



Investigation of the Possibility of Applying Target Cost as A Tool for Cost Control / An Applied Study in the Iraqi Industrial Sector

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التحقق من إمكانية تطبيق التكلفة المستهدفة
كأداة للتحكم بالتكاليف \
دراسة تطبيقية في قطاع الصناعة العراقي

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Abstract

Due to the fact that traditional cost management accounting has lost its ability to provide important information for business management in the face of advanced technological innovations, it has become necessary to develop and implement new cost and management accounting methods. The target costing method is one of the most important approaches to strategic cost management. The target cost is applied to the product in the design and development stage, thus reducing the cost in the initial stage of production.

The aim of this study is to examine the possibility of applying the target cost method in the Iraqi industrial sector. The practical application was carried out on 20 industrial companies currently operating in Iraq, and according to the descriptive approach and after referring to the literature of the subject, the primary data was collected by means of a questionnaire designed for this purpose, and after data tabulation Analysing and examining them using statistical methods, it was concluded: The Iraqi factories do not apply the method of calculating the target cost in full, but they meet some conditions that require the application of this method.

Keywords: Cost management, Target cost, The Iraqi industrial sector.



المستخلص

بسبب حقيقة أن محاسبة إدارة التكاليف التقليدية فقدت قدرتها على توفير معلومات مهمة لإدارة الأعمال في مواجهة الابتكارات التكنولوجية المتقدمة ، فقد أصبح من الضروري تطوير وتنفيذ طرق محاسبة التكاليف والإدارة الجديدة. تعد طريقة تحديد التكلفة المستهدفة واحدة من أهم مناهج إدارة التكلفة الاستراتيجية . يتم تطبيق التكلفة المستهدفة على المنتج في مرحلة التصميم والتطوير ، وبالتالي تقليل التكلفة في المراحل الأولية من الانتاج .

الهدف من هذه الدراسة هو فحص إمكانية تطبيق طريقة التكلفة المستهدفة في القطاع الصناعي العراقي .تم التطبيق العملي على ٢٠ شركة صناعية تعمل حالياً في العراق، وبموجب المنهج الوصفي وبعد الرجوع الى ادبيات الموضوع فقد تم جمع البيانات الأولية بواسطة أستبانه صُممت لهذا الغرض، وبعد تبويب البيانات وتحليلها وفحصها بالطرق الإحصائية، تم التوصل الى: إن المصانع العراقية لا تطبق طريقة حساب التكلفة المستهدفة بالكامل ، لكنها تستوفي بعض الشروط التي تتطلب تطبيق هذه الطريقة.

الكلمات المفتاحية: إدارة التكلفة ، التكلفة المستهدفة ، قطاع الصناعة العراقي



Introduction

The rapid change in the economic and technological environments in the world has greatly affected production techniques, and this has led to the development of new methods and techniques in business management. A fast and intense competition arose as a result

Rapid change in technology and the phenomenon of the globalized market. Technological developments, computer-aided production and increased automation in production have led to the use of advanced technologies and the implementation of new management and production approaches, starting in the eighties of the last century and still continuing. In addition, the intensification of competition between companies in terms of reducing costs and increasing quality has led to the formation of a new production environment.

For these reasons, information systems and costing methods - which are of strategic importance to companies - no longer meet the needs of management to make sound and quick decisions that meet the aspirations of the market and the intense competition in it.

Since the 1960s, a method called target costing has been developed and used extensively by Japanese companies that made production based on high technology, which is one of the strategic cost management systems.

This method aims to satisfy consumer needs such as speed, quality and reliability by reviewing all the ideas put forward to reduce costs in the process of planning, research and development of a new product.

In the traditional costing method, the cost of the product is determined after the design and development stage. In the target costing method, the costs are clear during the research, development and design stage.



The aim of our study is to reveal the shortcomings of traditional cost accounting in determining product costs and reduce cost in the global competitive environment, and to analyse the level of application of the target cost method in the Iraqi industrial sector as a new strategic cost. For the purpose of achieving the goal of the research, a questionnaire was designed and developed, through which primary data were collected from a random sample of the study community, which organizes Iraqi large industrial companies. After analysing the data and analysing the results, the researchers reached a number of results, which were mentioned at the end of the research, as well as recommendations.

The research falls into two main parts, the first includes the theoretical framework of the target cost, and the second is devoted to practical application, and these two parts precede the general framework of the study.

1-1- Research problem

Since its inception, cost accounting has been linked to the industrial sector. It is developing according to it, and the methods of measuring it have changed in line with its requirements. The target cost method is no longer modern at the global level, but has it been introduced and applied in the Iraqi industrial sector - to date -? And why? . These two questions express the problem of the study.

1-2- The importance of research

The research derives its importance from two axes, the first stems from the importance of the Iraqi industrial sector, which returned to the economic field after a painful blow it received during and after the events of 2003, and



the second from the importance of the method in question, which has become indispensable in the intense competitive environment.

1-3- Research aims

The main objective is to check the level of application of the target cost method in the Iraqi industrial sector. Before that, the target cost method will be defined and the most important aspects surrounding it will be discussed.

1- 4- Research hypothesis

The research is based on one main hypothesis:

Iraqi industrial companies do not apply the target cost method.



2- Theoretical framework

2-1- Method of calculating the target cost.

2-1-1- The concept of target cost

The term "target cost" is used in Western literature as a translation of the Japanese term "genka kikaku". Several Japanese authors associate the term "target cost" with their claim that it is too vague and does not convey the literal meaning of the term "genka kikaku". In 1995, during the annual meeting of the Japan Cost Association, it was decided to express the concept as the "target cost method". (Feil, *et al.*, 2004: 10-11)

The concept of target cost is often misunderstood as simple cost value creation or simple goal setting. Concept. Target costing refers to management based on cost information derived from the market, as a clear and accurate cost management methodology. EA: The starting point is the market, not the business. (Can, 2004: 8) In simple terms: a market-oriented method of determining product costs.

Although there is no universally accepted definition of target cost, which is determined by external market factors and which has been emphasized as a key concept by many companies, it is essential for any industrial company looking for a foothold in the global (and even domestic) competitive market. (Karcioğlu, 1997: 5)

It can also be defined as a system of profit planning and cost management that is price oriented, that provide a set of techniques and methods to be used directly in planning and designing activities for new products (Lima, *et al.*, 2016: 14) In other words, target cost is the cost that can be reached during the planning, design and production stages of a product.



system of profit planning and cost management that is price oriented , customer focused, design centered and cross-functional”

The formula used to calculate the target cost is expressed as follows.

Target cost = target selling price - target profit

Target Selling Price At target cost, target selling price is the estimated price potential customers are willing to pay for a product or service. This estimate is based on customers' understanding of the product's perceived value and on competitors' responses to price and pricing. (Gürdal, 2007: 97) Target price is the selling price determined based on the value given to the product by the perceptions of buyers. The price the customer is willing to pay for a new or existing product. The market analysis must be done very well to determine the target price.

Target profit margin It is an item calculated as a percentage of this cost based on the expected product cost. While setting the target profit, a measure of sales profitability can be used in addition to a measure of return on investment.

necessary cost; Target cost is calculated by subtracting the required profit margin from the selling price to achieve the desired target sales volume (Lima, *et al.*, 2016: 16). In short, target cost, in contrast to the traditional method of incremental cost, is a function of selling price and desired profit rather than a function of costs (Schmelze, *et al.*, 1996:26)

2-1-2- The use of target costing by companies

Target costing was developed as a concept at Toyota in the 1960s. In this regard, target costing has been used by companies in Japan more than anywhere else in the world. In the early 1990s, Lukami and Smith reported in



their report: 80% of assembly manufacturers in Japan use the target cost method. (Lockamy and Smith, 2000: 212). Although most Japanese companies have adapted to the cost target, the rest of the world cannot easily adapt to the target cost. Its implementation has been very slow, especially in the USA. According to Banham report, in the first decade of the twenty-first century, only 65% of companies in the USA started using target costing. 85% of them are companies that produce spare parts - assembly products. Some of these companies are Boeing, Eastman Kodak, Caterpillar and Daimler-Chrysler. (Kocakülah and Austill, 2006: 62) However, it is seen that the target costing method is widely applied in high-tech industries such as automobile, computer, electronics and machine tools

2-1-3- Reasons for using target cost

Two important characteristics of market and costs have played a role in the development of the target cost approach. The first is that many companies have less control over prices than you think. In fact, it is the market that sets prices, and businesses that neglect this situation may face great risks. Therefore, when starting to calculate the product target cost, the competitive market price is taken into account.

The second reason is that most product costs are determined during the planning and design phase. After the product is designed and sent to production, studies that will change the cost significantly may not be conducted, while the target cost approach focuses on maximizing product characteristics and reduce cost (Hasan, *et al.*,2023:215)

The question that keeps baffles companies under conditions of global competition is now "what should my selling price be because it costs me so



much?" It's not a question of "but since I can sell at that price, what is the maximum cost for me to make a profit?" The question (Gürsoy, 1997, 482) inevitably reveals the concept of target cost and presents how much target cost is required.

2-1-4- Factors that affect the target cost

The first objective of target cost is for the product to achieve its functionality within its target cost. The second objective is to apply price-lowering pressure on the company's suppliers and to advance cost-cutting opportunities.

In a market where functions are constantly increasing, but prices are falling and staying in place, when the complex nature of products, along with ever-changing consumer preferences, forces companies to identify the functions that customers need from the product, then the target sales price is determined mainly by Product function and customer expectations. (Acar, 2005: 85) There are several factors that affect the target cost, including: product structure, customer type, general managerial thinking and production conditions.

2-1-5- Conditions for success for target cost

While following the target cost implementation process well and implementing the necessary steps, the following conditions must also be fulfilled in order to achieve the desired success of target costing in applying the techniques.

1. Participation of Suppliers: Most of the large companies buy spare parts, intermediate products, semi-finished products, raw



materials and materials used in production from suppliers. In this regard, in target costing, suppliers must be involved in the process and considered as strategic partners. In this sense, the new step in cost management is to deepen cooperation with suppliers, as target costing emphasizes that the competitive struggle takes place not between companies but between their value chains (Tomić & Andrijašević , 2014:372)

2. Simultaneous design: It is necessary for the products to be designed simultaneously. Instead of designing the product feature first and checking its manufacturability, simultaneous design achieves consensus between process operational constraints while meeting the product specifications at minimum cost .(Sanchez & Sandoval, 2013:4815)
3. Customer Expectations: Since the price in Target Cost is adjusted according to the customer's wishes and the amount he wants to pay, cost reduction studies should be carried out in the light of the information obtained from the customer. Of course, this requires the company to have a good information system.
Including clients in the design team, or getting their ideas through market research and various approaches systematically, and realizing the design by taking these ideas into consideration, will enable to achieve customer satisfaction in terms of attributes, quality and prices (Almashkor, *et al.*, 2023:3206)
4. Simplicity of Design and Measurement: Another condition for the success of the target costing system is to simplify the designs as much as possible. Product complexity should be avoided by



reducing the number of parts in the product. In some cases, the design of the product may change, the materials used in production may be replaced by others, or the production process may need to be redesigned (Altınbay, 2006: 147).

5. Establishing a target costing team: One of the most important factors for the success of the target costing method. The target costing supplement should be well established in the business and employees from other departments of the company such as product development, product engineering, purchasing, sales and cost control should be included in the team. This well-formed team can be very functional and contribute to the decision-making process.
6. Organizational culture: An organizational culture that is open to change and continuous development must be created. It does not change the basic principles of companies that effectively implement target costing, but constantly renews itself.
For example, Toyota learns from its mistakes and does not repeat the same mistake twice and can develop cars in a much shorter time than its competitors (Yükçü, 1999:7)
7. Use of other techniques: In target cost applications, it may be necessary to use some techniques and applications. The success of the application in this sense depends on the degree of infection from these methods or techniques. These methods, which are expressed as the main components of target costing, are cost schedules, value chain analysis, simultaneous costing, benchmarking, activity-based costing, just-in-time production,



comparative analysis, total quality management, deconstruction analysis, and value engineering. product life cycle, balanced scorecard and kaizen costs.

Application of the target cost method alone may not produce positive cost reduction results in a business. But for target costing to be successful, the main components mentioned above must be used.

2-1-6- Basic principles of the target costing process

Six basic principles form the conceptual basis of the target costing process. While these principles represent a holistic approach to cost management, they also reveal a very different approach to cost and profit planning than the traditional approach. Target costing is based on 6 basic principles. We can explain the six principles that form the conceptual basis of the target costing process as follows (Swenson, *et al.*, 2003: 12)

1. Price directs the cost (price-oriented costing):

In the “target costing” method, the target sales price is determined mainly by taking into account market analysis and customer expectations. The target selling price is the price consumers are willing to pay for the products the business produces. The target cost is determined by deducting the target profit margin from that price. Here, while the selling price of the product is under market control; The target profit is determined according to the financial requirements of the company and the financial conditions of the sector in which it operates. (Obaid, *et al.*, 2019:6)

2. Customer focus (customer focus): Target cost focus is on the customer

As is known, in this method, the target cost is driven by the market. Customer opinions are very important and are constantly taken into account



in the costing process. It is very important to determine what customers want and what the business does and can do about it. (Dogan and Hatipoglu, 2004:101)

3. Product Design Focus (Design Orientation):

The target costing method is based on the principle of managing costs before they arise. Approximately 80-85% of product costs are determined by decisions made during the design phase. Therefore, the design stage is vital in the target costing process. Cost reduction in the production stage of the product

It is important to focus on the product design stage in determining the cost of the product or in reaching the target cost, since the work is very difficult and there is a concern that it will cause changes in the use characteristics of the product in this cost-cutting process.

4. Extensive participation (cross-functional relationships):

When applying the target costing method, teams of members representing design engineering, manufacturing, production, marketing, purchasing, cost accounting and other ancillary services are used. In addition, people and groups outside the company such as sellers, distributors, and consumers participate in the team.

5. Reducing life cycle cost (highlighting life cycle): target in target cost;

To ensure that product life cycle costs are reduced for the manufacturer and the customer. When the life of the product is taken into account, the costs are grouped into two parts: operating costs from design to sale, and costs incurred from sale to disposal of the product by the customer. The product life cycle, which begins with the purchase for the customer, begins with the birth of the product idea for the manufacturer. Therefore, from the



point of view of the manufacturer, life cycle costing means minimizing all costs incurred from designing the product to its end use. At this point, target costing is intended for both parties (Hacıüstemoğlu and Şakrak, 2002:123)

6. Dealing with the value chain (related to the value chain):

Target cost studies are based on a “value chain” perspective that covers all aspects of the company, functions and the entire life of the product. Price-cutting pressures on suppliers must also be considered in this context. Target costing takes into account all members of the value chain, from sellers to distributors to customer service providers. (Hacıüstemoğlu and Şakrak, 2002: 124).



3- The practical section

3-1-Test the application of the target cost method in the Iraqi industrial sector

3.1 The method used to collect and analyse data

The data collection tool was provided to achieve the purpose of the study through a questionnaire form created from primary sources. When determining the questions in the questionnaire prepared in order to achieve the objectives of the research, relevant domestic and foreign literature and previous studies in various sectors were taken into account.

3-2- Study population and sample selection

The study population is the Iraqi industrial companies, the currency actually during the research year (2023), it was confirmed that they are working because of the presence of many Iraqi industrial companies registered with the Registrar of Companies, but they stopped working (temporary or permanent) due to the situation of 2003 and what happened after it. Twenty-three operating industrial companies were selected, and four questionnaires were distributed in each company, to those who occupy the following positions: cost accountant, financial manager, production manager, planning manager (or design or separation). 72 questionnaires were distributed, 69 were retrieved, and three of them were neglected due to the lack of clarity in the answer, so the number of successful questionnaires was 66, their answers were classified, categorized and subjected to analysis.



3-3- Sample analysis

3-3-1- Characteristics of individuals

Table 1: Demographic data of respondents		
Age	Number	%
under 30 years old	5	8
From 30 , under 35	12	18
From 35 , under 40	15	23
40 over	34	52
Total	66	100
Qualification		
BA	42	0.64
Master's	8	0.12
PhD	3	0.05
Other	13	0.20
Total	66	1
Job title		
Production Manager	16	0.24
design manager	17	0.26
Financial Manager	13	0.20
Cost Accountant	20	0.30
Total	66	1

Analysis: From following up on the data in Table (1), it is clear that the sample that was surveyed are people who are knowledgeable in their companies and have good experience and qualifications, in terms of age: more than half of the sample is over forty years old, and age is a sign of experience, as well as for certificates and more than 70 percent are holders of bachelor's and master's degrees, but in terms of job title, all the sample are in prestigious job positions, and thus the demographic information of the



respondents is a function of their eligibility to answer, and their information regarding the research can be relied upon.

3-3-2- Corporate characteristics

Industry branch	Number	%
Food industry	11	0.48
electronic industries	8	0.35
Furniture Industry	4	0.17
Total	23	100

Accordingly, half of the companies (48%, almost) are in the food industry, 35% of them are in the electronics industry, and the rest (17%) are in the furniture industry. The reason for these varying percentages is that the sample is random (Table 2.).

3-4- Research data analysis

3-4-1-The stage in which the cost of the product produced by companies is determined

Stage	Number	%
Product design and development stage	17	0.25
during production	12	0.17
After the production is finished	5	0.07
There is no specific stage	35	0.51
Total	69	100



Half of the companies (51%) do not have a specific stage for determining the cost of the product, (this may mean that these companies do not use scientific methods to determine their costs, and this opinion may be early), and a quarter of the companies (25%) of them determine their costs during the design and development stage, and 17% of the companies specify their costs during the production stages, and 7% of them determine their costs after the end of production (Table 3.). In terms of the target costing method, the product costing stage should be the product design and development stage.

The discussion of the results of the above table shows that only 25% of the companies are committed to determining their costs at this stage, and this helps them to find a competitive advantage for them. As for the rest of the companies, their method is outside the scope of the target cost method.

3-4-2- The level of the stage in which the cost reduction (decision) is studied.

Cost reduction phase	Number	%
Product design and development phase	17	0.25
during production	9	0.13
After production is completed	5	0.07
Both in product design and production phase	4	0.06
Cost reduction work at any stage not done	34	0.49
Total	69	100

From the study of the above Table (4), it is clear that about 50% of companies can study the decision to reduce product costs at any stage, and 25% of them can make that decision during the design and development stage, and the remaining percentages are distributed among the rest of the answers (in different stages).



From what has been shown so far, and based on the results of Tables 3 and 4, it can be concluded: 50% of companies have nothing to do with the target cost method, and approximately 25% of companies make their cost decisions during design and development, and this is consistent with the method The target cost, (that is, it can be consistent with the method), and the rest of the companies range from the first category to the second category. The upcoming results may create a clearer picture of the companies' work.

3-4-3- How companies manage and determine their costs?

Table 5 : Methods used to manage and determine costs		
Cost reduction method	Number	%
Cost Tables (traditional)	31	0.45
Value Analysis	7	0.10
Activity Based costing	10	0.10
Just in time JIT	1	0.01
Total Quality management	7	0.10
Value Engineering	2	0.03
Product Life Cycle costing	4	0.06
Kaizen costing	4	0.06
Balanced Scorecard card	3	0.04
Total	69	100

From analysing the data in Table 5, we note that 45% of companies determine their costs in the traditional way, and 10% of them determine their costs by value analysis, and the same percentage uses the activity-based costing method. The rest of the methods (balanced scorecard, kaizen method, product life cycle, on-time manufacturing, and total cost management), all of these methods are used by some companies (in small percentages).



3-4-4- How do companies price their products?

Table 6: How to determine the prices of its products		
Status of determining the sales price of a new product	Number	%
Cost + Profit	41	0.59
Price determined by competitors	1	0.01
the market research	5	0.07
Prices of similar products	6	0.09
Price desired by customers	5	0.07
abilities and experiences	8	0.12
Design and production depending on the production technology of the product	2	0.03
price according to features	1	0.01
Toplam	69	100

According to the data in the above Table (6), it is clear that 60% (approximately) of the companies determine the selling price of the new product using the cost + profit method. 12% of them price their products with skill and experience, while the rest of the methods are used in small percentages by companies.

3-4-5- What is the basis for the company to determine the profit margin for the new product?

Table 7: Level of determination of profit margin (Ratio) of a new product by businesses		
State of Determining the Profit Margin of a New Product	Number	%
According to a certain rate of return on sales	33	48
According to the expected rate of return on the investment made for the product	10	14
As a percentage of the estimated cost of the product	16	23
According to the profitability of the total products in the product line	10	14
Total	69	1



The above Table (7) reveals the method adopted by companies in pricing their new product, and the results were as follows: The highest percentage is 48%. For the “Specific Return on Sales” method, then 23% for the method. A percentage of the estimated cost of the product, then equal to 14% for each of the two methods for the “expected rate of return on investment” and the “profitability of total products in the product line” method.

The most used method is (a certain return on sales), which serves the companies' adoption of the target cost method (currently or in the future).

3-4-6- What is the level of application of the target cost method by companies?

Table 8: The Level of Application of the Target Costing Method by the Enterprises

Application Level of Target Costing Method	Number	%
I don't know about this method	40	58
It is a very complex and difficult method to implement	6	9
It is not a suitable method for our business structure	14	21
It is a method implemented by our business	2	3
Under a different name, there is another program similar to Target Costing.	7	9
Total	69	100

The above Table (8) examines the extent to which the companies included in the research sample apply the target cost method, and through the table data, it is clear that approximately 60% of the companies have no idea of the target cost method. Accordingly, the percentage of companies that apply the method is only 3%. (a very small percentage).

Some said: It is a complicated method, or it is not suitable for his work, or there are methods - by other names - that serve the same purpose. In general, in the coming paragraphs, we have questions through which we will



discover a deeper understanding of the principles, advantages, and level of application of the target cost.

3-4-7- To what extent are the stages of the value chain involved in estimating the cost of a new product

Value Chain members	Generally	
	N.	%
Accounting/Financing	42	61
Sales and marketing	10	14
Planning & designing	6	7
the purchase	2	3
Production	3	4
Distribution and quality	2	3
Logistics	3	4
Suppliers	1	1
Total	69	100

The highest participation rate (61%) in determining the cost of the new product is carried out by the financial and accounting department (Table 9).

After that comes the role of the sales department (14%), and then comes the role of the rest of the departments, where they participate in pricing in a few and varying proportions.

These results do not serve the application of the target cost method, for the application of the target cost method it is required to help the above mentioned value chain members in defining target costs and reducing unattainable target cost, it is seen that they do not benefit from planning and design department as well as design engineering, research and development, Which are important parts of determining the target cost. In order for



companies to reach the target cost, there must be broad participation within the organization and even with those outside the organization.

3-4-8-How to get the expectations and desires of customers?

Table 10: The level of identification of customer expectations for companies

The level of setting customer expectations	Generally	
	N.	%
With pre-design market research	6	9
Continuous market research during the product design phase	3	4
Post-production market research (after using the product)	5	7
Systematic methods (survey, face-to-face interview, etc.)	4	6
Receive feedback from suppliers and sellers	18	26
Total	69	1

Each company has a methodology or method for obtaining the opinions of its customers, and all the companies involved in this research obtain the opinions of their customers in the traditional or easy way, which is the direct method from buyers or suppliers during their contact with them, with a rate of 26% (Table 10).

9% of companies take opinions during the market research that accompanies the design process, - and this is the most successful method -, 7% of companies collect opinions after using the product, 4% DP during the design phase, - and this is also good - and the remaining 6% purify their information Regular scanning or face to face.



3-4-9-What goals does the company want to achieve at the target cost?

Table 11: Objectives that companies want to achieve at the target cost		
Purpose of Businesses	Generally	
	N.	%
Cost reduction	33	48
Customer happiness	3	4
improve quality	2	3
increase market share	6	9
Increasing your profit margin	21	30
Introducing new products at the most appropriate time	4	6
Total	69	1

Through the data in the above Table (11), most companies desire two things: reducing costs and increasing the profit margin. The sum of the percentage of these two goals is approximately 80% (48% and 30%). As for the rest of the objectives, such as customer satisfaction, market share, and quality, they came in weak percentage.

This may not shame companies, as everyone is looking for cost reduction and profit increase, but quality and customer satisfaction are what guarantee the company's long-term profitability.



3-4-10- What are the factors that affect the application of the target cost method?

Table 12: Levels of Participation in Factors Affecting the Application of the Target Cost Method

Factors affecting the application of the target cost method	Member	Min.	Max.	A.M.	S.D.
The best period to reduce product cost is	69	1	5	3.26	1.29
Design and production stage.	69	1	5	2.25	1.11
In our sector, it is possible to determine the selling price of a new product before production.	69	1	5	2.27	1.25
Manage and reduce cost in our business by providing employees with all necessary information and training about their activities and interdepartmental cooperation.	69	1	5	3.55	1.03
Firms compete with target cost , It aims to provide a high profit margin by increasing its market share at a low cost that they can afford.	69	1	5	3.34	2.31
In the target cost method, firms are forced to produce what they can sell, not sell what they can produce.	69	1	5	3.05	1.04
Target costing is very difficult to implement due to market complexity, inability to fully define customer expectations, and pressures on employees and suppliers to achieve target cost.	69	1	5	3.14	1.08
Notes A.M. =Arithmetic mean ; S.D. =standard deviation					

The above Table (12) shows the factors that affect the company's application of the target cost method, and it was measured through the last part of the questionnaire on the appropriate questions for that. It is measured on a 5-point Likert scale, as the numbers get closer to 5, they represent perfection, and if they get closer to 1, they represent negative. In general, the following conclusions can be drawn:

The factor that will negatively affect the application of the target cost method in companies is “the selling price of a new product in the sector cannot be determined before production” (average = 2.25).



On the other hand, the factor that will affect positively is that “all necessary information and training are provided to employees on cost reduction, management activities and interdepartmental cooperation in the enterprises” (mean = 3.55).

4- Conclusion and Recommendations

In the target costing method, the required cost level is determined by subtracting the required profit margin from the market price determined according to market conditions (target cost = selling price - profit margin).

The essential point of the target costing method is: ((The cost of the product is determined during the design stage and this may generate a problem in how to close the cost difference that has been identified and the cost that the company can reach with its current capabilities)).

The study of customer expectations, cost analysis and quality studies that accompany the design stage, will greatly help in bridging the gap between the target cost and the realistic cost.

This research focused on the Iraqi industrial companies and studied the possibility of applying the target cost method, and based on the data collected and the information obtained from data analysis and processing, the researchers reached the following:

- The Iraqi industrial companies do not have sufficient knowledge about the target cost method, so it is necessary to start adopting this method as a cost control tool by the sector industry as soon as possible.

Although it is seen that institutions do not apply this method, they implicitly apply some concepts or methods of the target cost method.



Although the cost of a manufactured product must be determined at the stage of product design and development, cost reduction studies relating to new or existing products must be conducted in both the product design and production stages.

- It is useful to specify that the profit margin for a new product is determined according to a certain rate of return on sales,

- We can suggest that it is a suitable way to meet customer expectations through continuous market research during the product design stage.

It is essential to know that customers' expectations and suggestions have to be taken into consideration in terms of competitive advantage and cost control.



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