

**THE ROLE OF COST ACCOUNTING IN TRANSPORT
MANAGEMENT IN UGANDA RAILWAY
CORPORATION**

BY

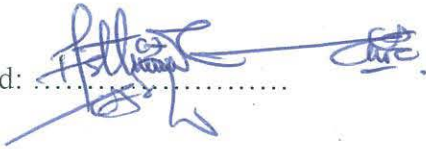
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**Submitted in partial fulfillment of the requirements of the award
Of the degree of Bachelors in Business Administration
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DECLARATION

I LWESIBAWA YUSUF declare that this is my original work and has not been presented to any elsewhere for any other academic qualification.

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APPROVAL

This is to certify that this report presented by **LWESIBAWA YUSUF** entitled, the **ROLE OF COST ACCOUNTING IN TRANSPORT MANAGEMENT (CASE STUDY: UGANDA RAILWAY COOPERATION)** has been carried out under my supervision. This research report is now ready for submission to the academic board of Kampala International University with my approval.

Signed: 

Date: ... 30/10/06

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DEDICATION

I, dedicate this research report to my family especially lady Hanifa, Mr. Hassan Basajjabalaba, Mrs. Aisha Basajjabalaba, and my grand mum who labored to assist me in the entire accomplishment of this work to make it a success.

Secondly, I dedicate it to my cousin brother Acram Zimula, Mzee Bulhan Musitwa, Mrs. Musitwa, Hanifa, Mzee Hard Zimula, Sewanyana, Ssebagala and Farouk who greatly encouraged me to continue and complete this research report.

And lastly, I dedicate this research report to my young brother Hassan and the kids in Munyonyo who live with me and share a lot of fun with me even when I was carrying out the study.

ACKNOWLEDGEMENT

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Other persons include; Miss Zalwango, Mr. Musaana, Miss Anna, an d chief finance and administration of Uganda Railway Cooperation and the entire management for their wonderful cooperation with me.

Special thanks go to Mr. Musaana, and deserve a vote of thanks for without his support and in formation this work would not have been accomplished successfully.

My greatest thanks go to Mr. Hassan for his great input in my due course and may God reward him endless rewards.

Endless thanks go to the management and staff of Shabaab Restaurant. Save Yusuf Mission, for their immeasurable support during my research study.

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ABSTRACT

This research was on to obtain the major purpose of instituting cost accounting system that will guide management of the transport department in an organization. It was conducted in Uganda Railway Corporation.

The researcher was interested in this topic because usually managers are handicapped in making prompt decisions for transport department due to lack of accurate analysis of behaviors of the costs relating to the operation of the transport service.

During the process of conducting this research, it was realized that there is an urgent need to integrate a clearly defined costing system into the existing financial accounting system

Some of the recommendations made by the researcher in this report included the need to strengthen the cost accounting system as an integral part of the existing financial accounting system, for the purpose of cost control, integrate the departmental transactions, into a line of authorization and management being committed to discipline of cost control, there should be company wide cost - profit awareness.

The study was carried out as a result of the fact that the researcher expected the role of cost accounting to improve on the management to confine the known cost - profit facts to a select few who need to know than fewer people will be committed to cost management.

CHAPTER ONE

1.0. Introduction

1.1. Background

With consideration of fact, a state cannot a bid to see its transport ill assured for long. At that point of view governments are involved in this strategic sector and substantial amount of money is required to be assigned to transportation in the national budget. The role of transport in the national country's economy needs not to over emphasized in so far as monetary and economic policy is concerned. Its necessarily direct contribution of transport to trade and commerce, to politics and power especially in developing countries For instance through operating efficient transport, government can directly increase or decrease volume of commodities and hence prices of the same.

So there is a need to build up a truly national transport facility and capacity. And since Uganda is a land locked country shouldn't lag behind her neighbours in investing into, and developing a sound transport system; and yet very little has been done so far to manage this system efficiently. Bearing in mind that little material is available or transport management. There is a need to pave ways and means specific to the management of transport, which challenges this task.

It's then important to spot the situations that post the major bottlenecks in railway transport industry and give management tools of solving those problems that are within their control.

Problems related to railway fleets and manpower employed is of major concern to the managers. So this study will attempt to answer the question what role could cost accounting play in helping managers of transport management department to come up with meaningful decisions to the business?

1.2. Statement of the problem

It is of high value that the decision-makers in Uganda Railway Corporation practically determined whether the transport department of the company is a profit-giving venture.

Further on, it is possible to determine which train should be operated and when to plan to replace the worn-out ones.

Cost accounting study accounts to provide an integral system so as to help management appreciate the data available. Sincerely, this has been a cost accounting system before it is certainly presently dormant, and needs to be revised and redesigned to suit the changes that have occurred in transport management at Uganda Railway Corporation.

1.2.4. Significance and purpose of the study

The research will reveal out the skeleton of the costing system that has been dormant over the years. Onto, the study is significant in so far as restoration of this system proves a stepping-stone for management in planning for the restoration of transport department in Uganda Railway Corporation.

Research questions

1. How to indicate to management any inefficiency and waste which are thereby revealed?

2. How to arrive to the cost of providing the transport service by close analysis of all expenditure?
3. What means were used as a guide in fixing the railway transport tariffs?
4. How to take collective action where significant deviations of costs have been incurred from the budgeted figures as away of control?

Scope of the study

The study was carried out in Uganda Railway Cooperation. The organization is located in Kampala on plot 53 Nasser road. The theoretical part of the study focused on the cost accounting to provide an integral system so as to help management appreciate the data available in planning for the restoration of transport department in Uganda Railway Cooperation.

1.2.2. Hypothesis

Due course of the study, it shall be sought to prove or disprove the following assumptions:-

Usually managers are handicapped in making prompt decisions for transport department due to lack of accurate analysis of behaviours of the costs relating to the operation of the transport service. That there is an urgent need to integrate a clearly defined costing system into the existing financial accounting system the same system will be designed to give the information used:-

- i) To draw up normal financial accounts.
- ii) To compile the cost statements and cost data required.

1.2.3. Objectives of the study

This study is to obtain the major purpose of instituting cost accounting system that will guide management of the transport department in the following specific areas;-

- 1) To indicate to management any inefficiencies and waste which are thereby revealed.
- 2) To serve as a guide in fixing the railway transport tariffs.
- 3) To arrive at the cost of providing the transport service by close analysis all expenditure.
- 4) To take corrective action where significant deviations of costs have occurred from the budgeted figures as a way of control.
- 5) To provide comparative states of costs in which the cost of the current period are compared with the costs of a previous period, or more helpfully with the budgeted costs.

CHAPTER TWO (II)

METHODOLOGY

2.0. Introduction

This chapter presents and describes the methods and techniques that were used to collect and analyze data. It includes the data collection instruments, processing and the limitation of the study

2.1. Research Design

The researcher used literature research on wider subject of transport economics and in particular cost accounting in transport management.

2.2. Methods of data collection

Data and information shall be gathered by the existing documentations and official communication made before in the company

Other information shall be got from relevant managers from Uganda Railway Cooperation through interviews and questionnaires

2.3. Types of data collected

These were primary data and secondary data. Primary data being the field findings and secondary data from related literature and other documentations

2.4. Sources of data

The research was carried out in Uganda Railway Cooperation. Most of the data was from the principal marketing manager, principal public relations officer, chief, engineering officer and chief finance and management office, and the store-keeping officer. These sources were basically self - administered

2.5. Data processing

The research will be arranged and store the information collected on a flash disk or a floppy for accuracy safety of record and expediency.

2.6. Data processing and analysis

The process of data collection was equally followed by data processing. This was meant to make data collected were meaningful, organized and easier for analysis. The responses received were edited to ensure consistency with the variables under study.

Data from managers was integrated with that from financial statement analyzed to give a proper report relating that period.

Review of brochures helped in examining the findings.

2.7. Data analysis and presentation

After collection of data, only filled interview guidelines were coded, edited and analyzed. Analysis was carried out on the level of operation and true findings were presented using tables.

2.8. Limitations anticipated and problem

The time assigned to carry out this research is by itself limited, too as the funding that was to cater for the production of useful rich quality material. To use a computer has been much necessary in editing, but its costs of paper, and its limited access to it has proven to be a draw back to this research.

With the current situation of activity in the transport industry, in the company it is possible to construct a slack cost accounting system. It is also possible to have limited

insight into the possible checks and balances of such a system that would on the other hand have been remedies to the problems in transport management.

CHAPTER THREE (III)

LITERATURE REVIEW

3.0. Introduction

Under this chapter, there will be examining written works of other people in relation to this topic of interest appreciate their strong points but also look at the inadequacies in then so as to generate a deeper understanding of the issue at per.

Cost accounting to a great margin reflects the events that take place “internally” in any Organization. At transport department, cost accounting in all respects views those events of financial importance that takes place in the department. The same information can be used to check certain aspects of management control as well as assist management in deciding on routine matters that must affect the achievement of the policy already laid out. This chapter examines the events in the transport department in detail.

3.1. A theoretical frame work

Definition of costing (1)

The terminology of cost Accountancy” published by the institute of costs and works Accountants gives the following definition:

Cost Accountancy

“The application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control and the ascertainment of profitability. Also it narrates the presentation of information derived there from for the purpose of managerial decision making”.

Costing

“The classifying, recording and appropriate allocation of expenditure for the determination of costs of products or services; The relation of these costs to sales values and the ascertainment of profitability”.

That is, when cost accountants talk of costing, they have in mind the ascertainment of:-

- a) The cost of manufacturing a product, or
- b) The cost of providing a service, or
- c) The way in which costs can be controlled.

They can be ascertained in many ways; -

- a) Historically, i.e. after they have been incurred.
- b) By predetermined standards, combined with subsequent analysis of variances between those standards and actual cost incurred;-
- c) By use of marginal costing, or
- d) By differentiating between “fixed” and “variable” costs.

According to Y.BATTY, cost accounting today focuses on helping managers deal with the immediate future as well as the distant future. Its concern with the past is justified only in so far as it helps prediction of the future cost behaviours and patterns. This is useful in planning and control of the business activities (2).

DOUGLAS GARBUTT in his Carters Advanced Accounts clearly compares cost accounting and financial accounting. The former, he says, is concerned with the

composition of cost and sources of profit (3). So cost accounting determines how and where profit arises while financial accounting determines what the profit is or how meaningful in larger organizations where it is essential to have control over costs.

3.2. Costing in transport management

According to WALTER W. BIGG; railway transport costing is designed to show the cost of operating each train. Cost Accounting serves the following purposes; -

- a) To promote efficiency by comparing the cost of maintaining and running one train with another of the same type and capacity.
- b) To afford comparison between the cost of using trains and that of using hired transport on a commercial basis.
- c) To determine what should be charged against departments using the transport services.
- d) To assist in deciding at what price the use of a train can be charged, profitably, to any one using it.

3.3. Installing a cost accounting system

When installing a system the following general conditions should be observed as far as possible.

- 1) The costing system should be adapted to suit the organization of the particular business, not the business to suit the system.
- 2) The technical aspects of the business should be carefully studied in order to secure support of the main works staff.

- 3) Minimum amount of details should be recorded to avoid unnecessary clerical costs. Records by foremen and workers should involve as little clerical work as possible by using forms, schedules, etc.
- 4) Every entry on workshop forms should be supported by an examiner's signature or by counter checks in order to ensure reliable statistics.
- 5) Cost data and statistics should be presented frequently, regularly and promptly.
- 6) Cost accounts and financial accounts should be either interlocked in one integral accounting scheme or be so arranged that the results of the two sets of accounts are reconciled by means of control accounts.

This insight into the theory of cost accounting forms a basis of the research paper. It is also within these limits that the research will gather its data and then make recommendations where necessary.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0. Introduction

The main objective of the researcher was to obtain the major instituting cost accounting system that will guide management of the transport department. Under this chapter the findings of the study are presented, interpreted and discussed.

4.1. COMPANY-UGANDA RAILWAY CORPORATION

4.1.1. What is Uganda Railway Corporation?

Uganda Railway Corporation is a government parastatal body under the Ministry of Works, Housing and Communication, responsible for operating and managing Railways and marine services in Uganda.

In 1992, Uganda Railways Corporation's legal status was formalized and established under the URC Statute No. 13 that created an autonomous commercial organization.

4.1.2. Objectives of the study

Stated in the company's statute No. 13 has its objectives as below:-

General objectives

- a) The construction, operation and maintenance of a railway, marine and road services both in and outside Uganda for the carriage of passengers and goods;
- b) To carry on subject to this statute, such activities as are conducive or incidental to the attainment of the object set out in paragraph (a) of this section.

Specific objectives

- a) To carry passengers, and goods by rail, road and waterways;
- b) To provide transit and terminal stations and port facilities for the purpose of paragraph (a) of this section;
- c) To provide and use upon railways, roads and inland waterways for the carriage of passengers and goods and for the stowage protection or salvage of life and property the following
 - Self-propelled and push service equipment;
 - Road motor vehicles and trailers; and
 - Lake vessels and other associated crafts;
- d) To store goods whether or not the goods have been or are to be carried by the Corporation;
- e) To consign goods on behalf of persons other than the Corporation from any place within or outside Uganda to any other place whether within or outside Uganda;
- f) To provide clearing and forwarding services;
- g) To provide both for passengers carried by the living accommodation and places of refreshment;

4.1.3. Authority of Uganda Railway Corporation

In order to ease and speed up the process of customs clearance of rail bound cargo, URC availed to Uganda Revenue Authority office space facilities at its Kampala Goodshed area.

URA in August 1996 opened a fully fledged Longroom at the Railway Goodshed for customers who use rail and opened a separate Bank Account for tax remittances of

railway customers at Stanbic Bank (Former UCB) Kampala Road Branch. This has eased congestion and reduced delays in the payment of customs dues. URC recognizes that time is money.

URC is a parastatal body under the ministry of works, housing and communication, responsible for operating and managing Railways and marine services in Uganda. The government of Uganda owns the company's share capital. The company's policies are worked out by a competent body if Uganda's collectively known as the Board of Directors. The Board headed by a chairman and composed of the executive Director who is the managing Director. The managing director is backed up by a horizontal line of professionals who are charged with the execution and implementation of any policy established by the Board or by government. Meetings are held at regular intervals to review the company's affairs and put new plans into motion.

4.1.4. Location of Uganda Railway Corporation

Uganda Railways Corporation Headquarters are in Kampala Plot 53 Nasser Road. Other URC offices are located at major stations along the railway network countrywide.

Foreign Offices

Uganda Railways Corporation has got liaison offices in Kenya and Tanzania. In Kenya, URC liaison offices are located at Mombassa, Nairobi Eldoret and Kisumu.

In Tanzania they are located at Dar es Salaam and at Mwanza.

Rail network

Uganda Railways Corporation is the largest overland cargo haulage concern in the country with a rail system totaling 1241 km.

The rail network stretches from Kampala to Kasese in western Uganda and to Pakwach in northern Uganda through the industrial towns of Jinja, Tororo, Mbale and Lira. At Tororo, the network links up with the Kenya Railways network at Malaba.

4.1.5. Historical background of Uganda Railway Corporation

Since the early 1920s, the three countries of East Africa i.e. Kenya, Uganda and Tanzania constituted a virtual common market. There was need to integrate this market. Therefore a body called the EASCO (East African Common Services Organization) was created to help in economic integration of the common services like the railways, airways, posts and telecommunications, etc.

The EASCO took over the function of the Conference of East African Governors whose objective has also been the economic integration of East Africa.

The Railway line reached port Florence (now Kisumu) in January 1902. Tug and lighter boat services were provided to link Kisumu with Uganda across Lake Victoria (then known as Victoria Nyanza) at Jinja, Munyonyo, Port Bell and other ports of call. The introduction of cotton in Uganda and the need to transport it led to increased lighter boat services and establishment of more ports to Lake Victoria.

4.1.6. Changes

URC recognized the advantages of privatization, which among others, is increased efficiency. URC embraced the idea of the need for capital and expertise through private participation in the form of Joint Venture Programmes, way back in 1998.

Consequently a joint venture company between URC and Adtranz now known as Adtranz Nalukolongo Limited was formed in May 1998. The new company carries out maintenance on URC locomotives and wagons, which has led to increased availability and reliability of the equipment.

At the moment, the management of URC is adding value to the corporation by increasing tonnages carried, financing long-term infrastructure requirements, reducing the debt burden and improving industrial relations; ultimately making the corporation vibrant and ready for privatization.

Under decree No. 14 of 1977, URC was an interim arrangement to care take for the assets and liabilities for the former EARC in Uganda. This implies that the corporation could not be formerly legalized until the question of the division of the assets and liabilities among the three former partners was finalized.

4.1.7. Membership and international links

The Uganda Railway Corporation has many international links and bodies it associates with, like the international Union of Railways, Union of African Railways.

With the membership, Uganda Railway Corporation is a member of the East African Railway.

4.1.8. Block trains /bulk haulage

Uganda Railways Corporation has the capacity to haul bulk cargo over long distance with ease. URC transports about 6% of all Uganda's imports and exports. The operation of block trains of not less than 20 wagons from Mombassa to Kampala or from Dar es Salaam to Kampala makes URC a major haulier of bulk cargo in the region.

URC operates fuel and cargo block trains. A cargo block train hauls about 800 tones of cargo at ago while fuel block trains are capable of hauling 570 tones on average which is about 600,000 liters of fuel products at ago. Bulk haulage has enabled URC to offer competitive tariffs to its big hauliers.

Block trains improve the transit time and ensure security of the goods in transit, which are moved in blocks without detaching a wagon from the point of loading to the point of destination.

Block trains are also operational aboard the URC wagon ferries which act as a moving bridge to link port Bell/Jinja to Kisumu (Kenya) or Mwanza (Tanzania). Each of the wagon ferries has a capacity of 880 Tones (pay load) and can carry 22 wagons at ago. Rail/Marine Transport saves carnage on the roads!

4.1.9. Shipping

The company was also involved in handling clients' goods for exports. Customers with railway sidings don't need to hire trucks to take delivery of their goods but off-load directly from wagon into warehouses, and they can load their consignments for carriage with URC at their factories.

Uganda is a land locked country and her access to the Indian Ocean is through the ports of Dar-es salaam and Mombasa. Uganda Railways is therefore the only haulier in Uganda which can guarantee to the people of Uganda two alternative routes to the sea i.e. Mombasa port (Kenya) Dar es Salaam Port (Tanzania). Customers are accordingly advised not to put their eggs in one basket! (Route option)

URC does not only offer two optional routes to the sea to Ugandans alone but also to neighboring countries like Rwanda, Burundi, Southern Sudan and Congo whose transit traffic goes via the Uganda rail network through the integrated and flexible multi containerized cargo system.

4.1.10. Warehousing facilities

Having realized that there were excessive delays in forwarding export and import traffic by various customers or their Agents at entry points, URC decided to establish a clearing section in 1986. This was done in order to improve on the utilization of wagons by ensuring quick turn round and minimizing delays in customs documentation. The corporation's clearing and forwarding unit uses experienced personnel to handle customers' documentation at Tororo, Jinja, Kampala, Mwanza, Mombassa and Dar es Salaam stations for all rail bound cargo at no extra charge.

All railway users are advised to let Uganda Railways handle their customs documentations since it is efficient and faster for use.

The corporation also offers warehousing facilities at the Kampala, Jinja and Tororo Goodshed totaling to 32967 sq, meters.

4.1.11. The future of Uganda Railway Corporation

The future of Uganda Railway Corporation can't be spelled out. With the interview at the main headquarter with the principle public relation officer; she reserves that information saying that the company is in an interim period that is neither on the side of Uganda Railway Corporation nor on the side of the new company.

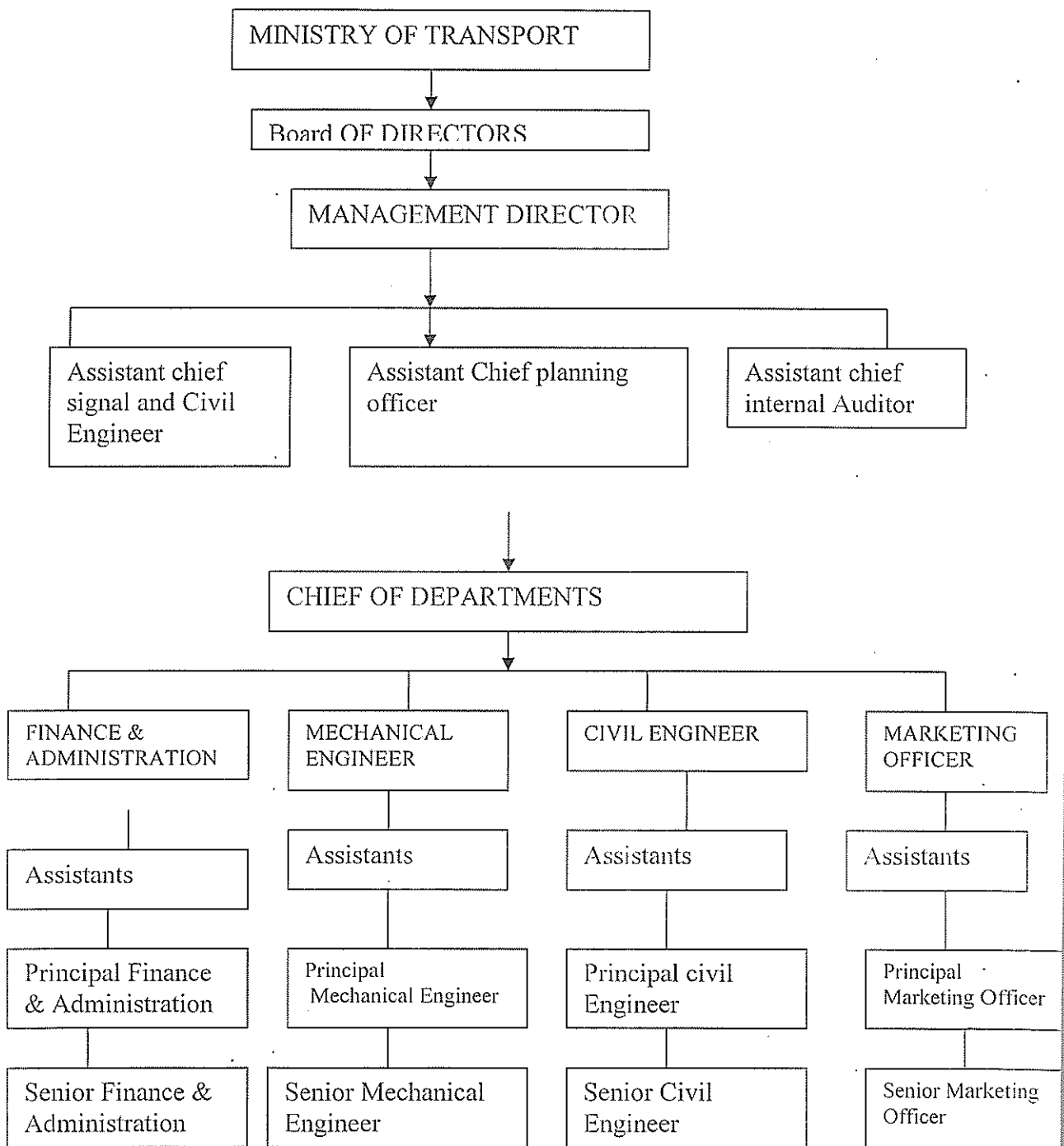
The purpose of this chapter was to introduce this dissertation and also to understand the company being studied. We note that the company was at the height of operation back in the days. However the company has a sparkle of light a heed of it in the next chapter he examines the transport management's routine at one of the departments in Uganda Railway Corporation.

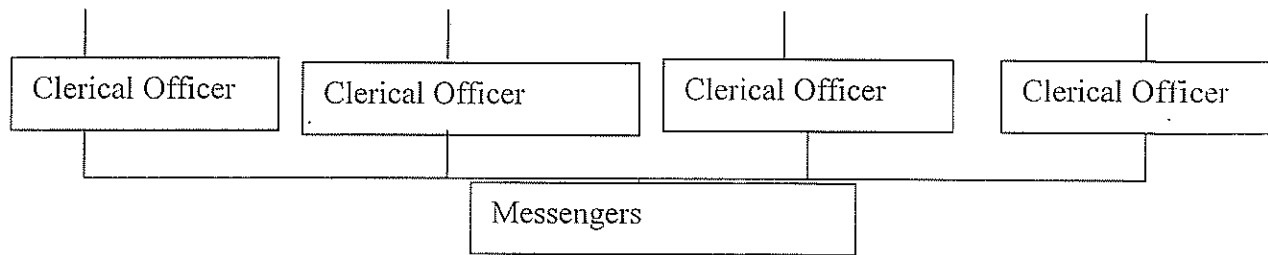
4.2. The department organization

The organization located at plot 53 Nasser Road, well enclosed with administrative offices and mechanical workshop facilities. Since then Uganda Railway cooperation has been occupying that plot.

The organization structure of URC (transport department) will show that the ministry of transport heads it since it's government parastatals.

Figure 1: THE ORGANIZATION STRUCTURE URC





Further more to the line section heads other department has strengthened their functions at transport department security and purchasing personnel and accounts. These sections are named by chief security guard, a purchasing assistant, a personnel officer with a personal secretary and transport accountant with Book Keepers respectively.

At the moment organization is staffed with approximately 780 employees in total with the major assets at the headquarter.

4.3. The transport service transaction

There are four internal braches (stations) providing local transportation services. Each of them is strictly required to operate on cash basis. However, there are causes where government ministries or parastatals bodies seek service and may not have cash to pay in advance. In such cases, Head office is contacted for clearance after which the Brach manager will instruct the commercial assistant to prepare the necessary documents for the transaction.

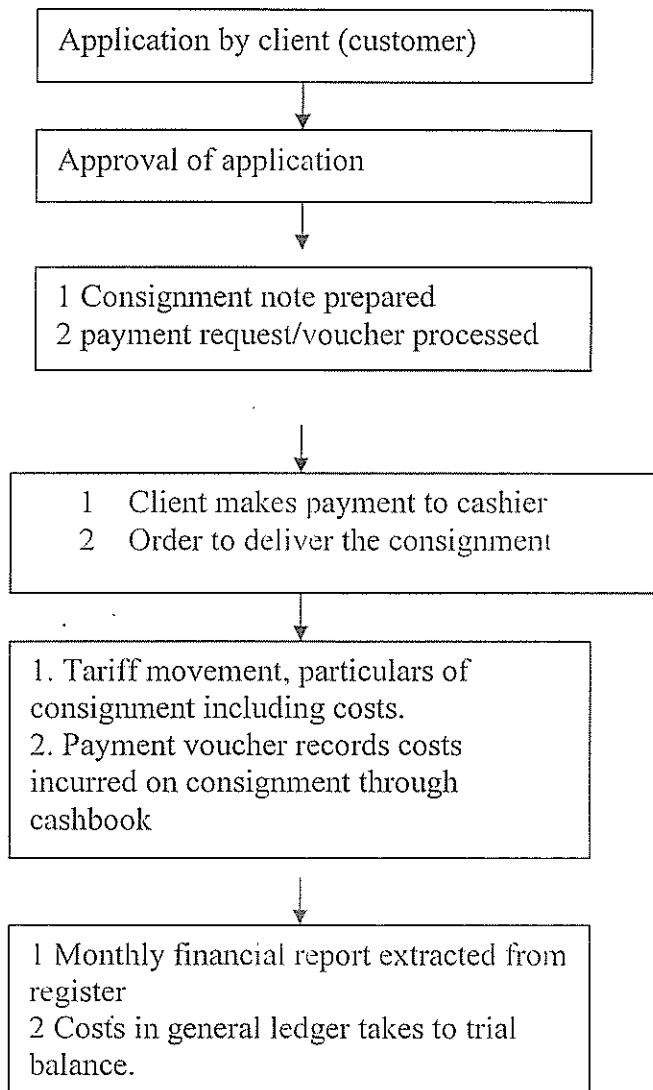
A potential customer is required to fill application to place order for wagon to line, pays freight, then the department concerned transports the traffic that is a local transaction.

On approval of this application, the commercial assistants quotes the changes according to the tariffs in use and process a consignment note in triplicate, while the customer makes a payment for the transport service to the cashier. At the same time a payment request form is prepared and processed, upon which funds

A monthly report marks the end of the record keeping of all transactions run by the department summarizing the revenue earned and those direct cost incurred at the time of

consignment. In case of transit network Kisumu – Kampala, resident representative have full charge of these transactions.

Figure 2: THE RECORDING PROCEDURE OF THE CONSIGNMENT



4.4. The problem of incomplete recording

The problem arises where a commercial cargo is seaward bound and empty if to ferry cargo from Mombassa to Kampala. Costs that are incurred at Kampala before the tariff is sent are not yet tied to any job, on analysis. Yet those costs that are incurred at Mombassa

are reflected on the accountability forms and related to a certain consignment. In effect there is a breakdown in reconciliation of these records, especially as Mombassa does not report directly to transport department periodically but to Head office. In this case the trial balance sent to Head office does not require an accompanying schedule to show the breakdown of the running cost on each consignment, which breakdown would serve transport department purposes.

In this way it is with difficult that the cost accountant would extract costs related to operating a given train on this route comprehensively. A cost accounting system should be able to indicate these areas inefficiency and so deploy only the efficient train in this route. Such a decision would be made with the help of information from the cost accountants and by intuition.

4.5. The purchasing procedure

The purchasing function is own by a procurement officer who is directly under the civil engineer manager department. This department has the duty of ensuring that the necessary supplies are purchased as cheaply as possible, that quality. So far as possible this office makes all purchases, so that orders are not duplicated.

This kind of supplies is tools and materials used in the workshop locomotive spares and parts. Fuel, lubricants. And also supplies such as stationery are certainly combined.

Procurement /purchasing method:-

- 1) Micro procurement: This refers to procurement of supplies or goods below the 3 million in Uganda Railway Corporation but in the public procurement and disposal. Authority Act basing 2 million shillings.
- 2) Marginal procurement: This is a procurement method of 2 million shillings supplies.
- 3) Direct procurement under this method of procurement you don't quote to suppliers. otherwise you just order to suppliers with bidding.

- 4) Restricted procurement; Here the organization chooses among its suppliers to bid for the tenders to supply. This method restricts international bidders and even other local bidders.

Purchase requisition are recovered from

- 1) The storekeeper in respect of spares, fuel, stationary and lubricants are usually the stock is not or at recorder level.
- 2) The workshop section, for suppliers needed in daily routine e.g. workshop materials, oxygen gas, and others.

On receiving a purchase requisition the purchasing officer places a local purchase order (ISO) as appropriate. Funds to make purchase should be released and against an authorized LPO a supplier will avail the goods to the company on an invoice before settlement is made. Copies of the LPO usually sent to the supplier, the procurement office and the bound copy for reference. Purchasing assistant maintains a suitable record of quotations. The ISO has to be approved by the chief administration and executive and the chief finance. It's the contracts committee to award the tenders and contracts at the organization, it eradicates the quotation.

Then the authority to purchase, approval of the chief finance and again the chief administration and executive.

4.6. The problem area in the purchasing routine

The problem of lack of liquidity has suffocated much of the purchasing function in the organization. This problem results from the fact that Uganda Railway Corporation is a government entity, which operates on credit in most cases of procurements and supply. Implementing the public procurement and disposal Authority Act (PPDA Act), this Act entitles to constrain condition, so far as implementing then are difficult.

Budget constraints: by this problem in procurement, the company lacks financial funds right from the national budget to the transport department i.e. Uganda Railway cooperation.

Supplier connivance; A company may quote to bid yet it doesn't have enough facilities and it connives with other company (s) to win the tender. The procurement department crosses checks with the directors of the company and even the C.E.O's

4.7. Receipt of good at stores

The transport department maintains a well-selected store. That is, the store officer checks the local purchasing order LPO, after that the goods received note (GRN). He calls on the auditor to sign for approval. It's the job at the stores to prepare daily report of receipt of stores. Information is posted to the Bin Record i.e. records on suppliers department, vouchers, and issue notes. Particulars of the goods are entered on goods received note in copies to:

- (i) Stores
- (ii) Procurement Assistant/officer
- (iii) Chief finance
- (iv) Reference copy in bound book

4.7.1. Stores upkeep

The store is responsible for the custody of spares and supplies that are not required for immediate utilization by the workshop. Organizing the stores space is vital and so the racks are proving efficient in holding a variety of spares. The stock is recorded in a classified manner with different series of a 6-digit code for each class of part. Each part number has a stock card which is shown the receipts and issues of the stock and so the balance on the card. The system is a perpetual inventory system.

4.7.2. Movement of supplies out of stores

When spares are required by the workshop a stores requisition is prepared by the foremen and daily authorized by the workshop manager. Upon this authority the storekeeper

issues out materials. The material requisition sets out the spares needed and the cost centre to which it is to be charged the recipient of the spares sign the requisition and this is left with store keeper.

The issue of spares is immediately posted to the appropriate stock card, the reference number inserted on the requisition.

4.7.3. Problems faced in storekeeping

- 1 The location of the store physically from the entire department presents a problem.
I.e. access roads to the stores for the delivering trucks of suppliers. This is caused by the presence of railway lines in the way to the stores.
- 2 Lack of storage facility for absolute stock poses several problems. It is possible to purchase in bulk but the presence of obsolete stock consumes space for nothing in the stores. This implies that useful inventory is denied full chance in stores.
- 3 Lack of fire fighting facilities. At the store there is lack of fire fighting devices thus being a problem in store keeping.
- 4 Fragmental stores premises, the stores at the organization are scattered.
- 5 Lack of a revised recording system. It is evident that the East African Community recording system left are still in existence yet the person recording information can't literally apply the E.A.C recording system to comply with purchasing routine and store keeping.

4.8. Wage routine

It is necessary to consider the routine of complying earnings as these gross earnings of an employee are calculated, there are none calculations made of income tax. insurance contributions and other deductions, cost accounting is not so much concerned with earnings each employee as with an analysis of the total earnings over cost units are centres

4.9. Time recording

Whatever method of remuneration it is necessary for disciplinary purposes that some form of time record should be kept for all classes of labour. This is more so when time is

the basis of remuneration; so that one can ascertain the wages payable. At the Uganda Railway Corporation, transport department; a register of attendance is kept, where each employee signs against the time he or she is arriving or leaving work.

4.9.1. Time basis of remuneration

The transport department pays the workers monthly depending on the time employed. According to the personnel officer, each worker can work a maximum of 22 working days in amount. Each worker, on appointment is designated a grade and a corresponding basic salary.

4.9.2. Idle time

Where workers are salaried by time there (is obviously) a difference between the times for which they are paid and that which they actually expected upon production is bound to arise. This is idle time and it includes.

- (a) Time taken in setting to workshop and reverse journey.
- (b) Time elapses between one job and another.
- (c) Tea breaks, personal needs etc.
- (d) Time when production is interrupted due to machine maintenance.

The above is such time as cannot be avoided and its cost is therefore an expense which employer must bear. It is essential to reduce idle time to a minimum. The register and job cards should constantly be compared to fully investigate an excessive margin of idle time.

4.10. The piece work system

Under this method of a fixed rate is paid for each job performance. But since all workers are salaried, the major advantage of this system in costing is to enable the accounts section to ascertain the labour cost of a particular repair job in the workshop. The cost of work done in the workshop enables the department to arrive at a fair estimate of quotation to other clients.

4.10.1. Direct expenses

This is the third element of costs. Direct overheads after direct materials and direct labour. They can be allocated to a cost unit purely for reason of convenience.

- Consultancy fees
- Costs of defective work
- Professional fees

A peculiar direct expense work noting is the train external repairs. While the company workshop is well established to under take any major repair on train and locomotion.

Also where the third of work is not possible within the workshop, like modification of locomotives, then this kind of expenditure is incurred in an external workshop. It can be directly charged to the cost unit the train on which it has been expended.

In case where the external workshop bill is settled so much later and by Head office, such information may not come to transport, department automatically. The matter may never come to the notice of the administration and accountant to enable relevant costing to the cost unit within the relevant period. This oversight may well affect the estimates made in the budgeting process of the department and so render a major branch of cost accounting budgetary control, rather lame and useless as far as this expenditure is concerned.

4.11 Costing the transport service

4.11.1. Introduction

Classification of costs

In costing the transport service, it is the practice to consider all possible costs related to operating a given wagon and then finds out rate of costs per ton kilometer. Costs are majority divided into' locomotive costs, wagon costs fuel costs and staff costs. To the economist there are fixed costs and variable costs. Fixed costs being the costs met regardless of the level of operating a given train. And variable costs are those, which vary

with mileage and to an extent, with tonnage. For the purpose of this analysis the following costs are classified as variable costs.

4.11.2. Fuel costs

This expenditure goes in direct proportion with the mileage traveled by the train such that; no fuel cost can be incurred on a train parked at the station. Like wise, lubricants usually prove to be a certain percentage of the fuel consumption the fuel and lubricant costs will vary with the age by the train.

Staff costs

The company in the due course of movement of tariff usually incurs this cost for a short route say Lira – Tororo, it may require four staff.

(C) Depreciation a special variable cost in transport

According to Biggs in his “costing”, opinions differ as to whether depreciation is to be regarded as a fixed or variable cost. Provided the train properly maintained accrues in relation to the mileage run and is therefore from this point of view, a variable cost. These considerations apart, it is essential that the train should be adequately depreciated during its working life, so that its costs are fully recovered from earnings.

Therefore depreciation could be fixed cost if the train will be absolute and due for replacement before it is worn out as an operating unit. It could be earning cost to be charged in accordance with mileage.

In case of transport department, depreciation poses a peculiar problem. Since there does not seem a clear plan to replace old train before they are worn-out depreciation would be a variable cost. For the purpose of this research, we shall take an extemporary reading of mileage to supply to the rest of the trains operated and depreciation shall remain a variable cost.

(D) Subsistence allowance

This is a cost that relates to a given route and so will vary with the kilometer traveled although marginal. And with the company spend subsistence allowance for locomotive driver and train guard.

(E) Spares and maintenance

Activities done on each train and spares filled into should be costed over a period. When compared with mileage there is a close relationship usually. However for a substantial overhead, it may be necessary to spread the cost over a period this tendering it to be fixed cost opened.

(F) External repair costs

Such costs are made in working other than the department fall under this category. It may be the case when a train gets an accident and the read to the workshop of the company is distant, then external repair costs incurred.

4.11.3 Among fixed costs, are the following costs?

- 1 Workshop equipment
- 2 Salaries and wages
- 3 Administrative expenses e.g. staff needs, security services, staff uniforms, office expenses, professional fees.
- 4 Utilities costs. E.g. electricity, water, telephone.

This chapter will reveal the major uses of cost accounts. Cost data is useful in rate fixing, for planning and for control purposes.

4.12. Fixing the tariff (rail transport)

From the cost data available below on quotation of using particular train. Distance Tororo – Lira – Tororo 592 km. The table below given us some of the costs

Standing costs per route

Table 1: Tororo-lira –Tororo for the period-august 2005

Locomotive costs: \$ 674.9 per day x days = \$ 2,024.7	
6 wagon costs: 6 wagon x \$20 per wagon x 3 days = \$ 360	
Fuel costs;: 0.148 liters per Gross Ton. Km x 6 wagons =\$2979.8	
X 57 Gross Tons per wagon x 592 km x 1790 or 5,363,676/= per liter	
Staff costs: 4 staff x 2 nights x 30,000/= per night = \$ 133.3 or 240,000/=	
Total	US\$ 5497.8

Source: management memo

Costing sheet

Assumptions

- (i) Distance Tororo-Lira-Tororo is 597km.
- (ii) Return trip will take 3 days.
- (iii) Loco and wagon daily hire rates are US\$674.9and \$20.0respectively.
- (iv) Train will comprise 6 wagons.
- (v) Four Loco shed staff will escort the train.

Table 2: Running costs (for period Aug 2005)

1. Normal running for two rights for train guard and locomotive driver @ 40,000 = U.shs 160,000/=	
2. In case of accident: provision for train guard and locomotive driver for three nights @ 40.000/=	
= U.shs 240.000/=	
Total :	Ushs 400,000/=

Total is US\$ 5497.8 (table III – 2

At the exchange rate of 1 US\$ 1835/= 10,088,463.0

Total variable operating expense comes to U.Shs 10,088,463.0

Expected revenue to Lira is U.shs. 22,000/= per tones x 240 tones

$$= 5,280,000/=$$

Expected revenue from Lira U.shs. 22,000/= per tone x 240 tones

$$= 5,280,000/=$$

Total U.shs. 10,560,000.0

The first train as per the offer of Mukwano industries would just break even

- Source:**
- (i) Counter offer from Mukwano
 - (ii) Market survey by the marketing department
 - (iii) Costs from chief marketing department

Table iii

In the table it will give the costing model literally used in the organization (Uganda Railway Corporation).

Table 3: Different values of cycle time, empty/loaded and loco delays

	Base case	(a)	(b)	(c)	(d)	(e)	(f)
Cycle time (days)	23.99	15.00	23.99	23.99	18.00	16.5	15.00
Empty /loaded ratio	1.0909	1.0909	0.75	1.0909	0.85	0.8	0.75
Loco Delay (Hrs)	16.88	16.88	16.88	10.00	12.00	11.00	10.00
Direct Delay (Hrs)	76.46	76.46	71.34	75.56	72.28	70.59	70.59
Variable operating cost per ton- Km (U.Shs)	105.1	102.6	96.70	1000.2	94.50	91.02	90.20
Long run variable cost per ton-KM (Ushs)	107.9	105.0	99.28	102.7	96.62	92.98	92.01
Total cost per ton-KM (Ushs)	154.0	150.2	142.5	147.1	139.0	134.1	132.8

The above table iii shows the costing models used in fixing of rates in Uganda Railway Corporation and its known as the OSCAR model.

Operation simplifies costing for African Railway (O.S.C.A.R)

Using the OSCAR model, it is possible to work out the various costs of operating trains on the same standard route (Tororo-Lira- Tororo route be standard).

4.13. Other factors considered in rate fixing

The making of quotation demands considerable skills. Although quotations must be based on the cost records other factors must be put in third. The demand for transport is derived” demand for a consignor to send his traffic to a consignee.

It is also possible to apply marginal costs, i.e. a cost that simply covers the train running costs of fuel, parts, oil and wages, as a competitive strategy.

The oldest and simplest rating system is charging what the traffic will bear. Urgent or high- value traffic is quoted a high rate, which the consignor either cannot refuse because of the urgency, or can well afford because of the profitability of the consignment.

Considering the competitors, that is the road transport. These are the most chasing competitors of railway transport. So, fixing tariffs is also based on that criterion in the organization.

Comparing their sister companies these include Kenya Railway and Tanzania railway. Uganda Railway corporation considers also the rates of its collogues and the derive to the price to charge.

These factors are artificial not all that scientific however there are outside the sphere of cost accountant. Usually cost accounting confines itself to the supply of figures of cost, prepared as accurately and logically as possible, to the commercial department. Then the commercial department may then apply the given limits as guides to setting prices and flexing then to their discretion.

4.14. Estimating for the entire department using the high low cost method

This is the method used when two or more observation of costs is and recorded. The method uses observations of highest and lowest activity levels to estimate fixed and variable costs. Assuming identical fixed costs in the observations of highest and lowest activity, the difference costs between these two observations is due entirely to the difference in total variable costs and thus mileage run.

Hence, variable cost per unit (b)

$$= \frac{\text{Difference in total costs}}{\text{Difference in total activity}}$$

Over the seven years of operation, the transport department recorded the following results summarized below:

Table 4: Operation results at transport department 1998 – 2004

	2004	2003	2002	2001	2000	1999	1998
NORTHERN ROUTE	528,108.45	594,712.06	623,276.61	590,548.12	562,909.29	514,277.37	459.1
SOUTHERN ROUTE	303,094.79	229,283.62	246,808.63	241,578.82	218,157.47	226,306.70	94.64
LOCAL	47,500.00	27,958.00	33,528.00	24,171.40	17,673.34	13,373.65	46.22
TOTAL	878,703.24	851,953.68	903,613.24	856,298.35	793,957.72	753,957.72	600.0

Highest and lowest activity period

Source: comparative data by tonnage route

Note that there are variations between the estimated cost and actual costs. A cost accounting system that employs this technique is useful in controlling and co-ordinating activity in any business entity. On analysis of these cost data can reveal the various causes, usually being underlying inefficiencies and wastages.

4.15. Using cost data for planning profit levels cost volume profit analysis

This is technique used to analyze the impact of changes in volume on costs, revenue and profits. It is used extensively in planning because it helps answer the following questions.

- (a) At what volume of operations are revenue and costs equal i.e. the break even point in units
- (b) What profit will be earned if there is an increase in sales volume?
- (c) What volume of activity is needed to attain a given level of point?

In differential analysis that underlies cost volume profit relationships it is also useful in making many types of managerial decisions including accepting or rejecting a special order, this as, mentioned earlier, this analysis enables the clear vision of costs and revenue relationships. The analysis draw its cost data from the aid engineering methods or the cost estimating techniques earlier discussed, draw from the analysis of historical cost data. The basic relationship underlying cost volume project analysis includes a linear cost function.

Since this analysis assumes a constant selling price per unit, total revenues equal the number of units (covered) multiplied by the unit-selling price. The equation is this:

$$R = PX$$

Where the parameter

R = total sales revenue

P = rate per km

X = number of kms covered

Profit being the difference between total revenue and total costs,

$$\Pi = R - T,$$

Where R and T are as previously defined

4.16. The contribution margin at transport department

The difference between the unit-selling price or transport rate, and unit variable cost is the unit contribution margin (CM). It is the amount that each unit of transport service rendered contributes towards covering fixed costs and providing a profit. So, total

contribution is the difference between total sales revenue and total variable costs. The total contribution margin can also be computed as the unit contribution margin multiplied by the number of units produced and sold total contribution margin is one aspect of analysis common in transport departmental reporting.

Table 5: Annual operational report transport department January June 2005

MONTHS	TONS CARRIED	KM	TOTAL VARIABLE COSTS	TOTAL REVENUE	TOTAL CM
January	525	1308	1,270.000	5,784,526	4,514,526
February	480	7294	1571.147	4,009,102	2,527,955
March	441	12678	4.097,521	8,478,095	4,280,574
April	199	4464	1,171,180	3,180,728	2,009,548
May	432	11480	1371,040	6,665,892	5,294,852
June	416	9117	136,250	5,273,717	413,7467

Source: extract from monthly report (train) January- June 2005-transport department

Much as this margin is commonly calculated and presented in monthly report its analysis does not go very far to and management in understanding the elements involved.

The following observations are made:

1. The rates of operation per ton per km over the month applied to each train varied widely. Each train runs at its own tariff per ton per km. These changes, it was discovered, were computed with radius distances in mind for instance a charge to Tororo- Lira, which is 592 km from Kampala, includes those entire destinations with in a radius of 185 km from Lira. Such that the tariff applied only changes outside the 185km.

2. The variable cost per km for each train operated during that month differed from each other. In the first instance each train seem to have a different variable cost considering the age of the locomotive, there is a noted tendency for each locomotive to have its own fuel usage rate. For example, simple break- downs mended in and outside the workshop also vary in costs.
3. The contribution margins for each train varied too, as bid the two elements that formed then. This measure would not guide the user of such data beyond noting the highest contribution margins and the lowest. Even if we noted the lowest margin it is to be compared with another margin to mark the cut off rate so as to isolate a non-profitable train to operate. So this can be misleading in deciding to scrap the train until we look at the percentage contribution margin.
4. The percentage contribution margin has completed this scenario in this data analysis. From the percentages there are two groups: those margins below 70% and those margins beyond 80%. These groups correspond to the locomotive capacities too. The 30-ton wagon clock margin 80% - 84% and 15-ton wagon clock margins of 64% - 67%. The exception to this rule is the toner fuel with its percentage contribution margin of 71.2% (it has a different configuration and is also operated differently). From this iteration, to operate 30 ton wagon is generally more profitable than 15-ton wagonload over the same period of time. Management at the department has found it more expensive to maintain 30-ton wagon and have conveniently maintained 15-ton wagon for that matter.

Cost data having been analyzed carefully in this manner, can scientifically show the higher contribution margin to be got from operating 30 ton wagon instead of leaving the decision makers at the mercy of the market demand, rule of thumb or simply a managers'

intuition. Certainly, these crude methods of relating to a larger fleet of commercial trains over many months. This brings in the costing method of Break Even point (BEP)

4.17. The break even analysis

The Break Even Analysis seeks to find that level of operating where all costs equal all revenue earned. This level is where profit equals zero. The purpose is to find out what level of operation Break-even point is and whether the transport department is operating below or above that level. This area of analysis must indicate to management the overall departmental performance. It should present to management the case for and against the existence of the transport department facility profit maker. The transport department facility has been known to have a minimum of available cash, just like the entire management or company. In this situation management can find out the level of operation at which cash receipts equal cash disbursements.

Due to the exclusion of the depreciation and other provisions from the fixed costs, the cash break-even analysis can be used to set the level of operation.

$$\text{Cash break even point} = \frac{\text{Fixed - non fixed costs}}{\text{Unit contribution margin}} \quad (\text{CBE})$$

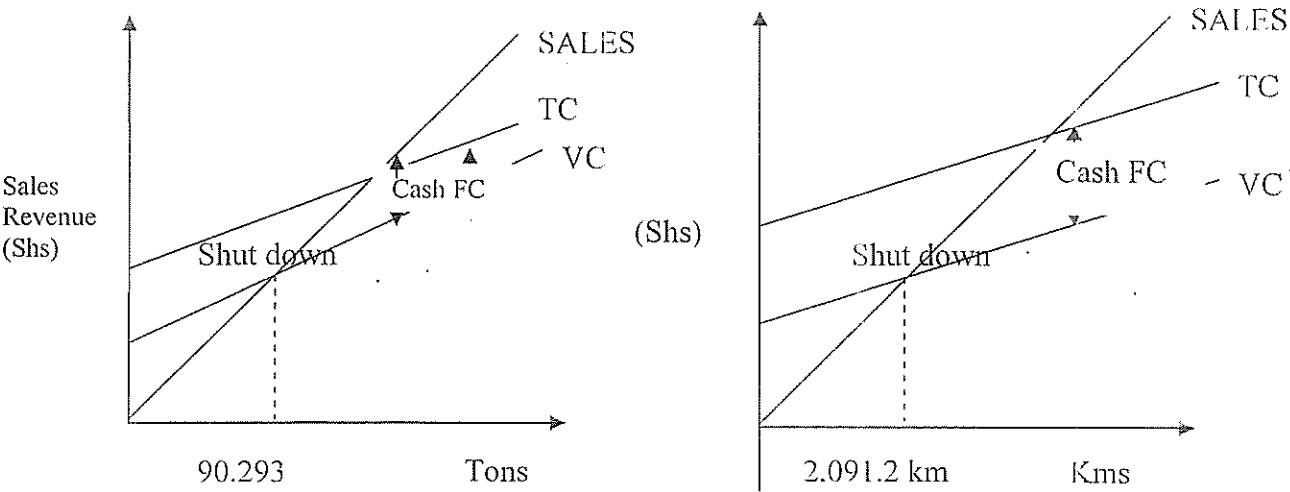
With reference to appendix, the cash break even point of the department during the months of January June 2005 was as follows:

$$\text{In tons} = \frac{821855}{9102} = 90.293 \text{ tons}$$

$$\text{In kms CBE} = \frac{821,855}{393} = 2.091.2 \text{ km}$$

These levels of operation above mark the shut down level of operation. Below these levels lie department would find it impossible to operate as the cash receipts would be lower than cash disbursements. This can be illustrated graphically as below.

Figure 3: Cash break even points transport department january june 2005



Comparing the cash Break-Even point with the monthly performance note that operation were well above this shut down level of operations in each of those months. January – June 2005. This analysis can serve as a tool to defend the existence of the transport service as a profitable operation.

4.18. Profit planning for the department

The unit sale volumes that will cover all fixed expenses and provide a desired profit can be calculated by the break-even analysis. The unit sales volume for desired profit teller the number of unit contribution required to cover the fixed costs and provide the desired profit. So unit sales volume for desired project.

Fixed cost: Desired Profit

Unit contribution Margin

Following the Break even analysis above, suppose for the period Jan – Jun 2005, transport department wanted to shoot profits 10,000,000/= the level of operation in terms of tons handled and Km traveled to achieve this profit would be as follows:-

In Tonnage = $\frac{10,000,000}{821.855}$

393

= 227,562 km

Cost data utilized this way can prove useful to set targets that can be achieved in specific period. This takes management a head in setting goals and translating them into achievable sub goals to make check points along the way through the year of operations. When it comes to using cost data for performance evaluation, then management will have realistic standards against which actual results will be compared.

4.19. Using cost data for performance evaluation

4.19.1. The cost centre system as a management

The cost centre system as well as being a tool in cost calculation and allocation has evolved into one of the main management instruments in planning, delegation and control. In this application a cost centre is primarily a centre of responsibility. A cost centre system constitutes the causal link between the primary costs and the transport services to the clients it has to follow in the firm's process of production of transport services. At the same time a responsibility structure (organizational structure) has to be based on the firm's process of production. So in this way the budget system the beginning step in evaluation is directly connected to the cost centre system.

Cost centers thus can reflect the responsibility structure of the company. It will be clear that costs only acquire operational relevance when someone is responsible for them. Causal / Normative costs without responsibility are none committing and to complement this, there must be proper checks on implementation. Failure to register costs accordingly or to register performances undermines the concept of responsibility for implementation.

4.19.2. Cost centre system and budgets.

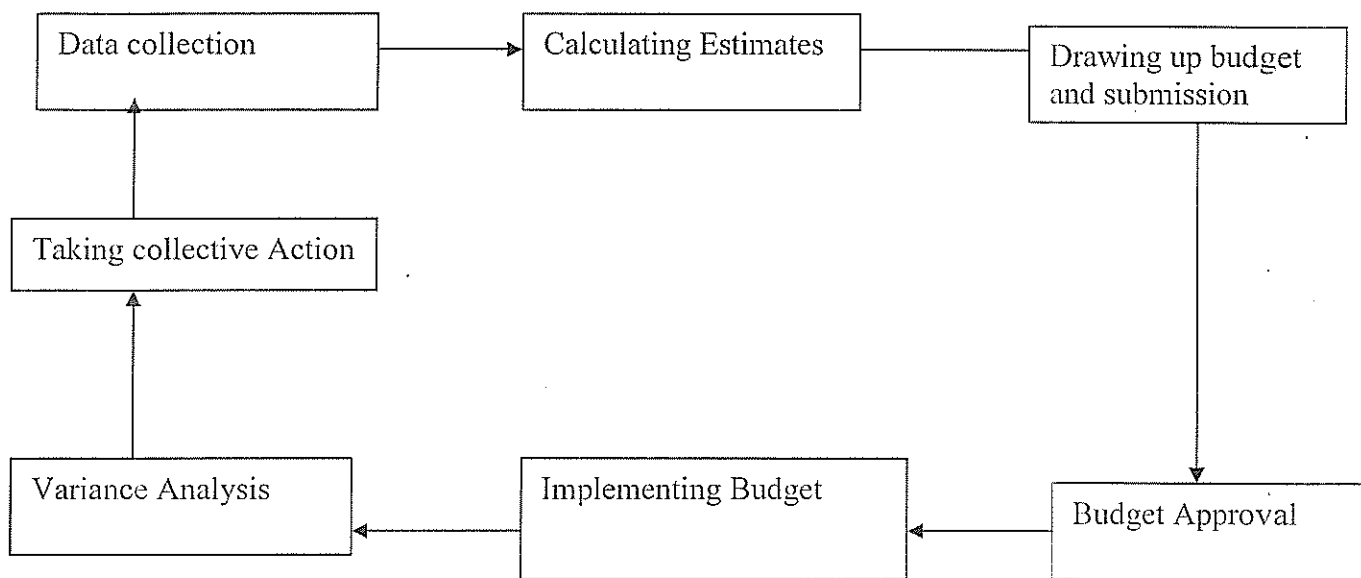
A cost centre system that parallels the responsibility structure of the firm is at the same time the core of then budget system as advices for planning, delegation and control. Budgets contain the quantitative goals in terms of performances, allowed costs target revenues on market. In order to draw up budgets and to check those responsible for implementation the accounting system should be in accordance with the budget. After careful critical analyses data on past performance costs and revenues forms the basis of budgets. On realization, data on actual is vital in order to evaluate performance.

4.19.3. Budgeting at transport department

The company operates according to the approved annual national budget. Department at the company are obliged to prepare budget which are then submitted to the company

chief administration and finance. Any experiences outside the budget estimates may be only made with the boards' approval.

Figure 4: The budgeting process can be diagrammatically shown below: -



Various personnel in the department and beyond shoulder responsibility for each activity. Although budgeting is a major duty of the accounts department; accounts has to involve all other departments in setting standards and goals that they can be meet.

ACTIVITY	RESPONSIBLE PERSONNEL
Data collection calculation of Estimate	-Accountants
Drawing up the Budget and submission	- Workshop manager
Budget Approval	- Budget committee - Management - Finance/chiefs Accountant
Variance Analysis taking collective	-Budget committee

Action

- Workshop manager

Traffic supervisor

In transport company railway operations and marketing are usually brought under one chief who is responsible for:-

- 1 1 the budgeted revenue from transport operations.
- 2 Drawing up and realizing plans of action
- 3 Operational route planning in order to arrive at the budgeted transport volume, within the budgeted performances of trains and drives as budgeted

In summary, therefore, this chapter has dealt with the cost data in detail and exposed the different ways in which management can use this data. Management can use the data for rate fixing (tariffs), to plan transport operational levels, to estimate future profit levels and as an important tool for appraising performance. In this respect, without an appropriate accounting system planning and control loose, however, the accounting department is often isolated with no direct links to actual operations. It records and presents purely financial information. Yet management information starts with a proper accounting system by Ernst and Winney as:-

“The accounting system is primarily a tool used and organizes operating data in order to provide information for managing a business and planning its future course (5).

4.19.4. Summary

In summary, this chapter has gone a step forward to understand the routine of work at transport department. In so doing some draw-back in transport management has been visualized. It is possible for those deciding on day-to-day running of the company to know for certain how much it actually costs to operate a train from one point to another destination, especially where two branches have handled this same train each at their end.

A closer look at the cost analysis and their behavior follows in the next chapter. Costs relevant here are direct materials, direct laborers and direct overheads.

Footnotes

- 1 G.Bell, P. Bowen and Fawcett, The Business of Transport page 81 pricing and Marketing
- 2 Morse and Rolt, cost Accounting, Processing; Evaluating and cost Data 3rd Edition Chapter 7
- 3 Transportation Accounting and controls, Guidelines for Distribution and Financial Management. National Council of P.D management Nation Association of Accountants; Washington.
- 4 Quoted from Guidelines on Internal Financial control and Accounting Practices.

CHAPTER FIVE

As seen in the course of this research. Transport management is a complex phenomenon. The industry operates at a purely commercial level with the major objective being realize a satisfactory return on the massive capital investment committed in the entire set up there are management control systems that give insight to the management of the routine, the management of costs and direction of over roll performance. Information, for this purpose must flow from different levels of management to others and from this flow management of the transport department can gain a firmer grip on the operation of the transport service.

5.1. Strength sited in the routine

It has been commendable to discover that the rudimentary financial system has existed through the turbulent life of the department and the entire company to be able to provide records of financial transactions .It only needs tightening certain facets of this system to incorporate a cost accounting system to serve the purpose of internal management reporting.

The accounting system is the management tool par excellence and should be the nucleus of management information. By this system, management can obtain data in order to manage the business and plan its future course. The clear organizational structure that spells each position of responsibility and authority is strength in managing any business This implies that cost responsibility and performance can be clearly communicated at all levels in the department. This is a major contribution to the cost centre system of cost accounting.

Added to this, Uganda railway corporation is the only bulk haulers hence being able to pass on cheaper rates to customers, and also being a tariff stabilizing leader. The competition passes their prices to railway tariffs. In the organization again there is an element of environmentally friendly in terms limited pollution, because more traffic is carried on fewer train compared to road and tracks. And also railways construction and maintenance don't interfere or degrade the environment.

More to this, is the wealth of competent and experienced staff employed at the department? According to their qualifications, the entire staff at department can be safely seen to be technical for their areas of specialty together with their experience.

The organization has also managed to tonnage on rail between 1995-2004 added to that the increase rail market share vis-a-vis the competition.

5.2. Problems actual and potential in routine.

In the daily running of the transport business there are hurdles to come by, which will retard the efficiency of management. The out keep up department is a problem. The present information flow does not serve the information needs of transport department.

When record keeping is as uncoordinated as discovered on the store keeping records, repair and maintenance jobs, and management cannot expect to accumulate meaningful data for its consumption. This to incapacitate management in making informed decisions about transport.

To have a lot of capital tied in non moving stock of spares and parts of materials without funds to purchase urgently needed spares is a show of poor inventory planning. Holding costs of such policy are insurmountable, yet management could not visualize such costs unless they are quantified by appropriate analysis tools. The physically removed store from the workshop it feeds is as good as organically separating a cashier and his office from the accountant and his office. Such separation implies that greater care has to be

taken to guard against increasing loss of parts due to the human element as opposed to obsolescence or condition.

Therefore cost accounting is a management tool that can be applied in transport by answering specific questions such as: -

What level of operation can give desired profit?

What is the present capacity utilization?

Is there a pricing problem?

Where can costs be minimized and why is performance deviating from plan?

Cost accounting has a major role in laying strategies in measuring performance and so later in taking corrective action. It is thus an important tool in fulfilling the basic management functions of planning and controlling.

5.3. Recommendations

From the research findings in this report, certain specific areas need to be attended to, in order to strengthen the cost accounting role in transport management. It is hereby recommended that:-

- A) The cost accounting system must be strengthened as an integral part of the existing financial accounting system. This means that control accounts to check with the stores requisition account, lubricants account and labour control account be opened and operated from the primary source documents already in place.
- B) For the purpose of cost control, integrate the departmental transactions into a line of authorization. This should effectively cut down on red-tape authorization procedures.

- C) A part from management being committed to discipline of cost control, there should be company wide cost-profit awareness. (1) Once costs are known and details for product lines, markets, key customers determined, this information should be assimilated to as many people in the business unit as possible. If top and general management confine the known cost-profit facts to a select few who need to know then fewer people will be committed to cost management.

All in all, a lot of time should be spent talking about costs to cultivate a much disciplined approach to costs across, up and down the organization. This is so because transport business is all that the transport department has in the economy of Uganda. Cost accounting therefore plays a significant role in managing the transport business in Uganda Railway Corporation.

Footnote:

- 1) B. Charles Ames and James D Hlavacek
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3. Carter's Advanced Accounts also relates cost accounting to financial accounting
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APPENDIX
INTERVIEW GUIDELINES

1. What is Uganda Railway Cooperation?
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2. What are the objectives of the cooperation?
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.....
3. What is the mandate by Uganda Railway Cooperation?
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.....
4. In relation to membership and international links, are there other links?
.....
.....
5. What is the historical background d of Uganda Railway Cooperation?
.....
.....
6. Are there changes in the organization?
.....
.....
7. What are the future plan of Uganda Railway Cooperation
.....
.....

8. What are the problems faced in transport management i.e. the cooperation?
.....
.....
9. Can you show the original structure of the organization and the member of
staffs?
.....
.....
10. What are the recording procedures of consignments
.....
.....
How are purchases delt with?
.....
.....
11. Is there problems area in purchasing routine?
.....
.....
12. How do you effect the movement of supplies out of stores?
.....
.....
13. How do you deal with the receipts of goods at stores?
.....
.....
14. What are the problems in store keeping?
.....
.....
15. Are there problems in the workshop? If any what are they?
.....
.....

16. How do you consider idle time?

.....
.....

17. How do you award wage routine

.....
.....

18. What is the basis of fixing tariffs

.....
.....

19. Is the cost accounting part of your tools used in operation?

.....
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Thank you for your cooperation