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Effect of Cost Control and Cost Reduction Techniques in Organizational Performance

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Abstract

In any organization, the major objective is to maximize profit, but the main constraints facing them are the rise in cost of operation. Due to this, the cost of production increases and could lead to certain cost control and cost reduction which make it complex for many organizations to operate as well organized cost limit of knowledge. The study aims to critically examine and evaluate the application of cost control and cost reduction in organizational performance and also to review the budget as an effective tool of cost control and cost reduction. A descriptive survey research was adopted. A total number of 50 questionnaires were administered and used for the study. The analysis of data collected was undertaken by applying appropriate statistical tools. Regression analysis was used to test the hypothesis with the use of SPSS. Based on the findings, it was evident that cost control has a positive impact on organizational performance and also the style of management has a positive impact on organizational performance.

Key words: Organization; Cost control; Cost reduction; Performance; Profit; Budget

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INTRODUCTION

The business environment today is very competitive, impacting every organization large or small. An impulsive reaction under the current circumstances is just to cut all costs to the minimum level. Every aspect of an organization's cost structure must be carefully examined to eliminate unnecessary discretionary and non-value adding costs, while yet retaining its competitive position (ACCA Study Text, n.d.).

In any business organization, the goal of most organizations is to achieve maximum profit. Since management is concerned with the profitability which is one of the tools to evaluate the business performance especially in a manufacturing company, the need of increasing sale will arise and this will eventually lead to increase in production capacity and as a result lead to increase in cost. Thus, the need for cost control and cost reduction is required to achieve maximum profit in competitive market where demand is affected by the price of goods and services.

Asaolu and Nassar (2007) define cost reduction as the term used for planned and positive approach to the improvement of efficiency. It can be viewed in many ways, such as increasing productivity, and elimination of waste. Lucey (1996) refers to cost reduction as a concept which has the aim of reducing cost from a previously accepted norm or standard without reducing the effectiveness or performance of the project or services.

Dury (1985) defines control as the means of ascertaining that the activity of an organization follows the standard plan and that its goal is accomplished. Sikka (2003) discussed that cost control system consists of ways and methods that are used to control the operating cost of a job and ensure that cost does not go beyond a certain amount.

The process of regulating the cost of operating a business is known as cost control and is involved within acceptable limits. These limits are usually stated as standard cost or target cost limits in a formal operation plan or budget. Cost control is the process of avoiding wasteful use of valuable resources and encouraging efficiency and cost consciousness.

Cost reduction is a planned positive approach to reduce expenditure. ACCA Study Text (n.d.) defines cost reduction as the reduction in unit cost of goods or services without impairing suitability for the use intended.

In competitive industry, there is need to incur reasonable cost and management has to ensure careful and efficient use of resources so as to achieve the set of standard. Cost control is the process of established a standard and maintaining the performance according to standard. Therefore, cost control and reduction are important in an organization in order to regulate and reduce unwanted expenses and it also helps to bring about increase in market demand in term of competitive market. The significance of cost reduction and cost control derived from its function in profit maximization. Any organization that is successful using cost reduction and cost reduction can sell its product at a lower rate than its competitors without reducing its quality.

Lockey (2002) stated that, having price competitive advantage, the company can increase its market share and become a market leader. Cost control and reduction are techniques used in making other means of competition feasible. The importance of cost reduction scheme within a company cannot be overstated especially when a company is struggling to maintain profitability. Organizations that forfeit money are required to intensify profits or become more involving need to reduce expenses in order to succeed. Frequent re-examination of costs can assist an organization to curb excessiveness and thereby eliminating costs. The significance of cost control and reduction scheme remains constant either it is in good or bad period (Lockey, 2002).

The main difficulty encountered by organizations recently is the increase in the cost of operation that could lead to inevitable cost control and reduction scheme which makes it difficult for most organizations to operate at the cost efficient frontier. Every organization that wants to survive and maintain its consumers must seek to improve on its product. Therefore, in order not to exceed their budget and not to run at loss, as well as not to reduce the quality of their products, organization needs to control costs and reduce their cost to the lowest minimum. For this reason, the study investigates the extent of application of cost control and cost reduction technique and the degree of their impact on the operational efficiency in an organization.

The objectives of this paper are to:

- Examine and evaluate the application of cost control and cost reduction in the organisation performance.
- Make recommendation as regards the improvement of cost control and reduction in the organisation.
- Review budget as an effective tool of cost control and cost reduction.
- Ascertain the concept of cost control and cost reduction techniques in an organization.
- Evaluate the problems associated with cost control and reduction as it affects the organisation and identify different strategies or techniques that will help to control and reduce cost to the lowest minimum.
- Thus, the above objectives will be guided by the following questions:
- Does the companies practice cost reduction and cost control?
- What are the various cost control techniques that can help the organisation in cost saving and maximize profit.
- Are there any benefits to be derived from the implementation of cost control and cost reduction in an organisation?
- What are the requirements for ensuring effective cost control and cost reduction system?
- Does cost control and cost reduction scheme affect the quality of the product of the company?

1. LITERATURE REVIEW

Reeve and Philpot (1988) supported that statistical process control is an efficient way in cost control and cost reduction techniques. He said that, defining the process from the point of view of the financial manager is the first step in SPC. More so, over time, the characteristics of the process are measured and observed. Control charting is the process of studying the difference from the mean. This identifies correctly if the process has come up against any special difference that needs better attention. With the use of SPC, firms are able to significantly improve organizational effectiveness, product quality, and process efficiency.

Wing (2000) stated that there are two major fundamental financial management tools which include budgets and variance analyses. Nevertheless, the reports of variance are not necessarily useful for a manager. When performing variance analyses, the main difficulty is that there is need for cost to be known as either as variable or fixed cost. Practically, large numbers of costs do not perform in this manner. It leads to constraints on reports and inadequate management behaviour. The author opined that financial managers must develop models that will reflect the way cost actually perform, and reporting the difference through improved cost models. When a system is based on an inadequate model, this can be used or discarded. But when it is used, it leads to inadequate decisions by the management.

Lucey (1996) opined key emphasis on management by objective as a modern and effective method of cost control. It would be used in a positive and constructive way to provide a cost system related to cost performance evaluation and cost progression analysis. Thus, all forms of cost control method must be designed and implemented in such a way as to complement the behaviour of people in an organisation. Only then will cost control system to improve performance and lead to organization effectiveness. Cokins (2002) stated that companies needs to be equipped with accurate cost modelling procedure so as to manage their costs and ascertain an acceptable profit margin. However, as competition grows larger, the origination of new products must outdo product becoming old or out fashioned. Production of a product that has been produced can be accomplished through reduction of unfavourable cost differences from the product's standard cost and applying advancement process and managing the cost.

1.1 Meaning of Cost

Resources must be sacrificed for any organization to achieve its objectives. To an accountant, cost is defined as a resource forgone to achieve a specific goal. This can be expressed as the monetary amount which must be paid to acquire goods and services. ACCA Study Text (n.d.) defines cost as the amount of expenditure incurred on, or attribute to a specific thing or activity cost of anything ordinarily is money spent to acquire that things.

1.2 Types of Cost

Fixed Cost: These are costs that do not always change with activity level. They are constant within certain range of activities. It is when the maximum limit of a particular activity range is exceeded that fixed costs jump up. It can also be defined as costs that do not respond to a change in the level of activity such as an increase in output. Thus they represent one extreme of cost behaviour in that within a certain period they remain the same.

Asaolu and Nassar (2007) defines fixed cost as the cost which tends to be unaffected by increases or decreases in the volume of output. Example of fixed cost:

a) The salary of the managing director (monthly or annually).

b) The rent of a single building (monthly or annually).

c) Straight line method of depreciation of a single machine (monthly or annually).

Variable Costs are costs that vary with the level of activity. The higher the activity level the higher the amount of the cost incurred. Activity level is measured in terms of number of units produced.

Variable cost is the cost which tends to vary with the volume of output, the variable cost per unit is the same amount for each for each unit produce, which means that the amount of resources used and the price of these resources are constant for each additional unit product (Asaolu & Nassar, 2007).

Direct Cost: Where an item of cost can be traced to a product or service unit, that cost is direct to that product or service unit. Such a cost should be allocated to that product or service unit. Betts (1994) defines direct cost as the cost that is traceable and attributed to a product. Dury (1985) defined direct costs as one that is directly related or traceable to a cost objective where cost objective is any grouping to which cost is assigned such as unit of inventory.

Indirect Cost: This is the opposite of direct cost. This is a cost that cannot be traced to a product or services unit. All indirect cost added together make overhead.

Marginal Cost is the additional cost to be incurred in order to get additional work done. All additional fixed costs are added to make incremental cost.

1.3 Control

Effective control depends upon allocation responsibility to competent manager and supervisors for each activity or functions, providing them with operating statement on time, with details of the standard, actual expenses and the various, together with recommendation.

1.4 Cost Control

Cost control is concerned with an element of marginal cost which involves the determination of unit cost, measurement and correction of the performance of subordinates to make sure that the objective of the enterprises and the means to obtain them are accomplished effectively and economically (Lockey, 2002). Cost control is the regulation of cost of operating a business and is concerned with keeping costs within acceptable limits. These will usually be specified as a standard cost or target cost limits in formal operational plan.

1.5 Cost Control Techniques

This refers to the various methods applied in controlling cost by various organisation. The techniques are evolved by the account department with cost and management section at the core of implementation. It includes the following; budgetary control, standard costing and material control.

1.5.1 Budgetary Control

In business, a budget may be defined as a formal expression of the expected income and expenditure for a definite future time. Lucey (1996) defines a budget as the expression of a firm`s plan in financial form for a period of time in future. According to the Institute of Cost and Management Accountants, budget is defined as a financial and/or quantitative statement, prepared earlier for a specified period of time, of the course of action to be carried out during that period of attaining a given objective. Budgetary control is concerned with the efficient use of resources to achieve a previously determined objectives or set of objectives contained with a plan (Lucey, 1996).

Budgetary control is a system whereby the budgets are used as a means of planning and controlling costs. Budgeting is laid down as to what is attained and how it is to be attained while control ensures that the objectives are realised and actual results do not deviate from the planned course more than necessary. Budgetary control system is a system of controlling costs which include the preparation of budgets, co-coordinating the department and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. ACCA Study Text (n.d.) defines budgetary control as the establishment of budgets relating to the responsibilities of executives to the requirement of a policy and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis of revision. From this definition, it is clear that budgetary control operates through different budgets.

1.5.2 Standard Costing

The technique of standard costing is applied in order to overcome the various limitation of historical costing. Historical costing which refers to the ascertainment of costs after they have been incurred provides the management with an account of what has occurred. Standard costing technique involves the preparation and use of standard costs, their comparison with actual costs and the analysis of the deviations to their causes so as to provide for corrective action (Sikka, 2003).

Lucey (1996) defines standard costing as a technique of cost accounting which examines the standard cost of each product or service with actual cost to decide the competence of the operation, so that any remedial action may be taken immediately. ACCA Study Text (n.d.) defines standard costing as the readiness and use of standard costs, their similarity with actual costs and the analysis of variances to show their causes and points of incidence.

Basically, standard costing is a technique of cost control under which cost data for activity are pre-determined on the basis of normal levels of operation. The efficiency and costs incurred at actual performance are compared with pre-determined standards and deviation or variance, if any is ascertained, an analysis of variance is made with reference to their causes with a view to fix the responsibility of the particular executive. A report on such analysis is submitted to the management to enable to take corrective measures to ensure that actual costs are consistence with standard costs in future.

1.5.3 Material Control

In an average manufacturing concern, the cost of material constitutes a large proportion of the total product cost and as such there should be a proper system of material control to ensure economy in the cost of production. Material control is a system which ensures the provision of the required quantity of material of the required quality at the required time with the minimum amount of capital investment (Sikka, 2003).

1.6 Cost Control Application

A complex business requires frequent information about the operation in order to plan for the future, to control present activities and to examine the past effectiveness of the manager, employees, and related business segment (Cooper et al., 2000). To achieve, management runs the activities of its people in the operation of the business according to pre-determined goals and objectives. Cooper et al. (2000) also stated that, behavioural management deals with the attitude and actions of employee behaviour which ultimately impacts on success. Behavioural management involves certain issues and assumption not applicable to accountings control function. On the hand, performance evaluation measure outcomes of employee's action by comparing the actual result of the business outcome to predetermine the standard of success. In this way management identifies the strength, it needs to maximize and the weakness it seeks to rectify.

1.7 Benefits of Cost Control

Cost control work should enhance the efficiency of management and if necessary, should result in action being taken to reduce the cost for profit purposes and to prevent fraud and efficiency (Dury, 1985). Some of these benefits are as follows:

- A simple control can be expressed over all operation from the purchase of goods to account for sales.
- An efficient cost control with reveal possible sources of economy and result in a rational utilization of material and labour.
- Cost control makes policy decisions by management very easy.
- It ensures adequate production and prevent over stocking of material.

1.8 Cost Reduction

Cost control aims at reducing the actual to the targets, cost reduction aims at reducing the targets themselves. In other words, the aim of cost reduction is to see whether there is any possibility in bringing about a saving in cost incurred-material, labour, overheads, etc. According to the Terminology of Cost Accountancy of the Institute of Cost and Management Accountants London, Cost reduction is to be understood as the success of real and unchanging reduction in the unit costs of goods manufactured without impairing their suitable for the use intended.

Thus, the term cost reduction denotes real or genuine saving in production, administration, selling and sharing costs resulting to the elimination of wasteful and inessential elements from the design of the product and from the techniques and practices carried out in connection therewith. The necessity for cost reduction arises when the profit margin has to be increased without an increase in the sales turnover i.e. for the same volume of sales, the cost should be reduced.

1.9 Value Analysis as a Tool or Techniques in Cost Reduction

Value analysis is a scientific approach to cost reduction by increasing the value of the product. A systematic examination and assessment of the techniques and functions in the various fields of an entity with a view to investigate channels of performance improvement so that the value of the particular product or service can be better is referred to as value analysis or value engineering. This enables the greatest possible value to be achieved for a given cost. Hence, the technique which is used to analyze all aspects of an existing product or service to determine the minimum cost necessary for specific functional requirement is known as value analysis (Sikka, 2003).

1.10 Importance of Cost Control in Business

Lockey (2002) analyzed the importance of cost control on business operation. The importance of control function is to assist or help business management in diverse ways. It guides the management in achieving pre-determined objectives. The control process also ascertains the competence of different functions. The limitation in various fields is also reported for taking corrective measures and provides starting point for future action. The unchanged flow of information about projects keeps the long range of planning on the right track. More so, it allows management to prevent repitition of previous mistakes. Control helps in deciding the future course of action each time there is a difference between standard and actual performance.

Coordination of exercise through unity of action is achieved by control. Managers will put in their best in coordinating the exercise of his workers or staff so that departmental objectives can be a success. Improving organizational competence is achieved through the control system. Evidently, the performances of the manager are constantly examined and hence, do better than his previous work. The performance of the manager is linked to the advantages and disadvantages. Workers will continually be pressurised in order to improve on their duties. One of the important tools of control is performance measurement which ascertain that each individual maximizes his contribution (Lockey, 2002).

1.11 Differences Between Cost Reduction and Cost Control

Cost control implies controlling the costs at the given level. The emphasis is to stick firmly to the Pre-determined standard and ensuring that the cost does not go beyond the said standard budget. Nevertheless, cost reduction is a vigorous and purposeful activity which tries to minimize cost irrespective of the level they belong. Observation is carried out on each element cost, each process is properly checked and each method is evaluated to show the manners and means of minimizing costs.

There is difference between cost reduction and cost control in terms of method. Cost is considered for each cost centre separately for which the budget is arranged in advance in order to avoid the certainty of rewarding effects of favourable differences against unfavourable ones. This makes cost control to be effective. Cost reduction on the other hand is successful when cost is minimized and considered in total for the entire entity. At the point of minimizing, it may lead to a considerable amount when summed at the corporate level. In addition, cost reduction does not involve a onetime practice. It involves the manner of mind, pattern, and philosophy. Minimizing of cost is essentially a real function of cost consciousness on the part of individuals involved. Hence, the principle way of establishing cost consciousness is to minimize cost at all the levels and highlighting the role and responsibility of every employee in every part of the organisation.

2. METHODOLOGY

Akintoye (2010) state that before a research can venture in to a good research there must be a good plan of study in order to make sure that the study produces the data required at the lowest possible cost. Asika (2005) researches design means the structuring of investigation aimed at identifying variables and their relationship to one another. Thus, it describe how the investigation has been structured to enable the researcher generates relevant information to resolve the identified research problem. The research design used for this study is survey research.

The population considered in this study consists of all companies engaged in the production of goods and services in Nigeria. Obviously, the population size is large and is practically impossible to conduct a research on all the companies. Thus, sample selection is therefore restricted to one company for Chemster Paint Industry in Nigeria from which generalizations were made. The actual selection of this company was based on judgement sampling. The sample size for the research was made up of 50 respondents from the company. The sampling procedure used was stratified random sampling technique. The questionnaire was distributed among the top level, middle level and low level employees in the organization and duly completed questionnaires were analyzed to see the conformity to the desired result or objective.

The analysis of data collected was undertaken by applying appropriate statistical tools. Regression analysis was used to test the hypothesis. The SPSS model was used to analyze the data collected and gathered bearing in mind the variables as stated below:

Independent Variable: Cost control and Cost reduction (X)

Dependent Variable: Organization Performance (Y)

Therefore:

Organization Performance= (control and cost reduction)

In an econometric equation we have:

Organization Performance=$a0$ + $a1$ (cost control and cost reduction)

Using the least square Regression Formulae, the regression line of Y on X is given as

$$Y= a+bX$$

Hypothesis of the research was evaluated using the student T-test.

Regression analysis was used to find out if there is any relationship between the variables. In doing this, variable Y was regressed on variable X to determine whether an increase in variable X leads to an increase in variable Y, and if there exist a positive relationship. If vice versa, then it's a negative relationship. The degree of relationship between X and Y was measured by the Regression Coefficient (r^2) because it shows the measure of variance of the dependent variable Y over the total variation of the independent variable X.

The decision rule is that if Ttab>Tcalc: reject H_1 and accept H_0

If Ttab<Tcalc accept H_1 and reject H_0

Where:

H_0 is the Null Hypothesis

H_1 is the Alternative Hypothesis

Ttab is the tabulated t test for the correlation

Tcalc is the calculated t test for the correlation

3. RESULTS AND DISCUSSIONS

(a) Regression Analysis

Statistical Package for Social Sciences (SPSS) was used to analyse the data obtained for the test of hypothesis and the following result were obtained.

(b) Definition of Variables

Independent variable: Cost control and Cost reduction (X)

Dependent variable: Organisation Performance (Y)

(c) Result Obtained Using SPSS:

Model Variables Entered Variables Removed Method

i. All requested variables entered.

ii. Dependent Variable: Average dependent variable (organisation performance)

Hypothesis One

Table 1
Model Summary[b]

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics					Durbin-watson
					R square change	F change	$df1$	$df2$	Sig. F change	
1	.809[a]	.655	0.646	.365	.655	53.026	1	38	.000	.713

Note. a. Predictors: (Constant), cost control and cost reduction,
b. dependent variable: Organizational performance.

Table 2
ANOVA[b]

	Model	Sum of squares	df	Mean square	F	Sig.
1	Regression	20.259	1	20.259	72.259	.000[a]
	Residual	10.685	38	.218		
	Total	30.944	39			

Note. a. Predictors: (Constant), cost control and cost reduction,
b. Dependent Variable: Organizational performance.

Table 3
Coefficients[a]

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.
		B	Std. error	Beta		
1	(Constant)	.237	.215		1.103	.277
	Cost control and cost reduction	.773	.091	.809	8.488	.000

Note. a. Dependent Variable: Organizational performance.

$Y = a + bX$,

$Y = 0.237 + 0.773X$.

(d) Interpretation of the Result

The autonomous value of the dependent variable (organisation performance) when the independent variable (cost control and cost reduction) is set to zero positive (a=0.237). This is consistent with the prior expectation. The estimated value of the partial regression coefficient of the independent variable (cost control and cost reduction) is positive (b= 0.773). This is also consistent with the prior expectation. Therefore, by the following result, the implication is that for every unit increase in the independent variable, dependent variable increase by 0.773. That is, 100% increase in the independent variable increases the dependent variable by 77.3%.

(e) Statistical Criteria

Individual statistical significant

If, at 0.05 level of significance

If Ttab>Tcalc: reject H_1 and accept H_0

If Ttab<Tcalc accept H_1 and reject H_0

Tcaculated= 8.488

Ttabulated= 2.042

Given the degree of freedom (df) = 38.

DECISION

Since T tabulated is less than T calculated, this mean that cost control and cost reduction techniques exert significant statistical impact on organisation performance. Therefore, we accept H_1 and reject H_o

The result of the regression analysis shows R^2= 0.655 meaning that within the context of the result, 65.5% of the variations in the dependent variable (organisation performance) are explained by independent variable (cost control and cost reduction).

Hypothesis Two

Table 4
Model Summary[b]

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics					Durbin-watson
					R square change	F change	$df1$	$df2$	Sig. F change	
1	.860[a]	.740	.734	.365	.740	136.442	1	48	.000	.713

Note. a. Predictors: (Constant), cost control and cost reduction,
b. Dependent Variable: Style of management.

Table 5
ANOVA[b]

	Model	Sum of squares	df	Mean square	F	Sig.
1	Regression	18.183	1	18.183	136.442	.000[a]
	Residual	6.397	48	.133		
	Total	24.580	49			

Note. a. Predictors: (Constant), cost control and cost reduction,
b. Dependent Variable: Style of management.

Table 6
Coefficients[a]

	Model	Unstandardized coefficients		Standardized coefficients	r	Sig.
		B	Std. error	Beta		
1	(Constant)	1.071	.191		5.608	.000
	cost control and cost reduction	.721	.062	.860	11.681	.000

Note. a. Dependent Variable: Style of management.

The autonomous value of the dependent variable (style of management) when the independent variable (cost control and cost reduction) is set to zero positive (a=1.071). This is consistent with the prior expectation. The estimated value of the partial regression coefficient of the independent variable (cost control and cost reduction) is positive (b= 0.721). This is also consistence with the prior expectation. Therefore, by the following result, the implication is that for every unit increase in the independent variable, dependent variable increase by 0.721. That is, 100% increase in the independent variable increase the dependent variable by 72%.

Statistical criteria

Individual statistical significant

If, at 0.05 level of significance

If Ttab>Tcalc: reject H_1 and accept H_0

If Ttab<Tcalc accept H_1 and reject H_0

Tcaculated= 8.488

Ttabulated= 2.042

Given the degree of freedom (*df*) = 38

CONCLUSION AND RECOMMENDATION

The relevance of this research is to analyze the importance of cost control and cost reduction techniques on organizational performance in a highly competitive environment. For an organisation to ensure more profit growth by producing quality goods and services with available resources on the ground there is a need to control cost and reduce cost to the acceptable limit as regard to control and reduction on wastage and loss. In the course of this research, it was discovered that cost control and cost reduction techniques seen to be very essential to the growth and survival of any organisation in a highly competitive environment ranging from practical planning and setting standard, monitoring the standard till it is achieved and also strategically reducing cost expended during business activities. This all of this proves the essential need of cost control and cost reduction on organizational performance in a highly competitive market if well considered.

From the finding of this research, it was evident that cost control has a positive impact on organizational performance. In order to make it a success, there is a need for organisation to apply cost control and cost reduction scheme in their operation and worker should be carried along and they must be motivated to achieve the desired goals and objectives. The absence of behaviour control such as motivation, incentives and so on among employees will affect the success of cost control and cost reduction strategies in an organisation. Element of cost such as material, labour and overhead cost worker behaviour could also be strategically controlled. Also, budget must be used to monitor the operation in the organisation in order to make sure that money and resources are not being wasted. Challenges of effective cost control and cost reduction could be solved by direct observation and supervision by management by taking note of the key non-performance indicator in any section or departments having challenges and as a result, finding ways of improving on it. As a result of this, if all the condition and measures can be taken significantly, organisation can afford to overcome its competitors by producing quality product at lower price and become a market leader.

Based on the research finding and hypothesis tested in the course of the research work, the following recommendation have been made not only for the company under case study but all manufacturing industry Cost control and cost reduction scheme must be properly administered in an organisation by setting realistic standard Cost control should be operated in every department in an organisation especially the production department in other to make sure that the numbers of finished goods are properly accounted for. Target and standard should not be vague set as this will be unrealistic in the course of comprising planned cost in an organisation. For effective cost control to be achieved there should be proper data collection, data analysis and control administration. The target fixed cost in an undertaken should not be treated as permanent form. They should be reviewed whenever necessary and should be revised when conditions change.

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