

A COMPARATIVE STUDY OF ACTIVITY BASED COSTING AND TRADITIONAL COSTING AS A FRAGMENT OF PRICING

Mahesha.V*

*Lecturer,

Department of Post Graduate Studies and Research in Commerce,
Kuvempu University, Shankaraghatta,
Karnataka, INDIA

Email id: maheshmcom69@gmail.com

DOI: 10.5958/2319-1422.2022.00006.6

ABSTRACT

To support compliance with financial reporting requirements, a company's traditional cost-accounting system is often articulated with its general ledger system. In essence, this linkage is grounded in cost allocation. Typically, costs are allocated for either valuation purposes (i.e., financial statements for external uses) or decision-making purposes (i.e., internal uses) or both. However, in certain instances costs also are allocated for cost-reimbursement purposes (e.g., hospitals and defense contractors). Activity-based costing (ABC) which has become an important aspect of manufacturing/service organizations can be defined as a methodology that measures the cost and performance of activities, resources and cost objects. It can be considered as an alternative paradigm to traditional cost-based accounting systems. The objective of this paper is to illustrate an application of Activity Based Costing method and to compare the results of ABC with traditional costing methods. However an attempt has made to study the importance of activity based costing in present competitive business environment to exercise minimum control over on the cost.

KEYWORDS: *Activity-Based Costing, Cost Drivers, Overheads, Traditional Costing*

REFERENCE:

1. Alarcon, L.F. (ed.)(1997). Lean Construction. A.A. Balkema, Rotterdam, The Netherlands, 497pp.
2. Antos, J. (2000). Personal Communication, Value Creation Group, Inc., Dallas, TX.
3. Back, W. E., Maxwell, D. A., and Isidore, L. J. (2000). "Activity-Based Costing as a Tool for Process Improvement Evaluation", Journal of Management in Engineering, ASCE, March/April, 48-59.
4. Ballard, G. and Howell, G. (1994). "Implementing Lean Construction: improving downstream performance", Proceedings of 2ndh International Seminar on Lean Construction, Pontificia Univ. Catolica de Chile, Santiago, <http://www.vtt.fi/rte/lean/santiago.htm>, reprinted in Alarcon (1997).
5. Ballard, G. and Howell, G. (1998). "Shielding Production: An Essential Step in Production Control", Journal of Construction Engineering and Management, 124 (1) 11-17.

6. Brimson, James A. *Activity Accounting: An Activity-Based Costing Approach*. New York:Wiley, 1997.
7. Choo, H., Tommelein, I.D., Ballard, G., and Zabelle, T.R. (1998). "Work Plan: Constraint-Based Database for Work Package Scheduling", *Proceedings of 6th*
8. Cokins, G. (1996). *Activity-based cost management making it work : a manager's guide to implementing and sustaining an effective ABC system*, Irwin Professional Pub., Burr Ridge, IL.
9. Cokins, Gary. "ABC Can Spell a Simpler, Coherent View of Costs." *Computing Canada* 24, no. 32 (September 1998): 34–35.
10. Cokins, Gary. "Why Is Traditional Accounting Failing Managers?" *Hospital Material Management Quarterly* 20, no. 2 (November 1998): 72–80.
11. Daly, John L. *Pricing for Profitability: Activity-Based Pricing for Competitive Advantage*. New York:Wiley, 2001.
12. Dolan, Pat, and Karen I. Schreiber. "Getting Started With ABC." *Supply House Times* 40, no. 4 (June 1997): 41–52.
13. Fayek, A. R. (2000). "An Activity-Based Data Acquisition and Job Costing Modeling", *Proceedings of the Construction Congress IV: building together for a better tomorrow in an increasingly complex world*, Walsh, K.D.(editor), ASCE, Orlando, FL, 30-35.
14. Garrison, Ray H., and Eric W. Noreen. *Managerial Accounting*. 9th ed. Boston: Irwin McGraw-Hill, 1999.
15. Halpin, D. W. (1985). *Financial & cost concepts for construction management*, John Wiley & Sons, New York, NY, 415pp.
16. Hicks, Douglas T. *Activity-Based Costing: Making It Work for Small and Mid-Sized Companies*. 2nd ed. New York: Wiley, 2002.
17. Holland, N and Hobson, D (1999). "Indirect cost categorization and allocation by construction contractors", *Journal of Architectural Engineering*, ASCE, 5(2) 49- 56.
18. Horngren , C.Y., Foster, G., and Datar, S.M. (1999). *Cost Accounting*, 10th edition,
19. Horngren, Charles T., Gary L. Sundem, and William O. Stratton. *Introduction to Management Accounting*. 11th ed. Upper Saddle River, NJ: Prentice Hall, 1999.
20. International Seminar on Lean Construction, IGLC-6, 13-15 August held in Guaruja, Brazil, 12pp.
21. Karolefski, John. "Time Is Money: How Much Are Your Customers Costing You?" *Food Logistics* 15 June 2004, 18.