also being made more detailed. They are tighter, religiously adhered to and are not controlled more vigorously. Economies are sought all through the organization in this wise, the manufacturing companies are not left out. In order to endure their survival and also to create more positive impacts on the economic growth many method of cost control are being utilized. The purpose of this research work therefore, is to examine critically the various roles/significant of cost account information in the manufacturing industry in Nigeria, it study of Guinness Nigeria plc. Benin City.

## **HISTORICAL BACKGROUND OF GUINNESS NIGERIA PLC**

Prior to the establishment of Guinness Nigeria plc. Ikeja, Guinness stout was for many years imported into Nigeria by a number of merchant houses (Companies) the Guinness company conjunction with the United African Company (UAC) decided to build a brewery of the cost of two millions and four hundred thousand naira (2.4m) of Ikeja in 1961, this brewery was commissioned and started production in 1962, there by marketing Ikeja (Nigeria) the third after Dubai and London where Guinness in brewery. The Guinness Company limited became a public company in 1965 and was one of the companies to be quoted on the Lagos stock exchange which share was offered. Nigeria acquired some share totaling 20% of the equity of the company at the time in 1971 a decision was made by the management to establish in Benin City in 1974 at the cost of twelve million (N12 m) to brew the “Harp” larger beer In 1976, a Guinness

stout Brewery was built in Benin at the cost of (N 30 million) approximately, this was in addition to one built in 1971 which was producing “hap” large beer it was the brewery to build in Nigeria from the scratch. The project was financed from the following sources.

Sale of 4,000,000 shares Nigeria participation increased from 40%.At this time the degree was yet to be promulgated.

N10,000,000 1% for montages debenture 1960

N 6,000,000 second debenture 1978/91

N8.8million from internal reserve

As a consequent of ever growing demand, another brewery was commissioned in 1983 for the brewery of harp larger it is sited in Ogba in Lagos state. The business of the company is the conversion of raw material mainly Malta Guinness. Today, the company is with authorized capital of N96% million total shareholder funds however is N 194,242,000 made up of paid up capital of N96 million capital reserves of N 99.42 million. Revenue reserve of 69.822m and turnover of about N 958.2m (Source Annual Report and Account Guinness 1994)

## **1.2 STATEMENT OF THE PROBLEM**

An efficient system of costing is an essential factor for commercial and industrial control under modern system may be regarded as an important part in effort of any management to secure business stability the organization of an undertaking has to be so controlled that the desired volume of production is secured at the lowest of cost in relation to the scheduled quality. In any manufacturing concern like the one under study, the role of cost form the principle part of total operational cost therefore is the ability for management to effectively control this items (production cost) will keep actual production cost in line with the budget or realistic standard there by eliminating unnecessary and avoidable variance between both. In ability to do this could lead to business inefficiency and failure. This study therefore is to investigate the cause and problem which fall in the following present question

### **1.3 OBJECTIVE OF THE STUDY**

This objective of this research geared towards finding solutions to the impact of cost accounting information on manufacturing organization. Thus, the specific objectives of this research are to:

Determine whether cost accounting information has significant role manufacturing industry

Ascertain whether significance role of cost accounting information affect the organization.

To determine an appropriate condition and environment for proper collection and analysis of cost.

To ascertain the significant relationship between cost accounting and the productivity of the firm

### **1.4 RESEARCH HYPOTHESES**

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

**H<sub>0</sub>:** Cost accounting information has no role in manufacturing organization.

**H<sub>1</sub>:** Cost accounting information has role in manufacturing organization

**H<sub>02</sub>:** there is no significant relationship between cost accounting and the productivity of the firm

**H<sub>2</sub>:** there is significant relationship between cost accounting and the productivity of the firm

### **1.5 SIGNIFICANCE OF THE STUDY**

No commence and industry can really survive the threat of time without thorough examination of its cost. Therefore for a manufacturing company whose production cost constitute a major proportion of the total cost to service, grow and pay back its shareholders by making reasonable profit, effective efficient control of such cost by management becomes very vital. Since no company can afford to expand its scarce resources in areas in which it has no latitude to control. The need to study the role of

cost accounting cannot be over emphasized.

## **1.6 SCOPE AND LIMITATION OF THE STUDY**

This study examined the role of costing with respect operation cost control of Guinness Nigeria plc. Benin City Branch it is a meaningful attempt at studying the cost elements and their control in Guinness (Nig) limited. It also examines method of accumulating overhead and apportioning same amongst department and also, the subsequent absorption of the allocated apportioned overheads by the cost units that make up production departments. The researcher encounters some constrain which limited the scope of the study;

**a) AVAILABILITY OF RESEARCH MATERIAL:** The research material available to the researcher is insufficient, thereby limiting the study

**b) TIME:** The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

**c) Organizational privacy:** Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities.

## **1.7 DEFINITION OF TERMS**

**Production Cost:** The cost of the sequence of operations which begins with supplying materials, labour and services and with primary making of the product.

**Standard Cost:** It predetermined cost which is calculated from management standards of efficient operation and the relevant necessary expenditure.

**Marginal Cost:** The amount at any given volume of output by which aggregate costs are charged if the volume of output is increased or decreased by one unit.

**Fixed Cost:** A cost which tends to be unaffected by variations in volume of output.

**Variable Cost:** A cost which tends to vary directly with volume of output.

**Material Cost:** The cost of commodities supplied to undertaking.

**Cost Classification:** The process of grouping cost according to their common characteristics.

**Cost Appropriation:** The allotment of proportion of items to cost unit.

**Over Head Absorption:** The allotment of overhead to cost unit.

**Cost Variance:** The difference between a standard and the comparable actual cost incurred during the period.

**Total Cost Variance:** The difference between the total standard cost value of the output achieved and the total actual cost incurred.

**Budget:** A financial and/or quantitative statement prepared and approved prior to a defined period of time at the policy to be pursued during that period for the purpose attaining a given objective.

**Current Budget:** A budget which is established for use over a short period of time and is related to current conditions.

**Inventory Control:** Inventory control is the service based on controlling the amount of stock held in various forms within a business to meet economically the demand placed upon that business.

## **1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

## **THE SIGNIFICANCE OF COST ACCOUNTING INFORMATION IN THE MANUFACTURING INDUSTRY**

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