



# An empirical investigation of the importance of cost-plus pricing

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**Abstract**

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**Purpose** - This paper has two specific objectives: to appraise the relative importance of cost-plus pricing and to develop and test hypotheses concerned with contingent factors that might affect the degree of importance attached to cost-plus pricing. **Design/methodology/approach** - Data were collected via a mailed survey of UK and Australian companies. Tests were applied and non-response bias was not a threat to the validity of the findings. **Findings** - A relatively high degree of importance attached to cost-plus pricing is noted, although there appears to be a substantial number of companies that use cost-plus pricing for a relatively small sub-set of products and services. Companies confronted by high competition intensity attach relatively high degrees of importance to cost-plus pricing and manufacturing companies attach a relatively low degree of importance to cost-plus pricing. **Originality/value** - The paper makes a contribution, given that only two empirical studies with a specific focus on cost-plus pricing were revealed in a literature search covering the last two decades. Additionally, little has been done to investigate the contingent factors affecting the application of cost-plus pricing. The significant role played by competition intensity in connection with accounting system design is observed to be one of the more enduring relationships uncovered by management accounting research. But a somewhat perplexing aspect of this study concerns the failure to find a statistically significant positive relationship between company size and cost-plus pricing.

**Keywords:** Competitive Strategy; Cost-Plus Pricing; Costs; Manufacturing Systems

**Document Type:** Research Article

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