Abstract

The objectives of the study is to identify the characteristics of firms that are positively associated with the ABC method’s adoption; to analyze the difference between the expected and perceived benefits of implementing the ABC method; and to identify the major problems encountered while implementing the ABC method, as well as the reasons for the ABC method’s non-adoption. Purposive sampling was used in this study as a sample approach. The data collected from structured questionnaires is analyzed using the Chi-square test, t-test, logistic regression, and descriptive statistics. The study found that the size of the company, product diversification, and the existence of separate cost accounting department are important factors in the adoption of the ABC method. Appropriate price decisions, better overhead cost allocation, and correct product cost determination are among the reasons for implementing the ABC system.

JEL Code:  D24, F65, M41
Keywords: Traditional Costing, Activity-Based Costing, Overhead Cost, Overhead Apportionment

I. Introduction

TODAY, IN THE highly competitive world it has now become imperative for the manufacturers to make regular efforts for improving the quality of their products and controlling cost. Today’s manufacturing organizations are quite different as they have to face the cut-through competition. To face the high competition managers, require information which is more relevant with high accuracy. To take the decisions now a day’s manager of every business organization required more than the usual information given to the outsider’s parties for planning, decision making and controlling.

1 The Thesis was submitted to Indira Gandhi National Open University (IGNOU), Delhi, submitted in 2019 and awarded in 2021, under the supervision of Prof. M.S. Senam Raju, Professor of Commerce, Indira Gandhi National Open University, School of Management Studies, Maidan Garhi, Delhi 110068, INDIA

* Associate Professor (Research), KIET Group of Institutions, 13 Km Stone, Ghaziabad, Uttar Pradesh 201206, INDIA

Submitted June 2021; Accepted August 2021
4.1 Scope for future study and Limitations of the Study

The present study doesn’t include the service sector it has considered only the manufacturing sector. In the present scenario of high competition service sectors are also using the ABC system to get the edge over the competitors, so the further study can be conducted for the service sector to know the factor affecting the implementation of the ABC system, motives for the implementation of ABC system and the major challenges. The study has covered only medium and large-scale organizations while further study can be conducted for micro and small level firm.

The present study is also having some limitations like other studies. The interpretations are based on information received so the study may be affected due to the respondent biases. The results of the study can’t be generalized the results are confined to sample units only. The outcome of the present study may be restricted to the sample manufacturing units and may not apply to the other companies or the findings can be different. As the study is related to the costing system many companies were not ready to share their information considering it as confidential information. So, we have to restrict the finding of the study to the sample unit of 157 companies only, otherwise, the sample should be large to get more concise results. Further, the study was considered only six manufacturing industries other industries can also be considered. The study does not consider the service sector the study has considered only the manufacturing sector.

References


© Indian Institute of Finance