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A STUDY ON THE "IMPACT OF COST CONTROL ON PROFITABILITY" WITH REFERENCE TO SUNBEAM GENERATORS PVT.LTD – PUDUCHERRY

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Abstract

This study aimed to analyse how cost control affected manufacturing businesses efforts to maximise profits. The necessity to address the issue through this research is brought on by an increase in costs (material costs, labour cost and cost overheads), which added to decreased profitability in manufacturing enterprises. The study did not cover other areas of the economy because it was restricted to cost control in the manufacturing business.

Major research findings demonstrated that cost control measure have a positive effect on the profitability of manufacturing companies because decreasing costs directly correlate with an increase in an organization's level of profits. It was also clear that elements of costs like materials, labour and overheads costs as well as employee behaviour could be strategically controlled with tools like accounting to achieve higher profit levels.

Keywords: cost, profitability, cost control, cost analysis, cost sheet.

1. INTRODUCTION

Budgeting is the first step in cost control, which is the activity of identifying and reducing business expenses to boost profitability. Maintaining and increasing profitability depend on maintaining and reducing costs.

Targeting expenditure reductions are part of cost control, which aims to boost revenue. The long-term effects of implementing this level of control on profitability can be extremely favourable.

A corporation must be profitable in order to be able to recoup its investment through its operations. It demonstrates how the resources are effectively used to fulfil its profit- making objective. To pay dividends to its shareholders and set aside a portion of its profits as reserves to deal with unanticipated circumstances in the near future, an organization needs to make a profit.

The workers demand better wages, and creditors want to protect their loans and interest, thus every investor requires a higher rate of return on their investment. in today's corporate world, profit is the cornerstone of every sector for directing operational decisions.

1.1OBJECTIVES

- To determine the difference between cost control and profitability of Sunbeam Generators Pvt. Ltd.
- To study the Regression between cost control and profitability.

2. LITERATURE REVIEW

- According to Roland T. Rust, Christine Moorman, and Peter R. (Roland T. Rust, Oct 2002), cost-cutting and revenue growth can be employed to boost a company's profit and cash flow. It is said in this literature that operations and quality will provide a solid foundation for cost reduction. Additionally, market orientation and customer satisfaction would lay the groundwork for the company's income to rise during the years 2000 to 2001.

- Mikhail Chester and Chris Hendrickson found that "construction cost increases in a project with the seven different mismanagement scenarios" (Chester & Hendrickson, 2005). They are (i) delay (ii) acceleration (iii) rescheduling of tasks (iv) cost-cutting (v) scope change (rework) (vi) subpar work (vii) strike. In order to lower the cost of building, management should take these factors into account and try to prevent these circumstances (2005).

- A study by Siyanbola and Raji (2013) examined how cost control affects the profitability of the sector. Their primary goal was to look at how cost control affects the profitability of manufacturing businesses. They examined cost-control related papers and found that, from 1993-1994 to 2002-2003, cost control had a favorable effect on the profitability of the industries (2013).

- A study by Oyerogba, Olaleye, and soloman (2014) evaluated manufacturing businesses cost management techniques and business performance. They looked into the connection between firm performance in manufacturing organizations and cost management practices. They used information from 40 manufacturing companies listed on the Nigerian stock exchange during the period of 2011 to 2012.

- Stefan Astrom; Gregor Kiesewetter; Wolfgang Schopp; Robert Sander; Sofia Andersson. Berlin (December 2018); Clean Technologies and Environment policy: Different investment horizons, cost minimization in 2030. The most effective usage of emission control measures is influenced by investment perspectives on costs for air pollution control (2018).

3. METHODOLOGY OF THE STUDY

This study is based on the secondary data. The secondary data is the balance sheet and cost sheet which has been given by the company. The time period for this study is 4 years which is from 2018-2021. Are collected from the research papers, websites, and articles, other relevant information.

4. DATA ANALYSIS

Table 1: Showing the return on capital employed

YEAR	RETURN ON CAPITAL EMPLOYED
2018	16.04
2019	8.21
2020	10.92
2021	2.67

Inference:

The above table shows that Return on capital employed ratio has decreased in the year 2021 by nearly 8% which can be interpreted as the efficiency and profitability of the company with the capital employed is a decreasing stage.

Table 2: Showing the cost to income ratio

YEAR	COST TO INCOME RATIO
2018	96.9
2019	98.4
2020	98.04
2021	99.33

Inference:

The above table shows that the cost to income ratio has increased in the year 2021 by nearly 1% which can be interpreted as the efficient performance of the company with the cost to income is a increasing stage.

Table 3: Showing the significant difference in the group means of material cost.

Source of variation	SS	Df	MS	F	P- value	F crit
Between Groups	38.0628125	1	38.06281	0.359799	0.570561	5.987378
Within Groups	634.734375	6	105.7891			
Total	672.7971875	7				

Result: From the above ANOVA table, it can be analysed that the table value of P is 0.570 and the calculated value for this material cost 0.3597. since the calculated value lesser than the table value. The null hypothesis is accepted.

Table 4: Showing the significant difference in the group means of cost per unit.

SS	Df	MS	F	P- value	F crit
29191.32031	1	29191.32	2.578944	0.159417	5.987378
67914.59208	6	11319.1			
97105.91239	7				

Source of variation	Between Groups	Within Groups	Total

Result: From the above ANOVA table, it can be analysed that the table value of P is 0.159 and the collected value for this cost per unit is 2.5789. Since the calculated value is higher than the table value. The null hypothesis is rejected.

5. FINDINGS

- The Return on capital employed ratio has decreased in the year 2021 by nearly 8% which can be interpreted as the efficiency and profitability of the company with the capital employed is a decreasing stage.
- The cost to income ratio has increased in the year 2021 by nearly 1% which can be interpreted as the efficient performance of the company with the cost to income is a increasing stage.
- The above ANOVA test, it can be analysed that the table value of P is 0.570 and the calculated value for this material cost 0.3597. since the calculated value lesser than the table value. The null hypothesis is accepted.
- The above ANOVA test, it can be analysed that the table value of P is 0.159 and the collected value for this cost per unit is 2.5789. Since the calculated value is higher than the table value. The null hypothesis is rejected.
- It is also found that there is no difference among the group means of the cost per unit.

6. CONCLUSION

In the study, researcher have analysed the impact of cost control on profit maximization in manufacturing companies. An increase in cost which added to reduced profitability in the company.

All the research objectives were achieved and it was concluded that cost control have a positive impact on business profitability as it is clear that profit can be increased by manipulating costs. It was evident that element of costs such as material, labour and overhead costs and workers behaviour could be strategically controlled with measure like variance analysis, accounting to achieve higher profit levels.

In controlling costs, a good cost control system is required to minimize costs as wastages are eliminated and inefficiencies reduced during production and throughout an organization. Also, from the findings, increase in labour costs, material wastages, increase in repairs and maintenance cost and decrease in cost sheet performance were the effects of implementing cost control profitability.

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