The possibility of applying ABC system in service companies

((Application study in Dar A'salam Bank Diwaniyah department))

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Introduction

Abstract

The studies in ABC system have become so many nowadays especially in industrial companies. But they are almost rare in service companies and that has put more difficulties in front of the researcher.

This study consists of two sides, theoretical and practical. The first side (theoretical) deals with the most important features of ABC system and it focuses on its characteristics, standards and aims. While the practical side deals with the practice of this system in one of these service companies which is Dar-A'Salam Bank. The researcher has made use of being the accounting adviser of the bank and that he can get the necessary data. He has come up with, after making a comparison between the cost of ABC system and traditional cost system, that justice is not achieved according to the traditional system and the method followed is unfair. So the researcher has recommends to follow ABC system since it supplies us with more accurate and detailed financial and non-financial information.

Cost accounting has suffered from big troubles in the second half of the nineteen century when the investment in fixed assets increased greatly. As a result there was a need for active cost system to distribute the cost related to these assets, and if it is easy to distribute direct cost, it is very difficult to distribute indirect cost and we may consider this the big problem.

There were many studies about this problem. Among these studies those done by "Arther L. Thomas" such as "Problem of distribution in financial accounting theory", "The Useful Random distribution" and his last study "The Problem of distribution" in 1974 in which he insisted that distribution process is unjustified logically". In that it is destruction for distribution process as a system and logic. Thomas theory was not accepted, therefore, there was Zimmer man's study "Comparison of cost and benefit of distribution Process" 1979, which was considered a better study and a better defense for the distribution process.

The researchers divided into supporters, objectors and independents. This arg ped to develop distribution process through cost accounting. Indirect cost began to cause a trouble in the shade of technological development in product. So the traditional methods were not sufficient in giving accurate output and not enough to make a strategic and managing decision. Therefore, there was a need for a new system, which can give the theoretical justification described by Thomas. This system should also be accepted by the practicians and able to solve distribution troubles.

ABC system was a result of these studies and researches which the researchers insisted that it was the best solution.

Section 1

The method of the research

The research consists of theoretical and practical study in a service company (Dar A'Salam Bank for investment) (Private contributing company). The method of the research is as following:

First: the problem

The results, which service cost leads to under the traditional systems used to allocate and distribute indirect industrial costs, do not fulfill justice and accuracy which in turn does not lead to control it and adopt incorrect decisions.

Second the aim

The research aims at studying the role of (ABC) system in distributing costs in a fairer and more objective distribution service and provides more information about cost and activities.

Third: Hypothesis

Impossible hypothesis: ABC system does not fulfill justice in indirect distribution of cost. It does not give detailed information in relation to cost and activities of service.

Alternative hypothesis: ABC fulfills justice in indirect distribution of cost. It gives detailed information in relation to cost and activities of service.

Fourth: Sample

Dar A'Salam Bank for investment (Private contributing company). Diwaniya branch has been chosen to be the field of research since it gives service to its customers and local market by giving money to the customers in order to motivate professional economy in this difficult situation, which our country is passing. This branch has been chosen as a sample to represent the eighteen branches found in Iraq. Every branch has its independent entity. There is not link between these branches in cost accounting and expenses, except unifying the accountancies of the branches and the general management at the end of the year to issue the final accountancies for the company.

References data

1-Books and scientific research which are published in periodicals and other references in Arabic and English.
2-The field information gathered from the sample (Dar A'Salaam Bank) as a result to my work as accounting adviser in the bank.
3-Account registries, financial and final assessments, financial and non- financial statements from the different sections of the bank.

Section 2

First: Concept of ABC System

Definition of ABC system

The cost system is defined as a system to allocate cost in two stages. In the first stage, the elements of costs are allocated to pools of costs, which are represented by centers of activities. In the second stage, the costs are allocated to products by the activities needed to carry them out (Davidson.1994)

It was also defined as (the system of gathering and distributing the costs). It allocates the cost to sales depending on achieved activities. The purpose of this system is to provide the management with cost information in order to answer its needs to adopt decisions and designs and control operation. Finally (Howngren, 1991) defined it as a master system concentrating on activities and then directing or allocating the costs of these activities.

The activity was defined as an event, work, or a part of work with a specific aim (Horng renter, 1997).

This system helps managing accountants since it is able to get rid of costs problem which ABC system success depends on by separating and classifying them to specify the valid and get rid of unnecessary activities (Obrien 1989).

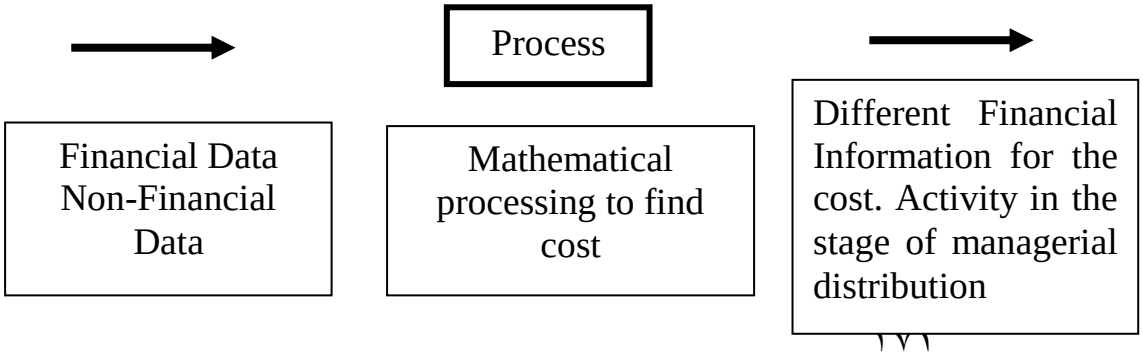
It is now clear that ABC system is to allocate and distribute the costs on two stages: the first one distributes the costs on activities in the establishment as being (cost pools) which are defined as (a pool for identical costs distributed on more than one aim.The distribution is done by using cost driver information, which is an item or activity leading to achieving a specific cost (Herke and Jpoede 1991), in the following unit the costs are allocated to cost objects as sales or services.

The aim of the cost is anything which its cost is measured in details such as a product or a service or a group of services, or production line or a section or sections (Horngreneta, 1997). It becomes clear for the researcher that the diagram, which Horngernta gave, is more able to depict what has been mentioned above.

Second: Definition and Concept of ABC

Activities ™ cost of Activities ™ cost object

Through the above-mentioned definition, ABC system is a complete cost system. It is not a method or style to distribute indirect costs but it is a complete system by which product cost can be found. It contains all the contents of system such as inputs, operations, outputs and contra feeding which are the elements that any system has as shown in diagram (2).



Third: Characteristics of ABC System:

The most important characteristics of ABC system are the following:

1-The use of costs drivers as a mean to link the costs with their aims. This link leads to distinguish the costs according to their behavior. As well as distinguishing cost which are considered fixed while they are in fact variable or semi-variable.

This system was applied in a company. It pushes the management to focus on short-term financial performance. Since the abilities which cause this kind of changeable cost vary as time passes. This what concluded. ABC system forces it users to study the fixed costs accurately (Drury, 1992,p.275).

2-The use of cause and effect standard in distributing the costs to cost aims:

The base of products needs of each activity is the cause behind distributing these costs to products according to system hypothesis(The activities in the establishment causes costs) (Magnard and Fox, P.36.1995)

3-The use of bases as quantity drivers in distributing the costs to costs aims instead of financial bases; therefore, the deviation in distributing cost will be got rid of. The use of non-financial bases is better and leads of more justice in allocation which leads to more accuracy in results (Horngren and etal, 1997,p.152)

4- Giving the accountants' role in adopting decisions a great importance, especially production decisions and products designing (Hardy and Mery, 1993,p.18). This has been obvious through analyzing activities and available information about making products and activities which the system provides. This will lead to developing the decisions related to this process. 5-The system provides more accurate and detailed cost data in comparison to traditional cost system since it distributes the cost through logical and fair bases by the use of costs drivers. (Cooper and Kaplan p.277)

6-The system gives a wider role for controlling in comparison to traditional cost systems through analyzing the department and for the establishments as activities. It enabled controllers to get rid of the failure of standard deviation system in controlling the processes and activities of the establishments (Lee, 1990,p.50)

7-The use of computer which leads to more accuracy and speed in mathematical process. It also helps to reach to more details, which are not easy to get.

8-The system was able to overtake the problem of mal-distribution, which leads to amplifying the costs of big, high-priced, complicated products. These products often accompanied the old traditional systems, which often depended on unfair bases in distributing cost on products. These systems did not depend on the original reason of cost to distribute cost. Instead they depended on bases have nothing to do with cost reason like labor cost or work hours and other (Cooper and Kaplan, 1991,p.277) (Drauy, 1992, p.275)

Fourth: The aims of ABC system

1-Reaching to fair measurement of indirect costs by the use of cause and effect standard, which helps to get more accurate results.

2-Promoting the level of the management act in the establishment, which leads to activating the role of monitoring and controlling it.

3- Decreasing the costs by reaching the activities, which really leads to increase the costs and activities. This decreases cost and excludes the activities that do not have any addition to product.

4-Finding accurate standards in evaluating the performance in addition to its aim in financial evaluation for the activities

Fifth: Criteria used in choosing cost drivers

Most of researchers in ABC system have elaborated in clarifying cost drivers for each activity especially in the field of industrial activity to the extent that any designer or applicant for ABC system at any industrial establishment does not face any problem in specifying cost drivers for all types of costs. But in the field of service establishments, there is a real use for this system, or it may not be used at all; therefore, the researcher tries to find the criteria, which he will use when he tests cost drivers. The most prominent criteria, which he follows, are:

1-Costs and Benefits Criteria:

This criterion depends on chasing the cost driver, which has the minimum cost since the benefits are fixed in cost drivers (Cooper and Kaplan 1996 P.385)

2-Cause and Effect Criteria:

it is the most important criteria which depends on causality relation between cost and driver. In this criterion, the chosen cost driver should influence the whole cost directly, ie, any change in cost driver leads to a change in one individual unit.

The use of this criterion leads to more accuracy in cost, the drivers of more relation which their influence is bigger are chosen. The best ways to reach to it is the use of statistic methods such as linear correlation coefficient and specification coefficient by which the degree of connection between cost driver and the chosen driver is measured. The possibility of its use increases as far as the connection of distributed cost increases. Hence, the chosen driver will be the cost cause, which leads to more justice in distribution and more accuracy in fulfilling products.

3-Psychological effect criteria:

It means the reactions of the people working in the establishment towards the chosen cost driver since cost driver is one of the elements of testing performance in the establishment, then the psychological effect is wanted more, the possibility of its test increases.(Cooper and Kaplan, 1991,p.325).

When time is tested as being cost driver, it will have a negative effect for the people working in the establishment because it is a kind of evaluating the performance. Therefore, it is more suitable not to test it since it may affect productive operation negatively. (Horng renetal, 1997,p.515)

The companies' trends to adopt the aims, which they put to reach for product. Cost more than accuracy. Through this system the accountant affects the decision adopted by the management via the data he gives to them. (Hardy and Mery 1993,p181)

Sixth: Methods used in decreasing cost of activities to production:

This system contains three methods by which the cost of achievement in activity can be specified, these methods are: (Cooper and Kaplan, 1993,p.277)

1-Quantities Drivers method:

It is the best, simplest and cheapest method. It measures the achievement of the activity several times. For example, purchase order: its cost will be distributed on several purchase orders, this will specify the cost of each unit of cost drivers in activity. This method has a defect since it supposes that each event in activity will receive the same sum from the resource so the different products which have the same number of cost drivers of this type will have the same cost. So this method is regarded as the less accurate one because different products need different resources of activities.

2-Direct charge drivers method

It is regarded as the most accurate method since it measures the resources directly for each event in the activity, ie, what has been made use of in the activities.

3-Duration drivers method:

It adopts the time, which each activity needs to distribute the activity costs to products; therefore, the type of drivers demands information on the most event in activity. At the same time It gives accurate estimates about resources expenditure.

There is an important note, which should be mentioned: the merits of accuracy in measuring expenditure needs to be balanced with the increasing cost to get the information which provides more accuracy. The more the information is accurate, the more the cost of gathering information is. So, the cost and benefit should be taken into consideration when this method is used. After specifying the cost of cost drivers by the use of the three above-mentioned methods, the cost of each unit of the product, then the full cost for each product unit can be specified according to the following:-

1-Each cost driver is calculated by the following equation:

$$\text{The cost of one driver} = \frac{\text{Total of activity costs}}{\text{Total of activity cost drivers}}$$

2-The cost of unit is calculated by the following equation:

The portion of a unit of products = the portion of the activity product + the portion of activity product + the portion of the activity product.

Section 1

The Practical Side

Dar A'Salam Bank in Diwaniyah is a department of the main Dar A'Salam Bank in Baghdad. This department was established four years ago. It is very dishinguished among Al-Diwaniyah Banks for the special services given to its agents and this can be proved by the number of its customers which is much more than the customers of the government banks.

This bank offers four types of activities: current account, deposit account, line of credit and transfers. Since I have been working as an accountant adviser in the bank for three years, I have known very well how it works and I have got the research data fully and easily

The bank has four production activities: current, saving, line of credit and transfers. It works according to the bank system of the Iraqi Central Bank. I could get trial balance of the bank for the year 2003, which was depended on as a research sample, and the data have been taken out from it. The following schedule shows the accounts concerning direct and indirect cost, the name and number of bank system, special cost directive, the standard used as well as the taken amounts from balance, mechanism of money distribution and the basis of distribution to each account according to cost directive of each account.

Conclusions:

1-ABC system is a complete cost system and not only cost distribution. It contains the bases of a complete system including input, output and processes. It includes two stages:

a-Distributing cost among activities that caused them by using cost directives concerning each type of the costs.

b- Allocating costs related to activities to products according to the size of benefit achieved by each product.

2-This system could represent the causal relation that connects cost with its objectives by using the standard of cause and effect in distributing indirect cost. Its idea and content in distribution, which is based on connecting cost with activities that caused them and allocating activities cost among products could achieve harmony and fitness.

3-The standard of cause and effect is considered the best standard that can be applied in the study sample because it can distribute cost on the activities that caused them.

4-ABC system allocates a greater part of cost among activities than other traditional cost systems do which made the proportion of allocated cost to full cost, according to this system, become (79.25%) by dividing vertical cost (68994305) on full cost (87058059) as in schedule no. (1). Whereas located cost, according to traditional cost systems was (42.5%) by using the same process (37053901) (87058059) in the same schedule, that is, there is increase in proportion about (36.75%). The reason is that traditional cost system allocates direct cost only. While ABC system uses a part of indirect cost in allocation by using cost directives. Other costs, which were (20.70%), were distributed justly by using cost directives that give each objective its fair share. We should know that the bank is just like any other service company that does not have direct cost and that makes the direct labor accounts the direct cost and makes the proportion of direct cost to full cost decrease more than indirect cost.

Therefore we may conclude that service companies of such kind can be the best sample for this system since direct cost decrease and indirect cost increase and reaches (135%). That is why such companies do not use traditional cost systems.

5-This system provides us with more detailed and accurate financial and non-financial information more than traditional cost systems since it needs information about allocating activities and their cost.

Recommendations:

1-Since the traditional cost systems have shown their default in solving problems related to indirect cost as well as problems that lead to incorrect results. The researcher recommends the service companies to value their results and study the output of the used systems and show validity and accuracy of this output because they can effect their work strategy.

2-ABC system is a modern and full system that can give solution to the problems that can not be solved by traditional cost systems. So he recommends to use this system fully or partly in necessary activities if the costs used in this system are high.

3-He also recommends to use this system in Dar A'Salam bank as it has achieved special results and detailed and accurate financial and non-financial information.

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Schedule no1

	Account number in system	Account name in bank system	Cost directive	Standard	Amount gross	Transfers A		Current B		Saving C	
						Amount	Activity base	Amount	Activity base	Amount	Activity base
1	31	Labour & wages	Direct cost	Cause $ effect	37003901	3020000	9.2%	1440000	4.38%	1440000	4.38
2	32200	fule & oil	Equal distribution	=	588000	575498	11.11%	575498	11.11	575498	11.11
3	32500	Varieties	Equal distribution	=	33487625	7372084	11.11%	3720847	11.11	37208472	11.11
4	32510	Necessities	Equal distribution	=	2835800	31505738	11.11%	3150573	11.11	31505738	11.11
5	32520	Stationary	Number of clerks in activity	=	5129625	41037	2	205185	1	20518	1
6	32700	Electricity and water	Area	=	671439	5371512	12	7162016	16	34133	16
7	33120	Companies & buildings maintenance	Area	=	32000	2560	12	34133	16	34133	16
8	33130	Machines maintenance	Specialized activities	=	725050	-	-	145010	2	145010	2
9	33310	Advertisements	Specialized activities	=	403500	100875	25	10875	2.5	100875	2.5
10	33330	harbourage	Specialized activities	=	186800	-	-	-	-	-	-
11	33350	Celebrations	Equal distribution	=	40300	447733	11.11%	447733	11.11	447733	11.11
12	33410	Labourers transport	85% Specialized in strong room 15% rest of activities	=	7500	140625	1.875	140625	1.875	140625	1.875
13	33420	Goods transport	Specialized activities	=	1491350	-	-	-	-	-	-
14	33432	Travel for activity aims	Specialized activities	=	1447500	-	-	299500	20	-	-
15	33440	General calls	Call tools	=	401950	4466	1	89322.4	2	27661.1	1
16	33520	Renting buildings	Area	=	820000	65600	12 m	87460.6	16 m	87466.6	16 m
17	33610	paraticipations	Equal distribution	=	534759	59417.6	11.11%	39417.6	11.11	39417.6	11.11
18	3363	Reward for other labourers	Equal distribution	=	726500	80722.2	11.11%	807222	11.11	807222	11.11
19	33690	Other service expenditures	Equal distribution	Cost &benefits	201970	22411.1	11.11%	22441.1	11.11	224411	11.11
20	34210	Saving accounts benefits	Specialized activity	Cause & effect	30789256427	-	-	-	-	30789256427	100
21	37300	Depreciation of machines and equipment	Specialized activities	Cost &effect	965300	-	-	193060	20	193060	20
22	37600	Depreciation of furniture and tables	Number of tables	Cost & effect	6727348	672734.7	2	336367.35	1	336367.35	1
23	38430	Stamps fee	Equal distribution	Cost & effect	79000	8777.7	11.11%	8777.7	11.11	8777.7	11.11
24	38460	Taxes and fee	Equal distribution	Cost & effect	7500	833.3	11.11%	833.3	11.11	833.3	11.11

						4922654.67		3708918.38		38472468.56	

Facilities D		Strong room E		Offset F		Control & audit G		Electronic computer H		Accountancy I	
activity	amount	activity	amount	activity	amount	activity	amount	activity	amount	activity	amount
16.29%	6000000	24.10%	8920000	3.89%	1440000	4.82%	1784185	12.5%	4560000	12.05%	4560000
11.11%	57549.8	11.11%	57549.8	11.11%	575449.8	11.11%	57549.8	11.11%	57549.8	11.11%	57549.8
11.11%	372084.72	11.11%	372084.72	11.11%	372084.72	11.11%	372084.72	11.11%	372084.72	11.11%	372084.72
11.11%	315057.38	11.11%	315057.38	11.11%	315067.8	11.11%	315057.38	11.11%	315057.38	11.11%	315075.38
3	61555.5	6	1232111	1	20518.5	2	41037	3	61555.5	3	61555.5
16	71620.16	20	89525.5	16	71620.10	20	89525.5	10	44762.6	24	107430.24
16	3413.3	20	4266.6	16	3413.3	20	4266.6	10	2133.3	24	5120
-	-	20%	145010	-	-	-	-	20	1450750		145010
25%	100875	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2	46700	3	70050	3	70050
11.11%	4477.33	11.11%	4477.33	11.11%	4477.33	11.11%	4477.33	11.11%	4477.33	11.11%	4477.33
1.875%	140.625	85%	6375	1.875%	140.625	1.875%	140.625	1.875%	140.625	1.875%	140.625
-	-	100%	1491350	-	-	-	-	-	-	-	-
20%	299500	20%	299500	-	-	20%	299500	-	-	20%	299500
2	89322.2	1	44661.1	1	44661.1	-	-	-	-	1	44161.1
16	87466.6	20	109333.3	16	87466.6	20	109333.3	10	54666.6	24	131200
11.11%	59417.6	11.11%	59417.6	11.11%	59417.6	11.11%	59417.6	11.11%	59413.6	11.11%	59417.6
11.11%	80722.2	11.11%	80722.2	11.11%	80722.2	11.11%	80722.2	11.11%	80722.2	11.11%	80722.2
11.11%	22441.1	11.11%	22441.1	11.11%	22441.1	11.11%	22441.1	11.11%	22441.1	11.11%	22441.1
-	-	-	-	-	-	-	-		-	-	-
-	-	20%	193.60	-	-	-	-	20%	193060	20%	193060
3	1009102.05	4	134569.4	1	336367.35	2	672734.7	3	1009102.05	3	1009102.05
11.11%	8777.7	11.11%	8777.7	11.11%	8777.7	11.11%	8777.7	11.11%	8777.7	11.11%	8777.7
11.11%	833.5	11.11%	833.5	11.11%	833.5	11.11%	833.5	11.11%	833.5	11.11%	833.5
	8345156.26		11434028.90		2925548.96		3624458.46		6161841.90		6660901.097

Schedule no 2

S.	Kind of service	Services total	A	B	C	D	E	F	G	H	I
1	Transfer and bills discount	219	657	-	-	219	219	-	438	438	219
2	Purchase internal transfers	152	608	-	-	152	-	-	304	152	152
3	Guarantees	191	764	-	-	382	-	-	191	382	191
4	Trade paper interest mercantile bills	31243	93729	-	-	-	31243	-	62486	31243	31243
5	Opening current account	411	-	1233	-	411	-	-	411	411	-
6	Consigning by cheque in the same branch	4765	-	9530	-	-	-	-	9530	9530	4765
7	Consigning by cheque paid in another branch	33106	-	99318	-	-	-	33106	66212	33106	33106
8	Cash consignation in current account	11457	-	22914	-	-	11457	-	22914	11457	11457
9	Certified cheque	5478	-	164340	-	-	-	-	10956	10956	5478
10	Draft by cheque	48781	-	146343	_	-	48781	-	97562	48781	48781
11	Opening saving account	87	-	-	261	87	-	-	87	87	-
12	Consignation in saving account	2902	-	-	8706	-	2902	-	5804	2902	2902
13	Draft from saving account	1737	-	-	5211	-	1737	-	3474	1737	1737
14	Interest accounting	2524	-	-	2524	-	-	-	-	2524	2524
15	Opening facilities and loan	194	194	194	-	1164	_	_	_	194	194
	Total of cost directives in each activity in units	138247	95952	295966	16702	2415	94339	33106	288379	153900	142749

we can get to the number of routinish orde es of each service by dividing the number inside the square of activity on the number of services offered buring the year (2003) these results have been reached to through watching work procedure

Schedule (2) shows the number of orders of services offered by the bank to each activity. Through field watch number of orders

To each type of services and activities affected by this service has been observed . After assigning the number of services to each type of service and by the assistance of the bank clerks , and after a hard work for more than three weeks, the researcher has come up with the numbers shown in the schedu

Schedule no.3 unit cost of cost directive units to each activity in the bank

activity	total	Activity units total	Unit cost in each activity
Transfers	4922654.677	95952	48.5130330454
Current	3708918.387	295966	12.53156912
Saving	38472468.569	5702	2303.464769
Line of credit	8345156.262	2215	3455.551247
Strong room	11434028.902	94339	121.2010635
Offset	2925548.965	33106	88.36914653
Control and audit	3624458.462	280379	12.92699689
Electronic computer	6161841.907	153900	40.037995939
accounting	6660901.097	142749	46.66163051

In schedule (3) the cost of each unit of cost directive of banh activities is taken out by dividing the total of all activities found out by schedule (1) by the total of cost directives of each activity of the schedule (2)

Schedule no 4 Comparison between distributed and allocated cost according to ABC system and traditional system.

S.	activities	ABC system (1)	Traditional system (2)

1	Transfers	3901203	1021451	4922654	3020000	4077000	7097000
2	Currency	2939318	766600	3708918	1440000	1944000	3384000
3	Saving	31125878	8149678	39275556	5278786	7603088	12881834
4	Line of credit	6613536	1731620	8345156	6000000	8100000	14100000
5	Strong	90614607	2372561	11434028	892000	12042000	20962000
6	Offset	2318497	607051	2925548	14400000	1944000	3264000
7	Control and audit	2872383	752075	3624458	1440000	1944000	3384000
8	Electronic computer	4883259	1278582	6161841	4560000	6156000	10716000
9	Accounting	5278764	1382137	6660901	4560000	6156000	10771600
10	full	68994305	18064754	87058059	37053901	50054158	87058059

Schedule (4) shows the comparison of distributing and allocating cost according to ABC system and traditional systems in the first and second fields. They are divided into three parts. The first part is for the allocated cost (direct cost) the second for the distributed cost while the third is for the total of them.

When we look at the first part of the second field we find that cost is higher than the cost in the first part of the first field of allocated cost, on the contrary with distributed cost in the same field. That's obvious from the third field which is divided into two parts. In this field, the cost of the first part of the first field is minus from the cost of the first part of the second field. The same thing with the second part in the two fields. The last field shows the results total of the third field in which only the saving account is always is positive since it spends large expenses because of the interest the bank gives. The right distribution is because of the justice of ABC system in allocating and distributing cost.

Schedule no. 5distribution of service departments cost on product departments
accounting to traditional system

	Number of serves units 2003		Transfers A		Current B		Saving C		
			Amount	Activity base %	Amount	Activity base %	Amount	Activity base %	Amount
	94339	114340892	30188	3659682185	62264	7546490586	1887	228680578	--
	33106	2925548965	--	---	33106	2925548962	---	--	--
&	288379	3624458462	62681	787798975	221817	3787881582	3881	48777904	--
	153900	6161841907	33200	1329260242	117488	4703979740	2836	113547652	376
	142749	6660901097	30868	1440351211	108940	5083318130	2620	122253472	351
	712473	3080677933	---	7217092587	---	18343239	----	1535188604	--
d product Cost and inar		87058059	-	7097000		3384000		1288174	
st in 2003		117864838		14314092		2727239		14417062	
red 003 (m		153900	33200		117488		2836		
unit in each department ditional systems in			431.14		184.93		5083.59		

Schedule (5) shows a big difference between ABC system and traditional systems allocating cost to each activity. The reason is that ABC system uses cost directives, by which a part of cost can be connected with activities more clearly. Whereas traditional systems use direct cost only in allocation to each department while indirect cost are distributed on all the departments even if they are allocated to a certain department.

It also shows that distributed cost in traditional systems are bigger than these in ABC system in all departments. This is another evidence that traditional systems are unfair in distributing indirect cost. Thus, the department of the less output, less labor cost and less work hours were overloaded with a part of indirect cost though there is no real causal relation between cost and the base of distribution.

The schedule no.6 shows the injustice of traditional cost systems in distributing cost among product activities because we find that unit cost in all product activities has increased from the cost distributed according to ABC system, which provides the management with more accurate details that help it to make better, realistic and correct decision.

-Schedule No.6

Unit cost comparison in each product activity between ABC system and traditional cost system

No.	Product Activities	One unit cost in each product activity by using ABC system	One unit cost each prod activity by using traditio system
1	Transfers	51.30330454	431.14
2	Currency	12.53156912	184.93
3	Saving	2303.46479	5083.59
4	Line of credit	3455.551247	37583.59

One of the most important requirements for a successful management is the availability of accurate and detailed financial and non- financial information. One of the important obatacles that may face any process of making a decision is how to distribute indirect cost. One virtue of the ABC system is that it uses a just distribution for these cost through using more than. One rate of carrying and connecting cost directive with the suitable standard. That was proved in the substitute hypothesis. Thus, hypothesis of impossible has failed and substitute hypothesis has proved its success.