Cost Accounting and Performance Evaluation in Manufacturing Companies

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ABSTRACT

The main objective of the study was to examine cost accounting as a panacea for performance evaluation in manufacturing companies. The data used in the study was obtained from primary sources. The collection of primary data was done through the administration of questionnaire on respondents who are staff of Nigerian breweries plc Enugu.A questionnaire was designed and administered to One hundred and nine (109) respondents from a population of Two hundred (200) in which the completed ones were returned and used in the completion of this study. Taro Yamane's formula was used in determining the sample size. The data collected were analyzed with the use of Statistical Package for Social Sciences (SPSS). Results showed that there is significant relationship between direct material and performance of manufacturing companies, there is significant relationship between direct labour and performance of manufacturing companies,overhead cost has significant effect on the performance of manufacturing companies and Cost accounting has significant effect on the performance of manufacturing companies in Nigeria. Consequently, the study concluded that cost accounting is a very efficient and effective panacea for performance evaluation in manufacturing companies. However, to prepare a good and workable costing technique, establishments must know its goals and objectives, as well as where it is heading to. Nevertheless, cost accounting control is a managerial tool and not a substitute for management.

KEYWORDS: *Cost Accounting: Performance: Evaluation: Manufacturing: Companies*

1. INTRODUCTION

BACKGROUND OF THE STUDY

Cost accounting measures and reports financial and non-financial information related to the organization's acquisition or consumption of resources. It has an exceptionally important position within the entire accounting information system of an organization because it provides information to both management accounting and financial accounting as subsystems of the accounting information system. When its information is intended for the financial accounting it measures product costs in compliance with the strict legal and professional regulations. When its information is used for internal purposes it provides the basis for planning, control, and decision-making. Accounting data used for external reporting very often do not completely satisfy managers‟ needs for decision-making purposes.

The business environment has become intensively dynamic and increasingly unpredictable and not until recently managing a company has become more demanding. Company performance is the net result of the combined efforts of all individuals and groups in an organization. Companies referred to in this study are the manufacturing companies. The definition of companyperformance is problematic because it varies, depending on the viewpoint from which it is being assessed. For example, from society's viewpoint, performance may be assessed in terms of efficiency of production of products or services needed by the society. From the owners' viewpoint, profitability and growth rate in earnings may be the criteria, while employees may assess performance from how well employees are being treated. Customers may look at product quality, prompt delivery and competitive pricing. Since management must consider the various expectations of these groups in setting its goals, management's criteria for assessing company performance may be assumed to adequately reflect the concerns of others groups such as the society, employees, suppliers and customers.

Even though a cost accounting system is supposed to assure that manufacturing work is done according to the company strategy, this has not been the reality in many companies. Cost accounting is an important element in the overall operation of an organization, although the provision of relevant information about cost is one of the problems organizations are facing because there are no satisfactory requirements to maintain detailed cost records, some small firms keep only traditional financial accounts and prepare cost information in an ad-hoc-fashion. In all but small firms this approach is likely to be unsatisfactory.

Different costing methods are meant to suit different organization. The adaptation of the wrong method, for a company will constitute a problem instead of a solution. Also, poor or inadequate knowledge of a method of costing has constituted problems for many firms. The problem among others which this research work tends to proffer solution to is the problem of identifying the standard method of cost accounting that will be suitable and adaptable to the manufacturing industries.

OBJECTIVES OF THE STUDY

The general objective of this study is to analyze cost accounting as a tool for performance evaluation in manufacturing companies. However, the following are the specific objectives to;

i. Determine the relationship between direct material and performance of manufacturing companies in Nigeria.
ii. Ascertain the relationship between Direct Labour and performance of manufacturing companies in Nigeria.
iii. Examine the relationship between Overhead cost and performance of manufacturing companies in Nigeria.
iv. Determine the effect of cost accounting on the performance of manufacturing companies in Nigeria.

RESEARCH QUESTIONS

For the purpose of this research, the following questions will be answered:

i. Is there a significant relationship between direct material and performance of manufacturing companies in Nigeria?
ii. Is there a significant relationship between Direct Labour and performance of manufacturing companies in Nigeria?
iii. Is there a significant relationship between Overhead cost and performance of manufacturing companies in Nigeria?
iv. What is the effect of cost accounting on a manufacturing company's performance?

RESEARCH HYPOTHESES

Hypothesis 1

H_O: There is no significant relationship between direct material and performance of manufacturing companies in Nigeria.

H_1: There is a significant relationship between direct material and performance of manufacturing companies in Nigeria.

Hypothesis 2

H_O: There is no significant relationship between direct labour and performance of manufacturing companies in Nigeria.

H_1: There is a significant relationship between direct labour and performance of manufacturing companies in Nigeria.

Hypothesis 3

H_O: There is no significant relationship between overhead cost and performance of manufacturing companies in Nigeria.

H_1: There is a significant relationship between overhead cost and performance of manufacturing companies in Nigeria.

Hypothesis 4

H_O: There is no significant relationship between cost accounting and performance of manufacturing companies in Nigeria.
H_1: There is a significant relationship between cost accounting and performance of manufacturing companies in Nigeria

2. REVIEW OF RELATED LITERATURE

Determinants of financial performance in manufacturing firms

Analysis of the determinants of corporate financial performance is essential to all stakeholders, most especially to investors. The value of shareholders, defined as market value of a company is dependent on several factors: the current profitability of the company, its risks, and its economic growth essential for future company earnings. All of these are major factors influencing the market value of manufacturing firms. ''Branch'' argued the opposite, that financial indicators based on accounting information are sufficient in order to determine the value for shareholders. A manufacturing firm financial performance is directly influenced by its market position. Profitability can be decomposed into its main components: net turnover and net profit margin.

Ross *et al*. argues that both can influence the profitability of a company one time. If a high turnover means better use of assets owned by the company and therefore better efficiency, a higher profit margin means that the entity has substantial market power. Risk and growth are two other important factors influencing manufacturing firm's financial performance. Since market value is conditioned by the company's results, the level of risk exposure can cause changes in its market value. Economic growth is another component that helps to achieve a better position on the financial markets, because market value also takes into consideration expected future profits. The size of the company can have a positive effect on financial performance because larger firms can use this advantage to get some financial benefits in business relations. Large companies have easier access to the most important factors of production, including human resources. Also, large organizations often get cheaper funding. In the classical theory, capital structure is irrelevant for measuring company performance, considering that in a perfectly competitive world performance is influenced only by real factors.

Recent studies contradict this theory, arguing that capital structure play an important role in determining corporate performance. Barton & Gordon (2010) suggest that entities with higher profit rates will remain low leveraged because of their ability to finance their own sources. On the other hand, a high degree of leverage increases the risk of bankruptcy of companies. Total assets are considered to positively influence the company's financial performance, assets greater meaning less risk. A large volume of sales (turnover) is not necessarily correlated with improved performance. Studies that have examined the relationship between turnover and corporate performance are inconclusive. The main objective of the company has evolved over time; the need for short term profit is replaced by the need for long-term growth of the company (sustainable growth). Therefore, sustainable growth rate higher than one would have a positive impact on performance. For the companies listed at the stock exchange, its ability to distribute dividends is a proof of stability.

Theoretical Framework

Management Accounting Theory of Cost Behavior

Management accounting contains a number of decision-making tools that require the conversion of all operating costs and expenses into fixed and variable components. The responsibility for providing this cost behavior information falls squarely upon the shoulders of the management accountant. The conversion of ordinary financial data as typically found in the general ledger accounts requires that the management accountant have a thorough understanding of cost behavior theory. The identification and measurement of fixed and variable costs is somewhat complicated by the fact that some costs are fixed or variable at the discretion of management, while other costs are not. Furthermore, for those expenditures that are inherently variable, management has the ability, to control the magnitude of the variable cost factors. In order to exercise this control, management also needs a solid understanding of the nature of cost behavior.(Byrnes, 2013)

Management Accounting Theory of Variable Costs

The most volatile variable in any business is volume; that is, units produced or units sold. A change in volume has an immediate impact on variable costs. Variable costs are costs that increase or decrease with corresponding changes in volume. However, the exact relationship between total variable cost and volume in practice is not always easy to describe or measure. Therefore, in both management accounting and economic theory, the relationship between volume and total variable cost is often determined by assumption.In management accounting theory, the relationship between volume and total variable cost is presented as a continuous linear function while in economic theory, the relationship is assumed to be curvilinear.

Management Accounting Theory of Fixed Costs

Many management accounting decision-making models explicitly require that all costs be classified as either fixed or variable. On the surface, it would appear that the measurement and use of fixed costs is fairly simple matter. After variable costs have been measured, the remaining costs may be treated as fixed. However, the very nature of fixed costs presents conceptual problems that far exceed those pertaining to variable costs.

While direct material and direct labor are variable in nature, manufacturing overhead may be both variable and fixed. The accounting for fixed costs is at the same time a problem of accounting for manufacturing overhead. An understanding of fixed manufacturing overhead also requires an understanding of the concepts underlying the setting of fixed overhead rates. Because of the complexity of accounting for fixed manufacturing costs, two theories exist, absorption costing and direct costing. These two approaches treat fixed manufacturing overhead quite differently. Fixed costs provide capacity to manufacture or to sell. When actual activity is less than capacity available, a major problem exists. Theoretically, the portion of unused capacity cost should be measured as idle capacity cost and not treated as a production cost. In practice, many firms do not measure idle capacity cost. The consequence is that per unit cost of goods manufactured varies significantly with the percentage of capacity utilized. (Keeley Byrnes, 2013)

Empirical Studies

In the study of Alleyne and Weekes-Marshall (2011) titled "An Exploratory Study of Management Accounting Practices in Manufacturing Companies in Barbados". The examinee studied the management accounting practices in three manufacturing companies within a public limited group company in Barbados. Semi-structured interviews were done with a financial controller, production/operations manager and supervisor in each company. Respondents perceived that management accounting practices enable management to obtain relevant information for meaningful decision making. Budgeting was used as a control tool within the planning process and for monitoring the cash flow. The majority of management accounting practices were widely used by the sample. No sophisticated management accounting software was used to generate information other than the normal accounting software. Timeliness, technology, effectiveness, information needs and an adoption of best practice were important factors influencing the choice of management accounting practices used. Respondents perceived that the management accounting practices employed within the three entities were very effective and contributed to the success of the entities. It was also found that the management accounting practices were consistent and standardized across the group.

Oyerogba, Olaleye & Solomon (2014) studied "Cost Management Practices and Firm's Performance of Manufacturing Organizations" The study investigated the relationship that exists between cost management practices and firm's performance in the manufacturing organizations using data from 40 manufacturing companies listed on the Nigeria stock exchange during the period of 2003 to 2012. Four hypotheses were formulated for the study and tested using t-statistic. The study relied on secondary data extracted from the audited financial statement of the selected companies. Direct material cost, direct labour cost, production overhead cost and administrative overhead cost were taken as independent cost management variables while

profitability (Operating profit) was taken as dependent variable representing the firm's performance. The result indicates that a positive significantrelationship exists between cost management practices and firm's performance in the manufacturing organization. It is therefore recommended that a cost reduction strategy with emphasis on production overhead cost and administrative overhead cost should be embarked upon if their profit maximization and wealth creation objective must be achieved.

In the study of Mustafa & Kasa (2016) on "the Use of Managerial Accounting as a Tool for Decision Making by Manufacturing Companies in Albania". The study aimed at identifying the managerial accounting techniques used in the manufacturing companies in Albania. In order to collect data, semi structured interviews were done in major manufacturing companies in the main industrialized areas of Albania. The study found that cost accounting technique used in the manufacturing companies contributed to their success at various degrees.

Onaolapo & Oladejo (2013) studied the "Evaluation of Management Accounting Techniques as Tool forPlanning and Control Decision-Making in Selected ManufacturingCompanies in Ibadan, Nigeria". The study evaluated Management Accounting Techniques as tools for Planning and Control Decision-Making in the selected manufacturing business in the study area. Thirty (30) manufacturing companies were selected as the sample size through stratified random sampling technique. Descriptive analysis was employed through the use of tables, percentages, ranks e.t.c. However, the hypotheses were tested using of Chi Square (X2) at 5% of significance, Correlation and Regression analysis through the use of Stata 10. The result revealed that socio economic parameter has significant effect on its adoption and effectiveness.

More so, Nasieku & Oluyinka (2016) studied "Cost Accounting Techniques Adopted by Manufacturing and Service Industry within the Last Decade". The purpose of the study was to review the literature on cost accounting techniques being practiced by manufacturing and service industry within the last decade. Virtually all techniques that are appropriate for manufacturing companies are also appropriate for service companies. However, the most common techniques in manufacturing companies include Just in Time (JIT), Activity Based Costing (ABC), Target Costing, Life Cycle Costing, Throughput Accounting and Kaizen costing while Activity Based Costing is the most commonly used technique in Service sector. However, Activity Based Costing, Budgetary, Control, Cost Volume profit analysis, and standard costing are common to both manufacturing and service sectors. In contrast to the postulations of many academic authors that the traditional techniques have lost relevance and should be discontinued, this review shows that traditional techniques including the heavily criticized Standard Costing, Absorption Costing and Marginal Costing were still used frequently by many companies within the last decade. The modern costing techniques used frequently within last decades include; Just in Time principle, Activity Based Costing, Target Costing, Life Cycle Costing, Kaizen Costing and Throughput Accounting. The usage of the techniques depends on the situation on the ground, that is, the level of technological advancement, the size of the company, organizational culture and stage of the product.

3. METHODOLOGY

.**Research Design**

Research design is basically how the research was carried out. It is the plan and structure of investigation conceived so as to obtain answers to the research questions.The research adopted a descriptive approach which involves the normal gathering; analysis and interpretation of a set of data so as to explain the underlying factors that surround the problems that trigged off the research.

Sources of Data

The data used in this research was obtained from primary sources**.** The collection of primary data was carried out by the administration of questionnaire on respondents who are staff of Nigerian breweries plc Enugu and had finished financial backgrounds.

Method of Data Collection

The researcher designed a questionnaire and administered it to One hundred and nine (109) respondents from selected departments in which the completed ones were returned and used in the completion of this research work.

Population of the study

A population is the aggregate members of a unit or an entire target group of a particular statistical distribution under investigation.The population of this study comprises of managerial and non managerial staff of Nigerian breweries plc Enugu who have knowledge of cost accounting principles and they are 200 in number.

Sample size determination and sampling techniques

The stratified random sampling method is applied when the population from which we are sampling is non-homogeneous. Therefore, in this study, a stratified random sampling is used in selecting a sample for this study.For the purpose of this study, a sample size of 109 is selected from Nigerian breweries plc Enugu. Taro Yamane's formula was used in determining the sample size. The sample size was determined by 5% error tolerance and 95% degree of confidence. This is given as stated below:

$n = N/(1+Ne2)$

Where

n= corrected sample size,

N = population size, and

e = Margin of error (MoE), e = 0.05 based on the research condition.

n = 150/ (1+150(.052)
n= 150/1.375
n= 109

4. DATA PRESENTATION AND ANALYSIS

Descriptive Analysis

Analysis of Response Rate

RESPONSE	RESPONDENTS	COMPUTATION	PERCENTAGE
Total returned	102	102/109*100/1	93.6
Not returned	7	7/109*100/1	6.4
Total	109		100

Source: Survey, 2021

Presentation of data for direct material and performance of manufacturing companies in Nigeria.

	Items	**SA**	**A**	**D**	**SD**	**UN**
1.	Appropriate use of direct material improves company performance.	27	60	10	2	3
2.	Direct material costing serves as a strong control tool to the management of manufacturing firms.	30	55	12	3	2
3.	The activities of the firms are well coordinated because good direct material costing is involved.	31	49	17	2	3
4.	Planning of direct material costing aids adequate production.	27	53	10	7	5

Source: Survey, 2021

Presentation of data for direct labour and performance of manufacturing companies in Nigeria.

	Items	SA	A	D	SD	UN
(1)	Appropriate use of direct labour improves company performance.	26	51	13	7	5
(2)	Direct labour costing serves as a strong control tool to the management of manufacturing firms.	27	63	6	4	2
(3)	The activities of the firms are well coordinated because good direct labour	19	58	15	8	2

	costing is involved.					
(4)	Planning of direct labour costing aids adequate production.	25	54	11	9	3

Source: Survey, 2021

Presentation of data for overhead cost performance of manufacturing companies in Nigeria.

	Items	SA	A	D	SD	UN
(1)	Appropriate use of overhead cost improves company performance.	23	65	6	7	1
(2)	Overhead costing serves as a strong control tool to the management of manufacturing firms.	29	56	11	2	4
(3)	The activities of the firms are well coordinated because good overhead costing is involved.	30	43	21	3	5
(4)	Planning of overhead costing aids adequate production.	26	62	9	2	3

Source: Survey, 2021

Presentation of data for cost accounting on manufacturing companies performance.

	Items	SA	A	D	SD	UN
(1)	Appropriate use of cost accounting improves company performance.	31	45	12	14	0
(2)	Cost accounting costing serves as a strong control tool to the management of manufacturing firms.	38	59	3	1	1
(3)	The activities of the firms are well coordinated because good cost accounting is involved.	11	32	48	9	2
(4)	Planning of cost accounting aids adequate production.	26	47	19	7	3

Source: Survey, 2021

4.2 ANALYSES OF DATA

To test the hypotheses formulated in the study, the chi-square statistical techniques was used with SPSS version 20 applied. The critical values were obtained by checking the degrees of freedom at 95%. The calculated chi-square values were then compared with

the critical values in order to accept or reject the research hypotheses.Decision rule was then made as follows:-
Accept (H_0) if X^2 Cal<X^2 tab
Accept (H_1) if X^2 cal> X^2 tab.

4.2.1 Responses on whether significant relationship exists between direct material and performance of manufacturing companies in Nigeria

	Items	SA	A	D	SD	UN	Total
1.	Appropriate use of direct material improves company performance.	27	60	10	2	3	**102**
2.	Direct material costing serves as a strong control tool to the management of manufacturing firms.	30	55	12	3	2	**102**
3.	The activities of the firms are well coordinated because good direct material costing is involved.	31	49	17	2	3	**102**
4.	Planning of direct material costing aids adequate production.	27	53	10	7	5	**102**
	Total	115	217	49	14	13	408
	Average	29	54	12	4	3	102

H_0: There is no significant relationship between direct material and performance of manufacturing companies in Nigeria

H_1: There is significant relationship between direct material and performance of manufacturing companies in Nigeria

The test was carried out using the average values and the Chi-Square SPSS version 21 output is shown thus:

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Effect of Direct Material on Performance	102	4.0000	.91197	1.00	5.00

Chi-Square Test

Frequencies

Effect of Direct Material on Performance

	Observed N	Expected N	Residual
SD	3	20.4	-17.4
D	4	20.4	-16.4

UN	12	20.4	-8.4
A	54	20.4	33.6
SA	29	20.4	8.6
Total	102		

Test Statistics

	Effect of Direct Material on Performance
Chi-Square	90.451[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.4.

INTERPRETATION: The SPSS output shows that X^2 calculated is 90.451 at 0.05 level of significance and df (4) and p-value equals 0.000. This shows that the test is significant.

DECISION: Since X^2 calculated (90.451) is greater than X^2 critical (9.488) and p-value (0.000) is less than alpha (0.05), we therefore reject H_0 and accept H_1 which states that there is significant relationship between direct material and performance of manufacturing companies in Nigeria.

Responses on whether significant relationship exists between direct labour and performance of manufacturing companies in Nigeria

	Items	**SA**	**A**	**D**	**SD**	**UN**	**Total**
1.	Appropriate use of direct labour improves company performance.	26	51	13	7	5	**102**
2.	Direct labour costing serves as a strong control tool to the management of manufacturing firms.	27	63	6	4	2	**102**
3.	The activities of the firms are well coordinated because good direct labour costing is involved.	19	58	15	8	2	**102**
4.	Planning of direct labour costing aids adequate production.	25	54	11	9	3	**102**
	Total	97	226	45	28	12	408
	Average	24	57	11	7	3	102

H_0: There is no significant relationship between direct labour and performance of manufacturing companies in Nigeria.

H_1: There is significant relationship between direct labour and performance of manufacturing companies in Nigeria.

The test was carried out using the average values and the Chi-Square SPSS version 21 output is shown thus:

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Effect of Direct Labour on Performance	102	3.9020	.93882	1.00	5.00

Chi-Square Test

Frequencies

Effect of Direct Labour on Performance

	Observed N	Expected N	Residual
SD	3	20.4	-17.4
D	7	20.4	-13.4
UN	11	20.4	-9.4
A	57	20.4	36.6
SA	24	20.4	3.6
Total	102		

Test Statistics

	Effect of Direct Labour on Performance
Chi-Square	94.275[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.4.

INTERPRETATION: The SPSS output shows that X^2 calculated is 94.275 at 0.05 level of significance and df (4) and p-value equals 0.000. This shows that the test is significant.

DECISION: Since X^2 calculated (94.275) is greater than X^2 critical (9.488) and p-value (0.000) is less than alpha (0.05), we therefore reject H_0 and accept H_1 which states that there is significant relationship between direct labour and performance of manufacturing companies in Nigeria.

Responses on whether significant relationship exists between overhead cost andperformance of manufacturing companies in Nigeria

	Items	SA	A	D	SD	UN	Total
1.	Appropriate use of overhead cost improves company performance.	23	65	6	7	1	**102**
2.	Overhead costing serves as a strong control tool to the management of manufacturing firms.	29	56	11	2	4	**102**
3.	The activities of the firms are well coordinated because good overhead costing is involved.	30	43	21	3	5	**102**
4.	Planning of overhead costing aids adequate production.	27	61	9	2	3	**102**
	Total	108	226	47	14	13	408
	Average	27	56	12	4	3	102

H_0: Overhead cost has no significant effect on the performance of manufacturing companies in Nigeria.

H_1: Overhead cost has significant effect on the performance of manufacturing companies in Nigeria.

The test was carried out using the average values and the Chi-Square SPSS version 21 output is shown thus:

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Effect of Overhead Cost on Performance	102	3.9804	.90083	1.00	5.00

Chi-Square Test

Frequencies

Effect of Overhead Cost on Performance

	Observed N	Expected N	Residual
SD	3	20.4	-17.4
D	4	20.4	-16.4
UN	12	20.4	-8.4
A	56	20.4	35.6

SA	27	20.4	6.6
Total	102		

Test Statistics

	Effect of Overhead Cost on Performance
Chi-Square	95.745[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.4.

INTERPRETATION: The SPSS output shows that X^2 calculated is 95.745 at 0.05 level of significance and df (4) and p-value equals 0.000. This shows that the test is significant.

DECISION: Since X^2 calculated (95.745) is greater than X^2 critical (9.488) and p-value (0.000) is less than alpha (0.05), we therefore reject H_0 and accept H_1 which states that overhead cost has significant effect on the performance of manufacturing companies in Nigeria.

Responses on whether significant relationship exists between cost accounting and performance of manufacturing companies in Nigeria

	Items	**SA**	**A**	**D**	**SD**	**UN**	**Total**
1.	Appropriate use of cost accounting improves company performance.	31	45	12	14	0	**102**
2.	Cost accounting costing serves as a strong control tool to the management of manufacturing firms.	38	59	3	1	1	**102**
3.	The activities of the firms are well coordinated because good cost accounting is involved.	11	32	48	9	2	**102**
4.	Planning of cost accounting aids adequate production.	25	48	18	8	3	**102**
	Total	105	184	81	32	6	408
	Average	26	46	20	8	2	102

H_0: Cost accounting has no significant effect on the performance of manufacturing companies in Nigeria.

H_1: Cost accounting has significant effect on the performance of manufacturing companies in Nigeria.

The test was carried out using the average values and the Chi-Square SPSS version 21 output is shown thus:

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Effect of Cost Accounting on Performance	102	3.8431	.96210	1.00	5.00

Chi-Square Test
Frequencies

Effect of Cost Accounting on Performance

	Observed N	Expected N	Residual
SD	2	20.4	-18.4
D	8	20.4	-12.4
UN	20	20.4	-.4
A	46	20.4	25.6
SA	26	20.4	5.6
Total	102		

Test Statistics

	Effect of Cost Accounting on Performance
Chi-Square	57.804[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.4.

INTERPRETATION: The SPSS output shows that X^2 calculated is 57.804 at 0.05 level of significance and df (4) and p-value equals 0.000. This shows that the test is significant.

DECISION: Since X^2 calculated (57.804) is greater than X^2 critical (9.488) and p-value (0.000) is less than alpha (0.05), we therefore reject H_0 and accept H_1 which states that Cost accounting has significant effect on the performance of manufacturing companies in Nigeria.

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

Summary of findings

The primary focus of this study was to examine the link between cost accounting and performance of manufacturing companies in Nigeria. The findings revealed that:

1. There is significant relationship between direct material and performance of manufacturing companies in Nigeria.

2. There is significant relationship between direct labour and performance of manufacturing companies in Nigeria.
3. Overhead cost has significant effect on the performance of manufacturing companies in Nigeria.
4. Cost accounting has significant effect on the performance of manufacturing companies in Nigeria.

Conclusion

From the findings of this study, there is no gainsaying the fact that, cost accounting is a very efficient and effective toolfor performance evaluation in manufacturing companies. However, to prepare a good and workable costing technique, establishments must know it's goals and objectives, as well as where it is heading to.Nevertheless, cost accounting control is a managerial tool and not a substitute for management. A good costing technique does very little by itself, good management and a good control does much when combined together. Hence,cost accounting is a tool for performance evaluation in manufacturing companies in manufacturing companies in Nigeria

Recommendations

The following recommendations are given based on the findings:

1. Management is encouraged to make provision for a framework that contains flexible plan to accommodate unanticipated changes.
2. Costing of items should be a joint effort of all the stakeholders.
3. Activities of the various parts of the establishment should be coordinated and planned very well to ensure that every part of the organization is in harmony to achieve an effective cost plan.
4. All those presently involved in the cost controlprocess should be educated on the purpose and objectives of budgetary control.

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