

PDF - THE ROLE OF MANAGEMENT ACCOUNTANT TO COST CONTROL AND PROFIT
PERFORMANCE IN AN ORGANIZATION (A CASE STUDY OF INNOSON NIGERIA LIMITED ENUGU) -
researchcub.infoCHAPTER 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 companys 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 increase 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 recent 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 recent 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: recent increase in cost of products manufactured in Nigeria is not caused by other factors rather than management accountant inefficiency.

H1: recent 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 personnels 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 companys 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

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