

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Cost and profit in business undertaking form part of what determines the financial position of a business concern. Since management is concerned with profitability which is a measure of business performance, especially in a manufacturing concern, the need for higher sales will arise and this will facilitate the need to increase production capacity, which in turn brings about increase in cost.

Brumbaugh (2008: P3) opined that corporate bodies should watch the cost and the profit will take care of itself. The implication is that cost should be controlled rather than embarking on unscientific cost reduction that may translate to lowering the quality of product.

Management is normally forced to adopt various methodologies and techniques in order to regulate control rather than reduce cost. Cost increased as various production activities are embarked upon and the need to keep cost in check arises because standard cost for production will be set as actual production will be made thereby bringing about variance which can only be reduced or eliminated through effective cost control. Sikka (2001; P5) disclosed that cost control system consists of methods and procedures that help to regulate the cost of operating and undertaking and ensure that cost do not go beyond a certain level. As profitability amongst others in the essence of any business, there will be the need to incur reasonable costs and management is ensure careful and efficient use of resources so as to achieve the set standard or target. Cost control is operated by setting of standards and maintaining the performance according to standards because, as management aspires to increase productivity for more profit, there will be increasing cost and collection of cost will be made by each area of responsibilities. This study aim at discussing how cost control could be effectively rate rose relatively to both capital and material prices until 1980. Thereafter, wages fell relative to capital but continued to rise relative to material

prices.

1.2 Statement Of Problem

The solution to poor profitability in the manufacturing companies in Nigeria is yet to be determined. This is due to the fact that rising cost of doing business in the country has been utmost concern to businessmen and the entire citizen. This has even accounted for capital flight, closure of business and the movement of manufacturing companies to neighbouring countries, where cost of doing business is relatively low compared to what is happening in Nigeria. The use of effective cost control system is yet to be seen as a solution to poor profitability. Hence aim at achieving this.

1.3 Objectives of the Study

The objectives of this study are as follows.

To examine the effect of cost control on profitability of manufacturing company – Champion Breweries Plc.

To find out the techniques used in cost control to achieve reasonable profitability.

To know reasons for cost control and cost reduction in the company.

1.4 Research Questions

This study was being guided by the following research questions;

What are the effects of cost control on the profitability of the manufacturing company (Champion Breweries Plc)?

What are the techniques / strategies used in cost control to achieve reasonable profitability?

What are the reason for cost control and cost reduction in the company?

1.5 Significance of the Study

This study will served as

The management of champion breweries in the realization that cost accounting department is the most sensitive department on the manufacturing companies.

It will also help staff working in the cost accounting department of the manufacturing company to know that they are a living cable of the company. And students and other

researchers as this project will act as a good reference material.

1.6 Scope and Limitations of the Study

This study will only concentrate on manufacturing company champion Breweries Plc; Uyo. In particular the cost department. The study was limited by financial constraint, adequate time and inadequate reference materials.

COST CONTROL AND THE PROFITABILITY OF MANUFACTURING COMPANY

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