

# Cost Accounting Management in M/S Millennium Appliances India Ltd (Vidocon Group)

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The current investigation is expected to give an incorporated way to deal with overseeing key expenses considering rivalry to fortify the intensity of industrial companies locally and globally in utilising the diagnostic methodology. The idea of the research lies in how to manage the costs of raw materials or materials involved in production at the lowest cost and of the highest quality in the company Vodocon Ltd. The levels of cost values were analysed for each model of each product of the company, where the study included three categories of products, televisions, refrigerators and washing machines, and each category has more than one model. The results indicated that it turned out that quality is the most important factor in achieving competitive advantages in industrial companies in light of competition strategies that depend on the value chain achieved by customers. The integrated entrance could combine the cost administration apparatuses by using prompt and adaptable production to accomplish high quality production. This would ensure customer search and guarantee cost decrease and returns through the integration of confirmed costs and registration costs and the cost of control and accounting revenue. In addition to the integration of the target costs and activities costs to plan and design products and analyse activities to ensure re-engineering value, cost development, analysis, assessment and correlation with contenders to arrive at cost and greatness of individual management strategies that define the value chain of products that the customer is satisfied with and will search for in the future. Therefore, we recommend that industrial companies should concentrate on execution quality to ensure the company's competitive advantage under competition strategies through the value chain achieved by the customer. Industrial companies should refresh the incorporation of cost of the board instruments to give creation prerequisites, item

arranging and configuration, diminish costs, and assess items and contrast them with contenders.

**Key words:** *Cost, accounting, management, vidocon.*

## Introduction

Cost accounting is an important branch of accounting through which cost data is collected, recorded, and compiled. The objective of cost accounting is to give the organisation sufficient information about the costs it uses for oversight and planning, decision-making, preparing lists, and external financial statements(Williams, 2003; Schaltegger and Burritt, 2017).

One of the primary aims of costing is to determine the costs of the service or the produced good, so that the establishment can determine its business and financial situation in the current financial period. To calculate the cost of the service or commodity, it is preferable to follow the instructions by specifying all products, identifying their characteristics and nature and through studying various industrial processes (Da Silveira et al., 2001), in addition to listing operating centres. It also collects data and studies the data related to the cost component through notices and documents related to labour costs and materials (Ramey and Shapiro, 2001). Cost regards analysing the various elements related to costs, and seeking to download them for the services or units produced. Costing also looks at controlling the various expenses and costs, which are meant to achieve efficient use of raw materials, labour and machinery, and to provide senior management with information and data on various activities. This control may be achieved by comparing costs at the present time with costs in previous periods. Taking decisions related to pricing services and products, whereby the establishment determines the prices of its services and products, in order to ensure profitability after recovering the costs incurred during production. The estimated budget is one of the financial long term planning elements and in-kind plans that cover the entire aspects of the facility, and it is also considered one of the means used to express the policies and goals that contributed to the administration's position, whether for the facility or the various administrative units. Therefore, cost accounting has many strategies that can be used to calculate and control costs. But basically, there are three main scopes:

- ❖ Cost ascertainment is the way toward deciding expenses based on actual information (Neal and Koo, 2020). Hence, the calculation of real expenses is cost ascertainment while calculation of future expenses is cost estimation. Cost estimation is reflected just as cost ascertainment both are between and related to expenses and are of enormous use to the administration.

- ❖ Cost records: implies books of account relating to the usage of materials, work and other things detailing costs as appropriate to the generation, preparing, fabricating or mining exercises of the company (Brennan et al., 2020).
- ❖ Cost control: it is the last point of the cost accounting scope when accountants uses different manners to control the cost, for example, reducing a Rupee in goods production, this means earning one rupee in the production of goods. So, a cost accountant uses budgetary management, optimal costing, or many other techniques for controlling the cost (Rubino and Veltri, 2020).

### Classification of Cost

Costs are divide into two types: variable costs and fixed costs. The variable costs are the elements that could change by an increase or decrease at the changing percentage of the activity volume, such as raw materials and direct wages of production workers and sales commissions. Fixed costs do not change by the volume of production, and are related to the cost of fixed assets, such as directors salaries and rents (Estai et al., 2018; Jåstad et al., 2020).

As harvesting operations become more complicated and involve both fixed and variable costs, there is always more than one way to accomplish a given task.

To reduce the total products cost, the fixed and variable costs quantity could be changed. The following formula explains the connection between production volume and both costs.

**Total Cost = fixed cost + variable cost \* Number of product units**

$$C = F + NV$$

Where: C = total Cost; F= Fixed Cost; N=Number of products; V= variable cost unit

$$\text{Unit Cost} = \frac{\text{Fixed Cost}}{\text{Output}} + \text{Variable Cost}$$

$$UC = \frac{F}{N} + V$$

Where: UC=Unit Cost.

Breakeven Analysis: It appoints when the total cost and income are equal each to other (Brennan et al., 2020) this analysis is essential for cost control.

UNIT COST: This is the cost of all the process which can be used by the company from the beginning of production to selling the product (Carvalho et al., 2019). There are different subunits of unit costs, each subunit could calculate the cost of a specific portion of the total cost. The following formula explains the ideal unit cost.

$$X = a + b + c$$

The X refers to the expense per unit volume, for example, Euro per m<sup>2</sup> and the subunits a, b, c will manage separation, volume, region, or weight. A careful determination of the subunits to communicate the variables controlling expenses is the way to ensure accomplishment in total cost investigations.

### **Statement of the Problem**

The financial and non-financial information should be provided to the managers or financial information users, along with the working time for planning and controlling specific activities and processes. Therefore, the cost managing for each model of the company's production lines depends on the ascertainment cost, recording cost, and control cost.

### **Need for Study**

The manufacturing industry which has different products needs different techniques to control costs for product reliability. The present study is an attempt in analysing the techniques of cost control in M/s Millennium Appliances India Ltd (Videocon Group) TV, Washing Machines manufacturing unit in Imarath Kancha Village, Hyderabad.

### **Objective of the Study**

The study has the following objectives:

1. To ascertain the extent and variation in the level of cost control in M/S Millennium Appliances India Ltd( Videocon Group) TV, Washing Machines manufacturing unit in Imarath Kancha Village, Hyderabad.
2. To find out factors that influence the level of cost control in the manufacturing unit.
3. To study the cost control techniques of manufacturing overheads, indirect assembling costs, industrial facility costs, and processing plant trouble. It incorporates things such as devaluation, arrangement costs, quality costs, cleanup costs.
4. To determine the cost accounting techniques adopted by the M/S Millennium Appliances India Ltd (Videocon Group)

5. To determine the benefits of adopting a cost accounting system in the M/S Millennium Appliances India Ltd(Videocon Group)
6. To offer some suggestions to improve the cost control in the unit.

### **Research Design**

- ❖ The research design will be selected as a descriptive one. It narrates the whole research in a simple manner.

### **Collection Data of Types**

Both primary and secondary sources of information will be used in the study.

#### **❖ Primary Data**

Questionnaires were prepared and interviews were conducted. Multiple-choice questions were applied as questionnaires conducted in English. In this study, undistinguished personally administrated questionnaires were used for collecting the primary data from respondents which consist of open-ended, and close-ended types of questions.

#### **❖ Secondary Data**

Secondary data was collected from different resources such as the internet, various books, journals, and company records

The data of a flexible budget will be collected and will breakdown the costs. The breakeven chart explains the product cost at different levels of output in the chart as well as the income from sales at the same output levels assuming that all goods are sold.

### **Period of the Study**

The study was conducted for a period between 2010-2012

### **Cost Accounting Management**

#### **Definitions**

Costing is the way toward deciding the expense of accomplishing something, i.e., the expense of assembling an article, rendering assistance, or playing out a capacity (Kianian et al., 2019).



Doing something in that sense is referred to as an activity, and clearly stated – objects of costing are always activities. The article defines manufactured, service rendered or function performed as the object of costing (Giard, 2019).

The utilisation of bookkeeping and costing standards, strategies and procedures in the ascertainment of expenses and the examination of reserve funds as well as abundances as contrasted with past experiences or with organisational principles will be analysed in this study (Larsen et al., 2020).

Cost accounting is the part of bookkeeping, it relates to managing the order, recording, allotment, rundown and detailing of present and imminent expenses (Weetman, 2019).

Cost accounting is the group of ideas, techniques and methodology used to gauge, dissect or gauge the costs, benefit and execution of individual items, offices and different sections of an organisation's activities, for either inward or outer use or both and to investigate these inquiries to the invested individuals (Kaplan et al., 1998).

“Cost accounting is a system of cost accumulation and classification for product costing and managerial planning, control and decision-making purposes” (Lebas, 1994).

The discipline refers to the theories and procedures for assigning costs to products and services. It is a formal system of accumulating and reporting cost data about these activities of an organisation. In the formal analysis, however, cost accounting should be defined as a process with a sequential set of activities of cost finding, cost allocation, and cost control. It signifies a regular ongoing system concerned with the composition and control of costs.

## **Data Analysis & Interpretation**

### ***Costing Method***

The strategies to be utilised for the ascertainment of cost of creation vary from industry to industry. It principally relies upon the assembling procedure and on the strategies for estimating the departmental and completed items. Fundamentally there are two techniques for costing.

- (a) Specific order costing: it also called job or terminal costing.
- (b) Operation costing: it also called process or period costing.

Specific order costing is a sort of basic costing strategies that can be applied in explicit request or agreement that incorporate separate employments, bunches or agreements. This

kind of costing has work costing, group costing and agreement costing (Bhattacharyya, 2004). Operation costing is a mixture of job and process costing, and it was used when different raw materials of products were initially used, or a group of products has identical processing.

#### Job Order Costing:

In this technique, costs are appointed and gathered for each project or batch, which is unique and easily identified and can serve as a cost object. The outstanding feature is that the three cost elements of materials, labour and overhead can be directly charged to individual job orders/lots and profit or loss ascertained. A job card is prepared for each job for cost accumulation. Job cost accounting is suitable for firms which engage in specific order production. Organisations execute custom-based jobs which are dissimilar in nature.

Manufacturers have a reinforcement and no inventory, and do not produce in anticipation of sales. Orders are first received then land production proceeds to fill them. The customer often provides detailed specifications for their fabrication. In addition, job costing is also adopted by those companies which produce goods in batches such that each batch could be treated as a separate job order (Graybeal et al., 2018), Jobs are divided into two types:

1. The specialty type
2. The assembly type

The strength sort of occupation shop is one in which all employments are unique, and each is made to client requirements. The assembly type of job shop is one in which individual parts are made to order and placed in stock available for assembly into a finished product or sub-assembly (Weetman, 2019). These individual parts are to be used in the assemblage of different products. Cost management relied on three cost functions, namely, cost ascertainment, cost recording and cost control. The costs are effectively counted for three types of products: TV, washing machines, and refrigerators for each unit. The provision of raw materials by companies, which is a group of items that fall into the production system in its warehouses, has facilitated the determination of the unit cost per unit (see Fig 1).

Various television sets prices are taken into consideration for analysis purpose. It was found that the costs of TVs production were different according to the product characters like the size of LCD, their resolution, input and output ports. It was found that the products of this company from the TV producer, were at low costs and high costs according to the product specifications of each TV, whenever the cost was low, the price was slow and vice versa. The prices were varying from period to period and season to season depending on many conditions. Demand and supply factors play a vital role in deciding the price of the product

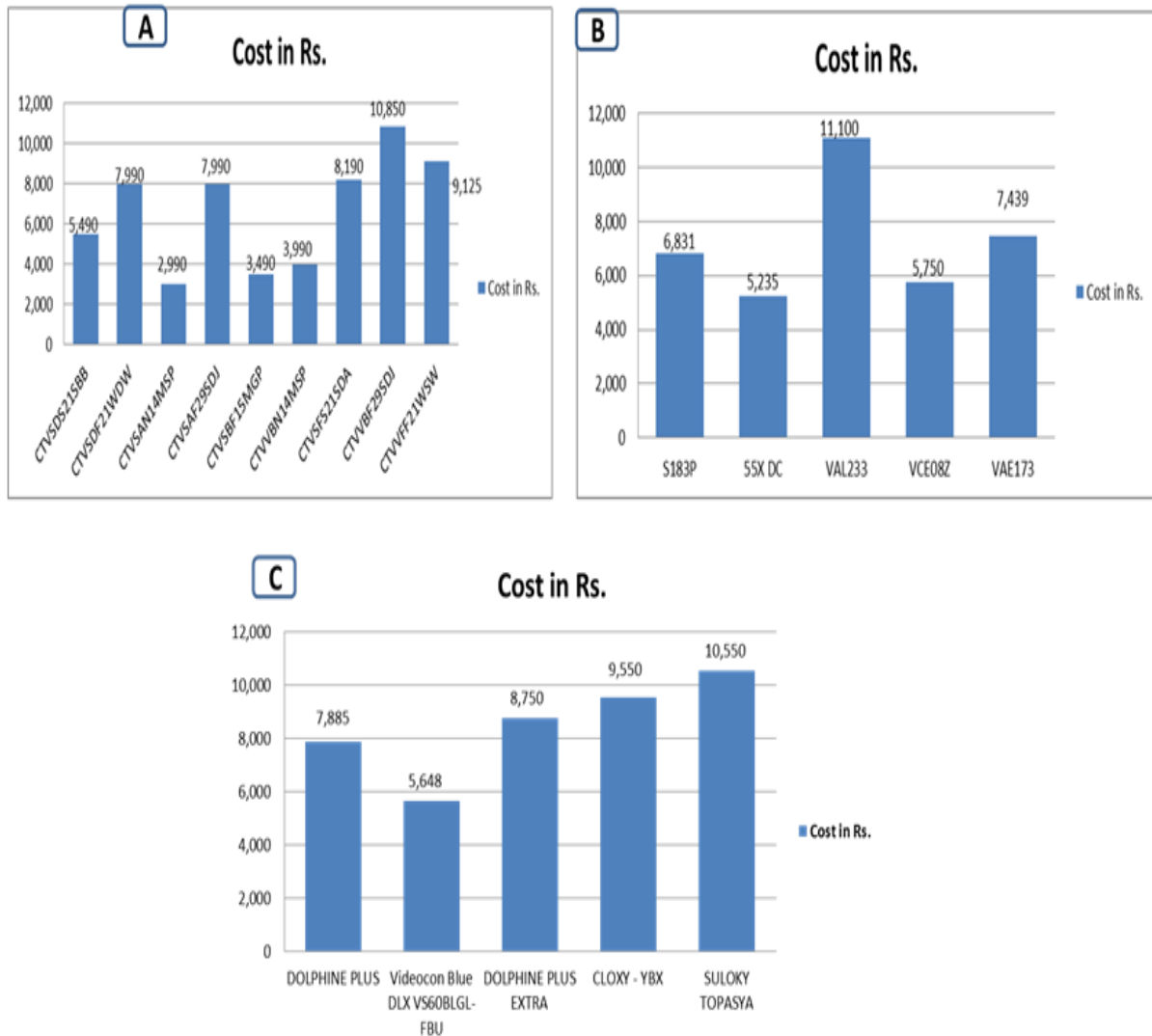
(see Fig 1A). So this helps the consumer to purchase the appropriate TV for his financial income.

Costs of various models of refrigerators were considered for analysis purpose. The product cost depended on different characters like the size of feet, type of freezing, design of product and others. The raw material costs were varying from time to time, depending on market condition. Therefore, the costs were varying from model to model according to a different raw materials used for different models (see Fig 1B).

Costs of various models of washing machines are considered for data analysis. The cost varied from model to model depending on the weight of washing, type of washing machine and also according to different raw materials used for different models. The raw materials costs were varying from time to time, depending on market conditions. The costs were approximately closer together based on raw material costs (see Fig 1C). Ultimately, from the figure below, it was obvious that the costs of TVs and refrigerators were fluctuating but not in washing machines.



**Figure 1.** different types of line products in Vodocon Ltd. (A) TVs products, (B) refrigerators products, (C) washings machine products.

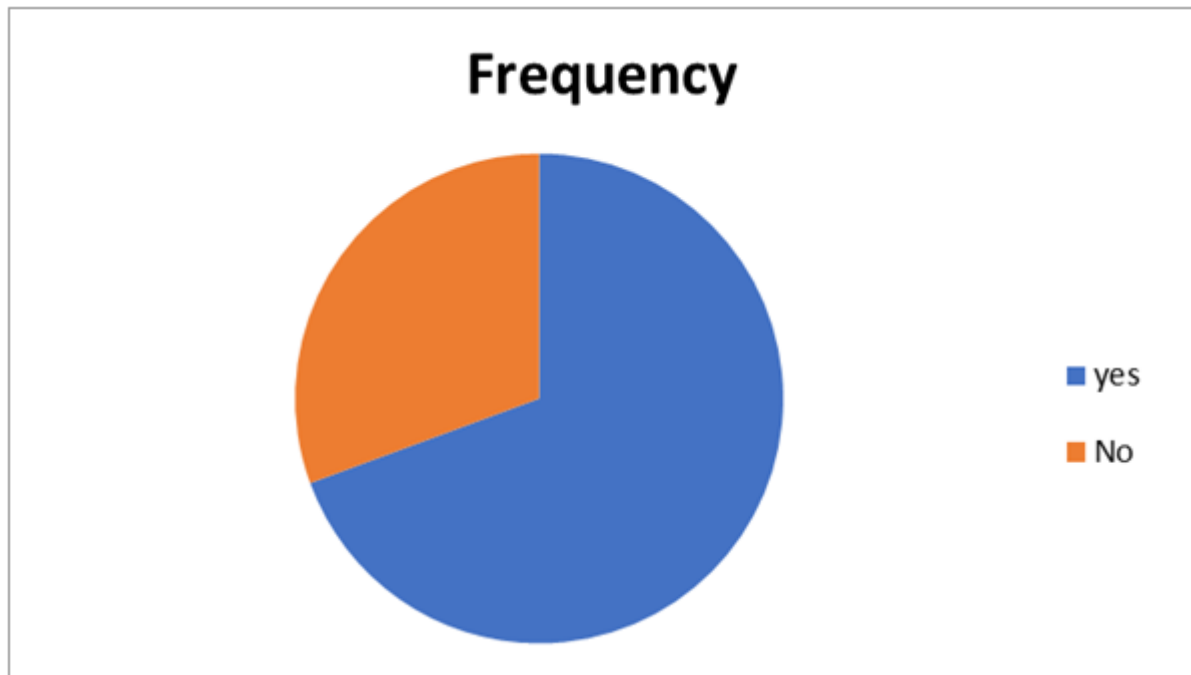


After asking the question whether the company used the generally accepted accounting principles, the outcomes indicated that the recurrence of worker reaction about accounting system as per sound accounting guidelines is not similarly circulated the outcome introduced that 69.38% of the example populace concurred and 30.62% of representatives opposed to this idea.

**Table 1:** Accounting system in accord with GAAP

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 68        | 69.38   | 69.38         | 69.38              |
|       | No    | 30        | 30.62   | 30.62         | 100.0              |
|       | Total | 98        | 100.0   | 100.0         |                    |

**Figure 2.** Accounting system in accordance with GAAP

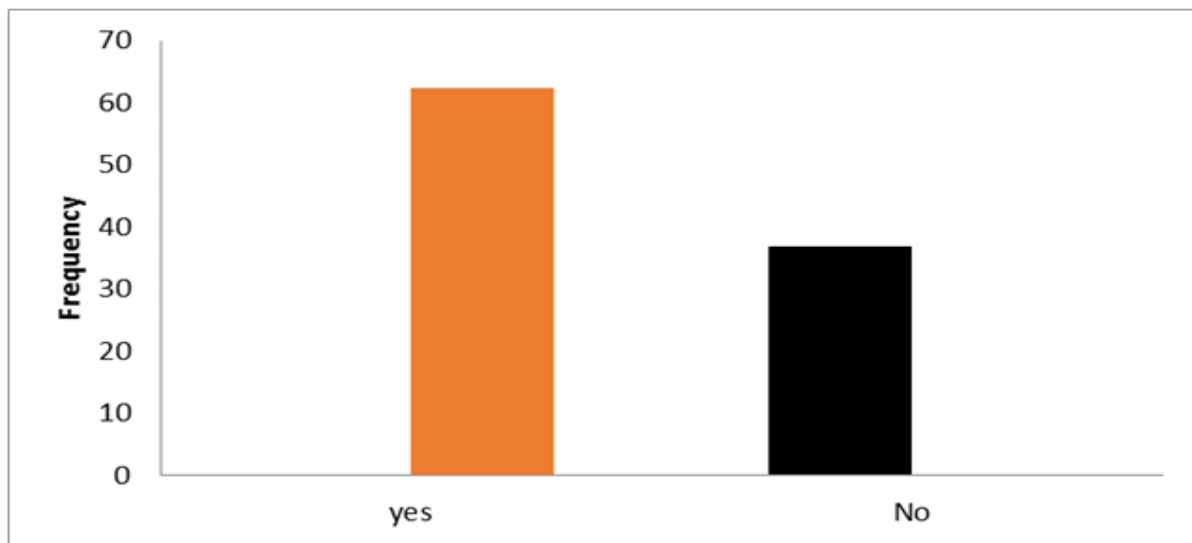


The employees were asked whether the company used a cost accounting system to ensure proper segregation of direct costs from indirect costs. In this project, the direct costs of TVs, refrigerators and washing machines were determined as the costs of raw material, direct workers' wages and others\ factors. The proper segregation of direct costs from indirect costs could be seen in that the frequency of employee response about proper segregation of direct costs from indirect costs is not equally distributed. 63.26% of the sample population agreed, and 36.74% of employees were disagreed.

**Table 2:** Proper segregation of direct costs from indirect costs

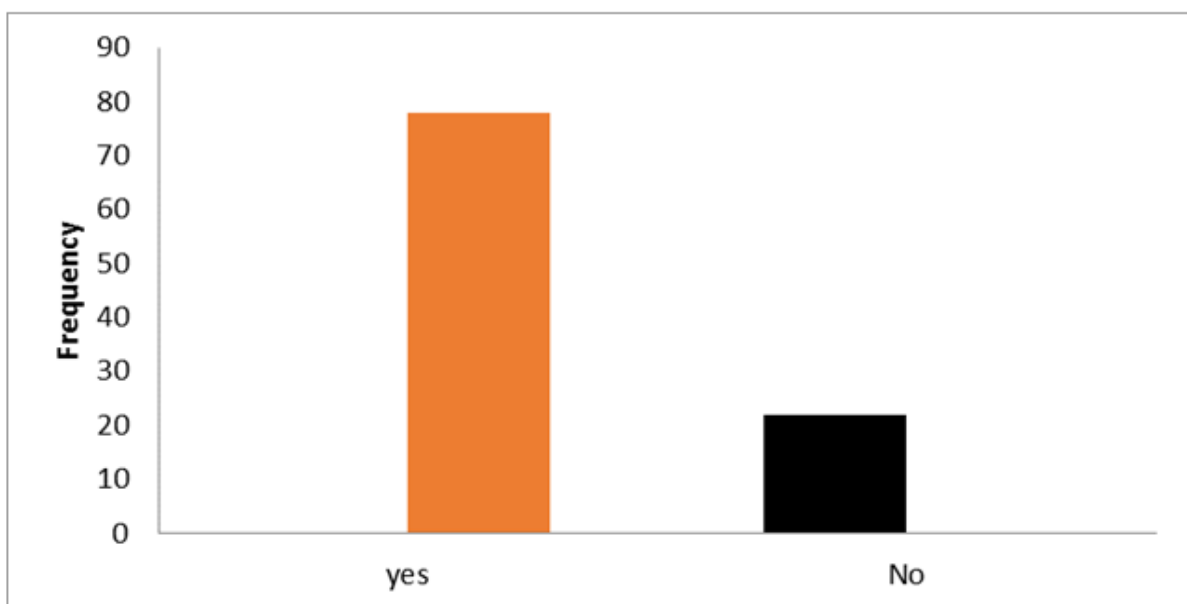
|          |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|--|-----------|---------|---------------|--------------------|
| Yes      |  | 62        | 63.26   | 63.26         | 63.26              |
| Valid No |  | 36        | 36.74   | 36.74         | 100.0              |
| Total    |  | 98        | 100.0   | 100.0         |                    |

**Figure 3.** proper segregation of direct costs from indirect costs.



A question was asked that whether the cost accounting system could provide the recognisable proof and collection of direct expenses by contract. The outcome presents distinguishing proof and aggregation of direct expenses by contract. From the chart below, it could be seen that the frequency of employee response about identification and accumulation of direct costs by contract is not equally distributed. 77.6% of the sample population said yes, and 22.4% of employees said no see (Fig 4 and Table 3). Therefore, the cost accounting system gives a coherent and predictable technique for the portion of roundabout expenses to the middle of the road and last cost targets.

**Figure 4.** Identification and accumulation of direct costs

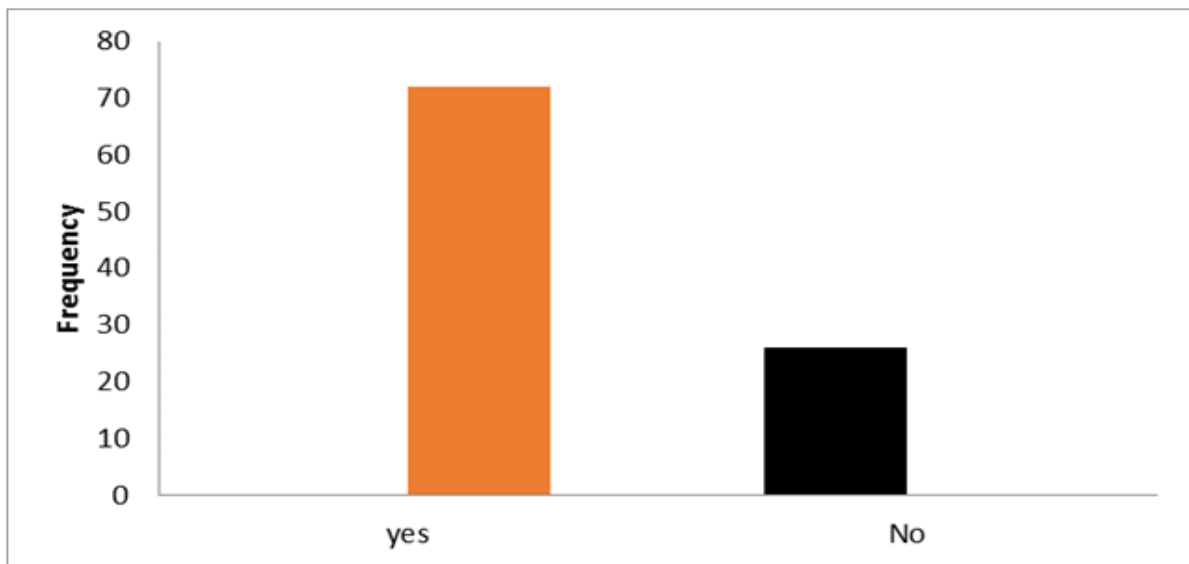


**Table 3:** Identification and accumulation of direct costs

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 76        | 77.6    | 77.6          | 77.6               |
| Valid No | 22        | 22.4    | 22.4          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

The answer for a question about whether there is a shift and preference for sensible and predictable strategy for the portion of aberrant expenses to transitional and last cost targets. It could be seen that recurrence of representative reactions about coherent and steady strategy for the allotment of indirect expenses to middle and last cost goals is not similarly appropriated. 73.5% of the sample population agreed, and 26.5% of employees disagreed see (Fig 5 and table 4)

**Figure 5.** The logical and consistent method for the allocation of indirect costs

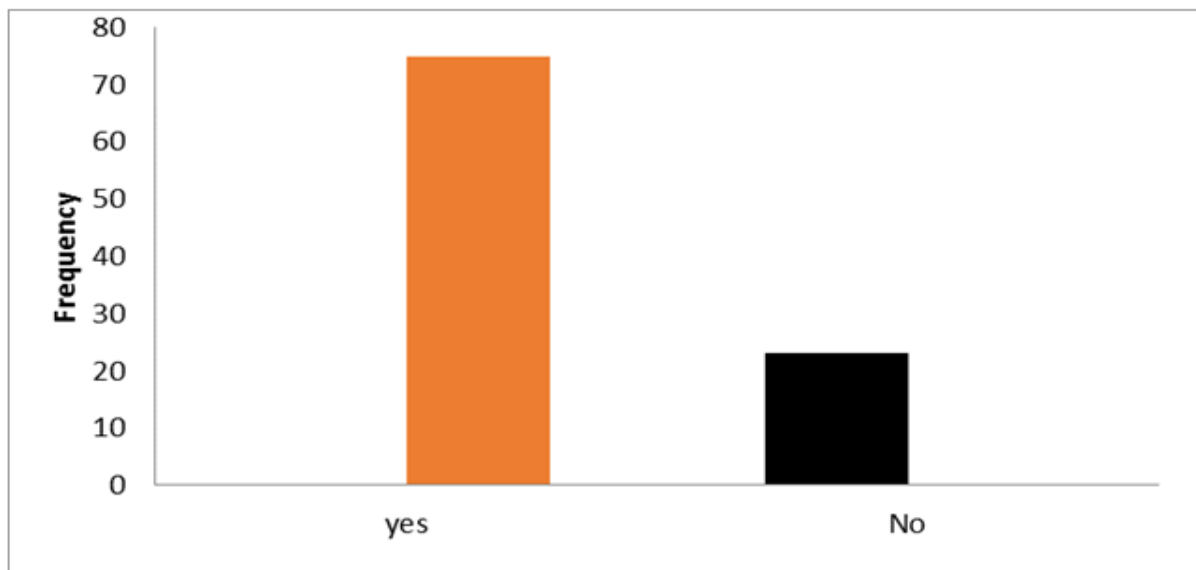


**Table 4:** The percentage of logical and consistent method for the allocation of indirect costs

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
|       | Yes   | 72        | 73.5    | 73.5          | 73.5               |
| Valid | No    | 26        | 26.5    | 26.5          | 100.0              |
|       | Total | 98        | 100.0   | 100.0         |                    |

The results showed that the frequency of employee response about the accumulation of costs under general ledger control is not equally distributed. 53.1% of the sample population agreed, and 46.9% of employees disagreed. Therefore, the cost accounting system provides a timekeeping system that identifies employees' labour by intermediate or final cost objectives (see Fig 6 and Table 5).

**Figure 6.** A questioner for the accumulation of costs under general ledger control

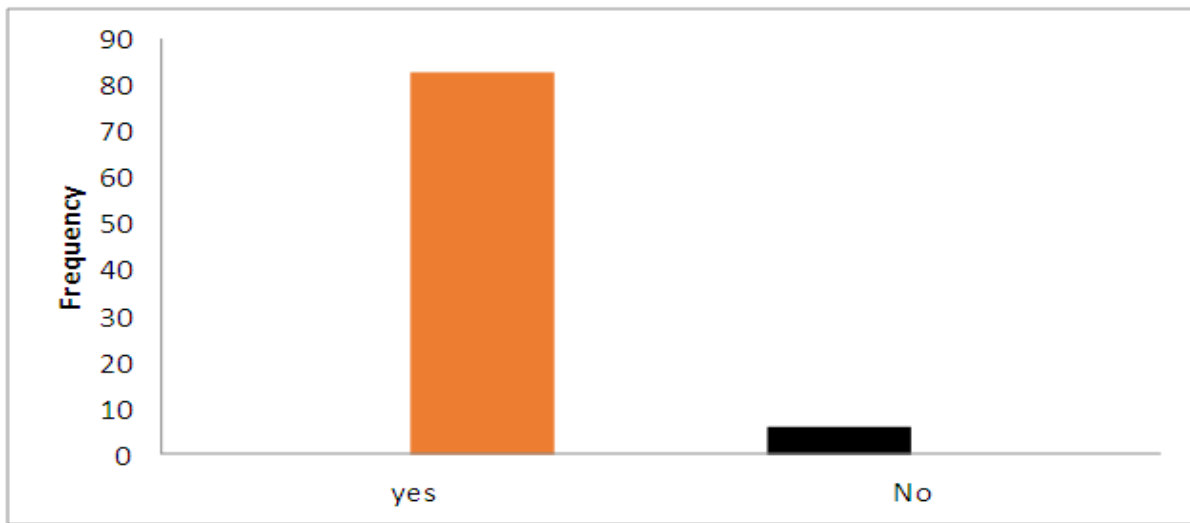


**Table 5:** Percent of Accumulation of costs under general ledger control

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 75        | 53.1    | 53.1          | 53.1               |
| Valid No | 23        | 46.9    | 46.9          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

The timekeeping framework demonstrated that the recurrence of representative reaction about timekeeping framework that distinguishes employees' work by the middle of the road or last cost targets is not similarly disseminated. 83.7% of the sample population said yes, and 16.3% of employees said no. Therefore, the cost accounting system gives a work circulation framework that charges immediate and aberrant work to the suitable cost destinations. (see Fig 7 and table 6).

**Figure 7.** A questioner showing the timekeeping system

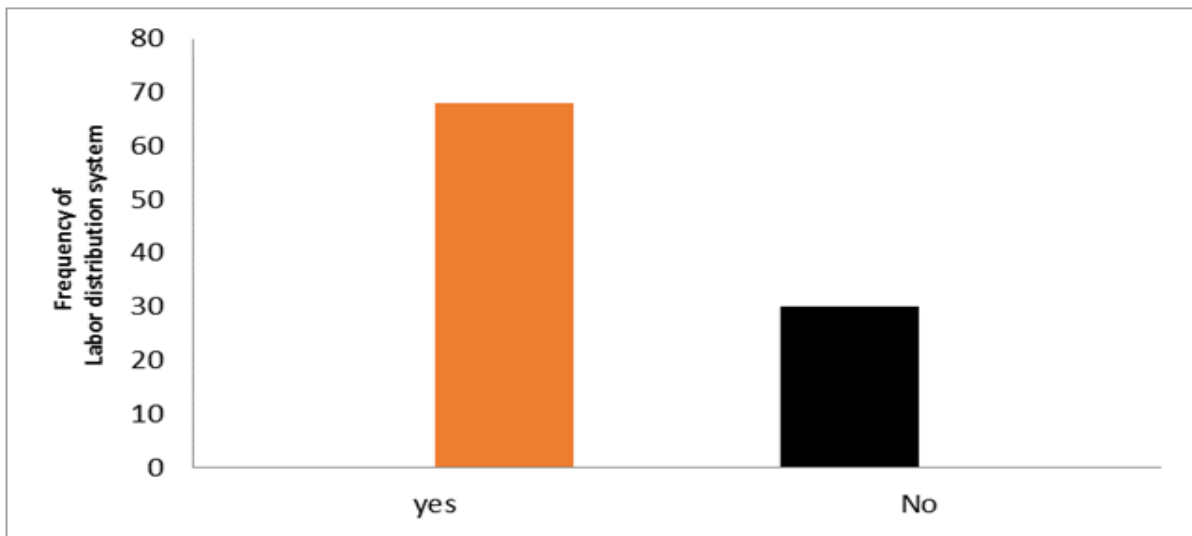


**Table 6:** The percent of the timekeeping system

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 83        | 83.7    | 83.7          | 83.7               |
| Valid No | 6         | 16.3    | 16.3          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

It was discovered that the recurrence of representative reaction about work conveyance framework that charges immediate and circuitous work to the proper cost goals is not similarly circulated. 69.4% of the sample population said yes, and 30.6% of employees said no. In this way, cost accounting system gives interim (in any event month to month) assurance of costs charged to an agreement through routine posting of books of record (see Fig 8 and table 7).

**Figure 8:** a questioner for Labor distribution system

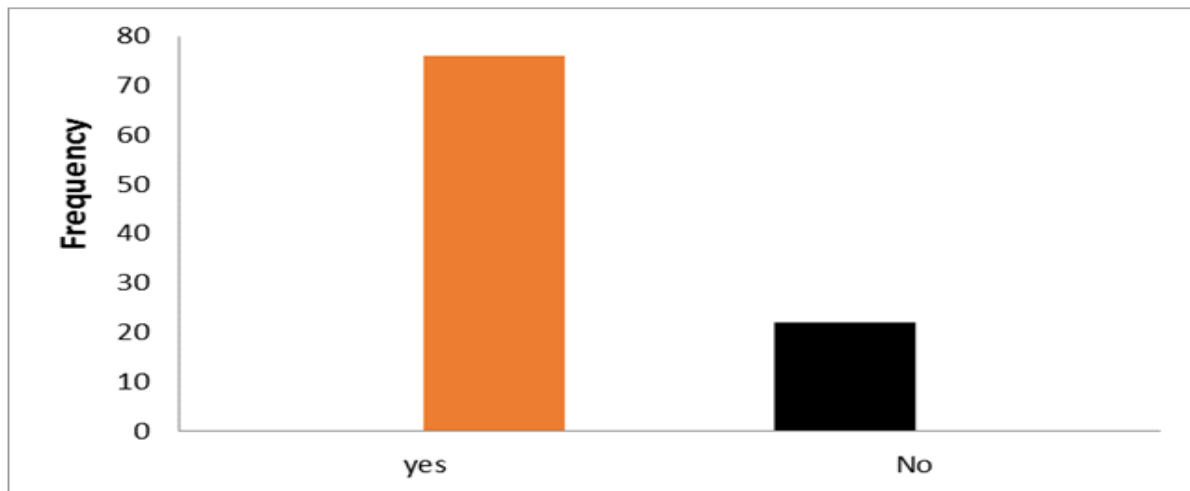


**Table 7:** The percent of Labor distribution system

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 68        | 69.4    | 69.4          | 69.4               |
| Valid No | 30        | 30.6    | 30.6          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

The interim (at least monthly) determination of costs charged presented that frequency of employee response about interim (at least monthly) determination of costs charged to a contract through routine posting of books of account is not equally distributed. 77.6% of the sample population agreed, and 22.4% of employees disagreed. Therefore, the cost accounting system provides an exclusion from costs charged to government contracts of amounts which are not allowable in terms of contract cost principles and procedures, or other contract provisions (see Fig 9 and Table 8).

**Figure 9:** A questioner for interim (at least monthly) determination of costs charged



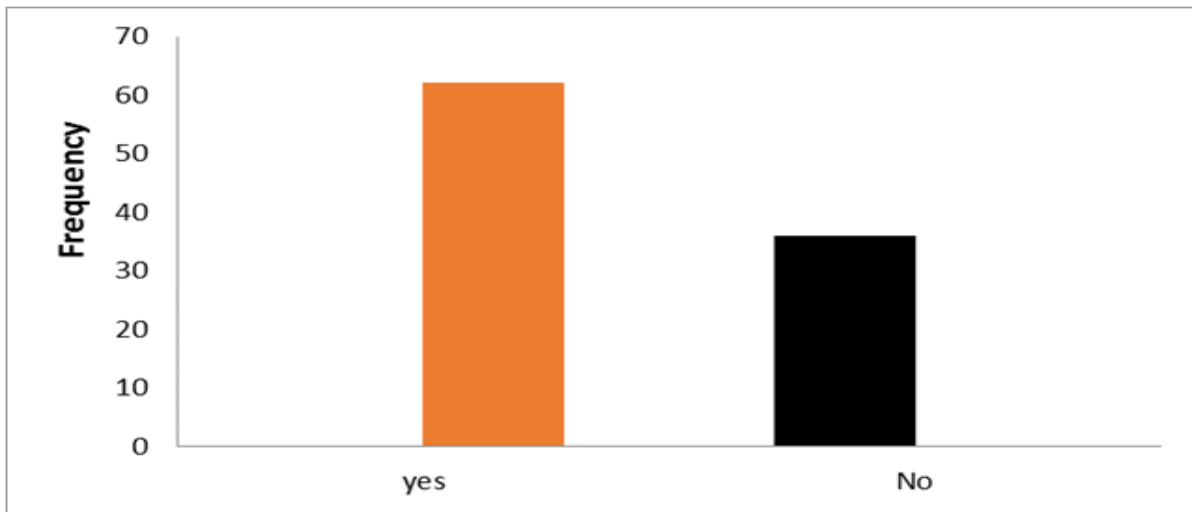
**Table 8:** The per cent of interim (at least monthly) determination of costs charged

|                 | Frequency | Per cent | Valid Percent | Cumulative Percent |
|-----------------|-----------|----------|---------------|--------------------|
| <i>Yes</i>      | 76        | 77.6     | 77.6          | 77.6               |
| <i>Valid No</i> | 22        | 22.4     | 22.4          | 100.0              |
| <i>Total</i>    | 98        | 100.0    | 100.0         |                    |

The costs charged to government contracts demonstrated that the recurrence of worker reaction about rejection from costs charged to government agreements of sums which are not admissible as far as contract cost standards and techniques, or other contract provisions is not equally distributed. 63.3% of the sample population said yes, and 36.7% of employees said no. Therefore, the cost accounting system provides segregation of preproduction costs from production costs (see Fig 10 and table 9).



**Figure 10.** Exclusion from costs charged.

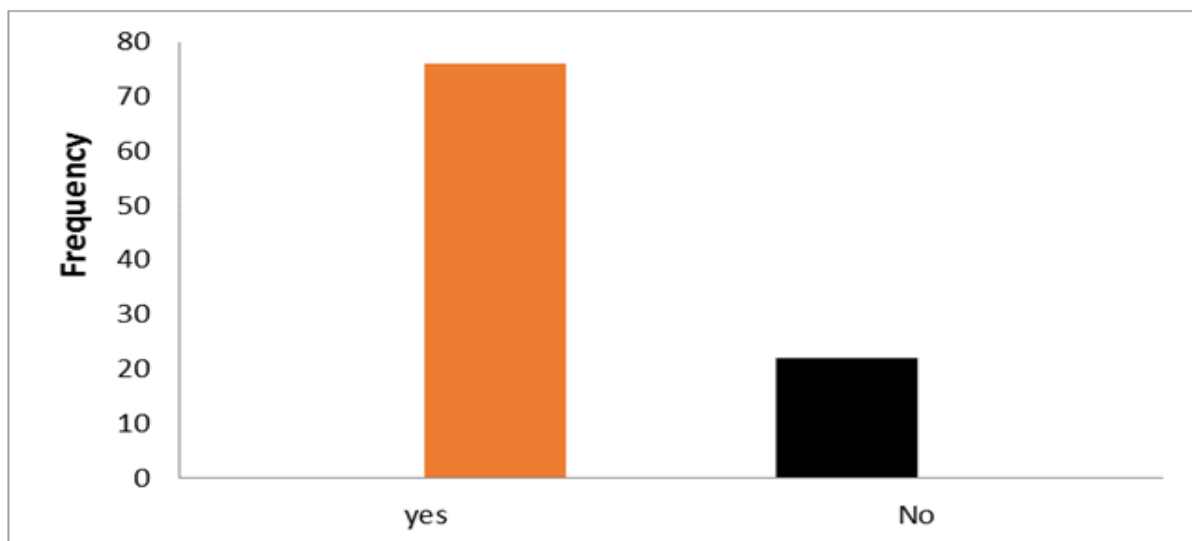


**Table 9:** The percent of exclusion from costs charged

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 62        | 63.3    | 63.3          | 63.3               |
| Valid No | 36        | 36.7    | 36.7          | 100.0              |
| Total    | 89        | 100.0   | 100.0         |                    |

The segregation of preproduction costs from production costs that the frequency of employee response about segregation of preproduction costs from production costs is not equally distributed. 77.6% of the sample population said yes, and 22.4% of employees said no (see Fig 11 and Table 10).

**Figure 11.** answers for a question for Segregation of preproduction costs.

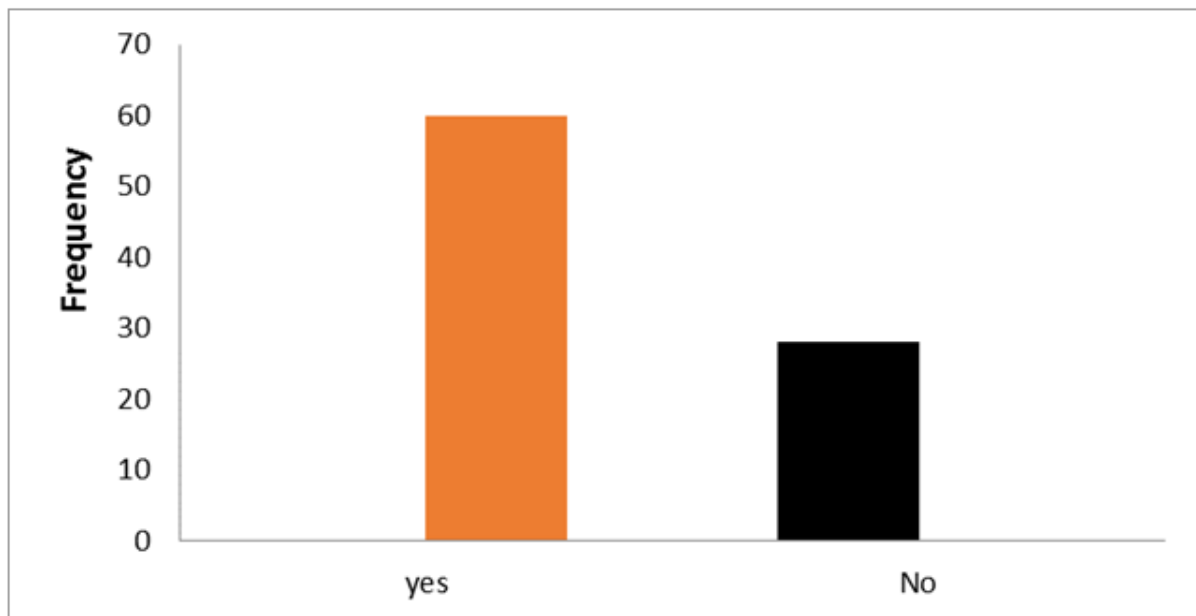


**Table 10:** The percent of Segregation of preproduction costs

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 76        | 77.6    | 77.6          | 77.6               |
| Valid No | 22        | 22.4    | 22.4          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

The cost accounting system could provide financial information. From the chart below, it could be seen that frequency of employee response about the cost accounting system provides financial information is not equally distributed. 61.2% of the sample population said yes, and 38.8% of employees said no (see Fig 12 and Table 11).

**Figure 12.** answers for a question for providing financial information by cost accounting.



**Table 11:** the percentage of providing the financial information by cost accounting

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes      | 60        | 61.2    | 61.2          | 61.2               |
| Valid No | 28        | 38.8    | 38.8          | 100.0              |
| Total    | 98        | 100.0   | 100.0         |                    |

## **Findings, Suggestions and Conclusions**

### ***Findings***

The Company Videocon Electronics is a renowned company which has been trying to establish itself as No.1 in the electronic goods and around country for their quality and services.

Despite the fact that after providing the best quality and service, the company has not been able to increase or even maintain its market share in the electronic goods industry in the Eastern Region. Various factors are affecting the sales of the company in this zone, and they are as follows:

- 1) The cost of production is fairly good, but the sales are being hampered by the production constraints faced by the company.
- 2) The company is unable to match the demand with supply because of production constraints.
- 3) The products offered by Videocon Electronics are fairly cheaper compared to the price offered by its competitors.
- 4) The company is making a profit of 5%; along with this, the dealers are also being allowed a 10%+ discounts on all products.
- 5) The efficiency of the workers is affected by the informal ambience prevailing in the factory.
- 6) The other factor found was that the company has an undeveloped distribution channel which concentrates only in Kolkata, because of which people are not aware of the brand, which hinders the sales.

### ***Suggestions***

The company is performing well and providing goods at cheaper cost, which is beneficial to medium class consumers. To contain the maximum number of middle class of families that are satisfying their consumer needs with the Videocon products as quality goods are available at cheaper costs, but as they say, there is always some room for improvement. The following recommendations are based on the observations under study for Videocon, which will enable them to engage in better utilisation of their resources-assets and manpower, thus reducing different costs at different categories. This will indirectly increase the profits of the company, and thus better the services that can be provided by the company for higher sales and market share.

- a. The company should try to increase the production, by replacing the old machines, with new-age technologically advanced machines and arritors which would lead to reduction in the time required for the production of goods from 48 hours to 12 hours.
- b. The company should install a belt conveyor for packaging instead of following a manual process of packaging. This change would lead in a reduction in the labour cost and time and along with this will give uniformity to the product in the form of weight and tidiness.
- c. The company should switch to PVC containers for packing the electronic goods instead of using tin containers; this would lead to a slight reduction in the cost of containers.
- d. The company should adopt a policy of division of labour which would add to the efficiency of the labour in the company.
- e. The company should focus on its corporate customers along with this, it should try to build a more corporate customer base.
- f. The company should try to build a direct relationship with the manufacturers of raw material, instead of depending on dealers.

### ***Conclusions***

Better utilisation of different resources will lead to marginal reduction in various cost. Reduced cost will lead to greater profit margins for the company, with the extra margin the company can provide better service to its customers than competitors. By doing this the company will not only be able to retain its existing customers but will also be able to attract new customers.

In the manufacturing unit, where its fundamental cost component is the material cost. Assembling organisations are inclining toward procedures like value engineering, quality control, budgetary control, with the end goal of cost reduction. This system satisfies the goal of the xompany for example 'Minimal effort Manufacturer'. The research specifies that the cost reduction techniques are now- required to be implemented in each and every organisation. The goal of the examination is to discover the cost decrease and cost control strategies which are being utilised in the different stages and their impact on the expense of materials. The second point of this paper is to locate all other cost decrease strategies, which are helpful. Amid the current roublesome business climate when deals are diminishing and each business must receive to cost decrease procedures at the earliest opportunity to stay away from the business running into misfortune. By using this company has achieved its basic goal of being a 'Low Cost Manufacturer.'



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### **Authors' Contribution Statement**

H Algalw designed and carried out the study. B Merhej and Ali Atshan oversaw the study and H Algalw wrote the paper. All authors approved the content.

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