

## **Cost Control Measures and their Impact on the Profitability of Listed Manufacturing Companies in Sri Lanka**

**Nawarathna, K.G.N.M.S.D.<sup>1</sup> and Munasinghe, M.A.T.K.<sup>2</sup>**

*<sup>1</sup>sanjayadilshan238@gmail.com; <sup>2</sup>amila@kln.ac.lk*

### **Abstract**

This study aims to examine the impact of cost control on the profitability of listed manufacturing companies in Sri Lanka with a survey study conducted using five selected listed manufacturing companies in Sri Lanka to provide a critical assessment of the need for and importance of cost control. This study used primary data obtained from five companies that have been in the apparel and fabric industry for many years among the thirty-seven listed manufacturing companies in the Sri Lanka stock market currently operating as manufacturing companies. Descriptive and analytical research design tools are used to examine the effect of some key variables such as budgeting, standard costing, internal and external costing, marginal costing, and so on. Survey data from five manufacturing companies were analyzed using various statistical tools. Hypothesis testing was done to find the relationship between independent variables and increase research quality. Data was collected by distributing a structured questionnaire to the management and employees of the respective company. The findings of the research show that cost control tools have a positive relationship with profitability. Moreover, the lack of adequate resources to apply cost control tools in manufacturing companies in Sri Lanka has created a more challenging situation. Therefore, the research found that all the above cost control instruments contribute greatly to controlling costs and increasing the profitability of organizations, among which marginal costing is recommended to be used as the most appropriate cost control instrument. As a result, companies will maximize value and control costs in the coming days.

**Keywords:** Cost Control, Cost Reduction, Cost Standards, Profitability, Cost Control Instruments.