

# ACCOUNTING INFORMATION FOR PRICING DECISION

A Paper Submitted to:

The School of Accountancy, MARA Institute of Technology

In Partial fulfillment of the Requirement for

Advanced Diploma In Accountancy

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Date: 5 AUGUST 1992

For: ACC 556 (PROJECT PAPER)

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## ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude for my advisor, Puan Asmah Bt Abdul Aziz, lecturer of the School of Accountancy at ITM Shah Alam. Her guidance and comments had surely encourage me to work harder in order to complete this this paper.

For all intervieews;

- i) Mr Abdul Aziz of Kilang Airbatu Pkln Chepa
- ii) Mr Zakaria of Sepatu Timur
- iii) Mr Shohimi of Tajri Industry and
- iv) Mr Mazlan of Delloyd Industries

their assistance is highly appreciated.

Last but not least, I would like to extend my sincere thanks to all my lecturers, collegeus, computer lab assistants and the people who are either directly or indirectly involved in making this paper complete and presentable.

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## 1.1 INTRODUCTION

Pricing is very important policy to any profit making organisation. No matter how good their marketing, production, and/or finance department is but a fluctuation in price will affect overall performance of the organisation.

Pricing decision is one of the most crucial and difficult decisions which a firm has to make. The objective of this project paper is to consider what contribution accounting information can make to a firm's pricing decision.

Accounting information is often an important input to pricing decisions. In some firms, selling prices are derived directly from cost information by estimating future product costs and adding a suitable profit margin. In other firms, an established market price is accepted. Nevertheless, cost information is still of considerable importance for determining the relative profitability of different products so that management can establish a target product mix and output to which its marketing effort should be directed.