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Performance focused activity based costing (PF-ABC) system- A theoretical study
نظام التكلفة على أساس النشاط المرتكز على الأداء –دراسة نظرية–

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Abstract:
This paper aims to present the content of Performance-Focused Activity-Based Costing (PF ABC) system and the reforms it introduced to address criticisms directed at previous activity-based costing systems (ABC) and Time-Driven ABC (TD ABC). To achieve this, a descriptive approach was adopted, drawing its significance from the latest versions of activity-based costing systems and their provisions for allocating indirect costs and providing necessary information for control and performance evaluation.
The study reached several results, most notably that the cost system succeeded in addressing the criticisms directed at ABC and TD ABC systems. It recommends the necessity of organizing meetings and conferences that draw attention to such topics and increase the chances of their adoption in practice.
Keywords: Cost; Indirect Cost; Performance-Focused Activity-Based Costing; Activity; Performance.
JELClassificationCodes:M41

ملخص:
تهدف هذه الورقة الى عرض محتوى يعرف بنظام التكاليف على أساس النشاط المرتكز على الأداء (PF ABC)، والاصلاحات التي جاء بها لمعالجة الانتقادات الموجهة لأنظمة التكاليف على أساس الانشطة السابقة (ABC) و(TD ABC)، وللتحقق من هذا اعتمدنا المنهج الوصفي، ولقد استمدت الدراسة أهميتها من تناولها لأخر اصدارات أنظمة التكاليف على أساس الأنشطة، وما جاءت به في سبيل تخصيص التكاليف غير المباشرة وتوفير المعلومات اللازمة للرقابة وتقويم الأداء.
وتوصلت الدراسة الى جملة من النتائج أهمها أن نظام التكاليف تمكن من اصلاح الانتقادات الموجهة للنظام التكاليف على أساس النشاط ABC ونظام التكاليف على أساس النشاط الموجه بالوقت TD ABC. وتوصي بضرورة عقد ملتقيات ومؤتمرات للفت الانتباه لهكذا مواضيع والرفع من حظوظ تبنيها على أرض الواقع.
كلمات مفتاحية: التكلفة، التكلفة غير المباشرة، التكلفة على أساس النشاط المرتكز على الأداء، النشاط، الأداء.
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Introduction:

Activity-based costing systems focus on two elements: the fair and objective allocation of product or service costs and making appropriate decisions that lead to achieving value at the lowest possible cost. However, through examining the practical aspect of this scientific concept, we have found numerous criticisms directed at the first and second generations of activity-based costing systems (ABC and TD ABC). Most of these criticisms revolve around 1) allocating indirect costs and 2) providing necessary information for control and performance evaluation. In an attempt to address these flaws, the third generation of activity-based costing systems was developed, namely Performance-Focused Activity-Based Costing (PF ABC). This approach raises the following problem:

The Problem:

What do we mean by Performance-Focused Activity-Based Costing (PF ABC) system? And has it been able to solve the problems that previous activity-based costing systems faced?

Study Hypotheses:

The Performance-Focused Activity-Based Costing system has been able to rectify the flaws that affected previous activity-based costing systems.

The Performance-Focused Activity-Based Costing system has not been able to rectify the flaws that affected previous activity-based costing systems.

Study Objective:

The main objective of the study is to introduce the activity-based costing system and ensure its ability to address the criticisms directed towards traditional cost systems based on previous activities.

Study Importance:

The importance of the study lies in the novelty of the topic and the solutions it provides to address the problems related to fairly and objectively determining the cost of products/services, as well as the accuracy of the necessary information for control and performance evaluation.

Study Methodology:

The descriptive method was followed to describe the study's data, utilizing various Arabic and foreign studies.

Previous Studies:

- Mekdad Ahmed Nouri and Amer Mansour Hussoun (2020) conducted a study titled "Performance-Focused Activity-Based Costing (PF ABC) and Its Role in Performance Evaluation." The researchers aimed to demonstrate the role of the activity-based costing system in measuring and evaluating the performance of a leather factory/civilized shoe laboratory. They followed an inductive deductive approach and reached several results, including the importance of PF ABC as a significant control tool in evaluating the economic unit's performance. It identifies strengths and weaknesses in each activity, providing necessary information for management to make appropriate corrective decisions and monitor their implementation to achieve maximum efficiency and effectiveness. They recommended the development of the cost system implemented in the leather factory to determine the true cost of the product, suggesting the application of modern cost systems or techniques, especially PF ABC.

- Laith Naaman Hussam (2018) conducted a study titled "The Role of Performance-Focused Activity-Based Costing in Achieving Organizational Excellence." The researcher aimed to present the concept of the performance-focused activity-based costing system, adopting a descriptive approach. They clarified its application in the studied sample, Babel Bank, through several steps to achieve organizational excellence in the banking sector. The study concluded that implementing the performance-focused activity-based costing system in the bank reduces costs of core activities and helps activate performance control. They recommended its application in the bank for its performance advantages, as well as the need to consider the causes of deviations in the bank, whether favorable or unfavorable.
- Mujid Abdulhussain Hattaf and Saeed Al-Din Malik Abd conducted a study titled "Measuring Performance-Focused Activity-Based Costs for Profitability Improvement." The researchers aimed to apply the activity-based costing system in the Diwaniya Tire Factory in Iraq, based on data obtained through visits and field observations. The study found that implementing the performance-focused activity-based costing system accurately adjusts production costs, enhancing factory performance and improving profitability. They recommended supporting the application of the performance-focused activity-based costing system in Iraqi factories for its multiple benefits to the economic unit.
- Mekdad Ahmed Nouri and Amer Mansour Hussoun (2020) conducted a study titled "Performance-Focused Activity-Based Costing (PF ABC) and Its Role in Measuring Product Costs." The researchers aimed to highlight the role of the performance-focused activity-based costing system in measuring product costs. The study concluded that the PF ABC system benefited from the advantages of the activity-based costing system and the time-driven activity-based costing system, addressing their limitations regarding the allocation of indirect costs to the final cost (product). As a result, the cost of a single unit of the product is measured more objectively. They recommended encouraging economic units operating in the Iraqi environment to apply the activity-based costing system based on performance-focused activities, as it has advantages that help improve competitiveness and market sustainability.

Study Terminology:

- Activity: It is a set of tasks that consume a range of resources (time, personnel, machinery, information) with the aim of achieving a specific outcome (Bendine, 2016, p. 347).
- Cost: It is an optional sacrifice made to achieve specific goals and can be expressed in monetary units (Nebou, 2020, p. 86).
- Performance: It is the manner in which specific tasks are accomplished to achieve the organization's goals (Zernouh, p. 29).

1- Activity-Based Costing Systems and Criticisms Directed Towards Them:

In this section, we will attempt to define activity-based costing systems based on the previous activities, while highlighting the most significant criticisms directed towards them.

1-1- Activity-Based Costing System (ABC):

It is a modern cost allocation tool based on the idea that activity is the cause of cost, not the product. Therefore, it assigns different costs to specific activities and then allocates these activities to products based on each product's consumption of these activities (Bendine, 2016, p. 340).

However, it has faced several criticisms, including (Mhelhel, 2015, p. 200):

- It requires high costs and significant effort: To accurately allocate activity costs to products, the organization's activities are divided into sub-activities to establish a direct link between each activity and the resources consumed. This leads to high costs and requires significant effort to implement.
- It requires time for implementation: The process of linking resources to activities through observations and interviews with workers takes a considerable amount of time.
- ABC expands the complexity of the organization's system: It is considered a complex system that is difficult for users to understand, especially in larger organizations.
- It is seen as an inaccurate model: It assumes an absolute and linear relationship between activities and resource consumption, implying that additional activities create additional costs, while low activity levels lead to cost reduction, which is not practically feasible as the relationship is non-linear.
- It does not consider the complexity of operations: It does not take into account the complexity of operations, where the cost driver is calculated based on the number of times the activity is performed (the number of customer orders), but some customer orders may be more complex than others, resulting in an inaccurate estimation of the resources required to fulfill those orders.
- Difficulty in updating the approach: The business environment requires rapid response to increasing and diversifying individual demands. Updating the system due to changes and complexities in operations necessitates reassessing activity costs through new rounds of interviews and observations, adding extra costs and time.
- Neglecting the concept of unused capacity: It disregards the presence of unused capacity, which affects the measurement of product costs and the attempt to reach their actual and accurate values. (Nebou, 2020, p. 169).

1-2- Time-Driven Activity-Based Costing System (TD ABC):

It is a developed technique of the Activity-Based Costing (ABC) system that relies on the use of time rates. It helps identify both utilized and unused capacity for each activity, thus determining the cost of the product/service with greater accuracy (Nebou, 2020, p. 170).

However, it has also received criticisms, including (Nebou, 2020, p. 181):

- It heavily relies on managers' estimates of activity times, leading to significant errors in activity cost calculations and providing inaccurate information about product costs and profitability. This is due to managers relying on ideal activity times rather than realistic ones.
- It depends on the accuracy of time estimates, and determining these estimates can be time-consuming and costly. Activities that are not time-driven should not be included in the TD ABC system.

- It faces difficulties in measuring the time for service activities because service activity times are irregular and inconsistent. The measurement problem may be exacerbated when the announced time is taken into account, leading to cost distortion.
- TD ABC treats all operating costs as variable and overlooks the fixed nature of specific expenses and the need to allocate those costs to the total available time.
- TD ABC is limited to pre-defined activities.

2- Performance Focused Activity Based Costing (PF ABC)

Performance Focused Activity Based Costing has been defind by NAMAZI as an information system that can be employed 1) for performance control ; 2) to solve some problems associated with TD ABC ; and 3) to further the implications of conventional ABC as well as TD ABC systems ((Namazi, 2009, p. 36).

3- Objectives of Activity-Based Costing System Focused on Performance:

The Activity-Based Costing system focused on performance aims to achieve several objectives, including:

3-1- Performance Evaluation:

The system aims, in general, to improve the performance of the organization by identifying activities and measuring their performance level. This enables decision-makers to determine which activities add value to the organization and which do not (Nouri H., 2020).

3-2- Product Cost Measurement:

This system works on accurately and comprehensively determining the actual costs for each activity, relying on the appropriate cost driver and cost allocation (Nouri H., 2020).

3-3- Improving Profitability:

Fair and objective allocation of product or service costs provides flexibility in pricing and, consequently, improves profitability (Abd).

3-4- Achieving Organizational Excellence:

Implementing the PF ABC system itself is a form of excellence, in addition to the accuracy of its outputs, which assist management in making timely and appropriate decisions (Hassoun, 2018).

3-5- Enhancing Value-Based Management Philosophy:

The alignment of interests between the value-based management system and the activity-based costing system focused on performance helps the organization achieve value at the lowest possible cost. Both systems work towards maximizing the organization's value, and they complement each other. The outputs of the activity-based costing system become inputs for the value-based management system. By identifying which activities achieve suitable deviations and which do not, the value-based management philosophy based on trade-offs or retention can be applied (Eljmhoudi, 2019).

4- Performance Focused Activity Based Coting (PF ABC) Steps

This system is based on a nine step as follows and we will try to explaine all of them with an example their implement this steps

2-1- first phase : Identifying major activities

This step is similar to the first step in traditional ABC which has been omitted in TD ABC. This phase is needed for two reasons : 1) the nature and behavior of costs for each activity is usually different from other activities. 2) it is one of the major compenents of ABC which should be maintained in order to continue the process of administrative production(Sarakolaei, 2013, p. 347)

Table (1) : Activities of Al Furat Al awsat Hospital

ACTIVITIES OF THE HOSPITAL	
Internal medicine	Pharmacy
Surgery	Blood lab
Gynecology	Anesthesia
Otalaryngology	x-ray
Pediatrics	Sonar
Orthopedics surgery	Patent services
Ophthalmology	Pharmacy
Emergency	

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4092)

2-2- second phase : Identifying the actual resources needed for each activity

The staffs who administer a designed activity can recognize the type and amount of resources needed for each activity based on the behavior or companies data systems, especially accounting data system. Resources may include time, the amount of direct materials, or other suitable measures. But resource should have a definite relationship with cost. This creates a great deal of suppleness in choosing the capacity of different effective resources. This phase includes the determination of the actual resources behavior resulted for the cost issue regarding two resources : flexible resources and promised resources. Flexible resources have behaviors like variable costs and promised resources have behaviors like fixed costs ((Sarakolaei, 2013, p. 347).

Table (2) : Allocate idirect expenses to the main activities

Costs components	**Internal medicine**	**orthopedics**	**Total**
Salaries of administrators and accountants	8280000	7560000	15840000
The salaries of the information staff and the ticket organizers	7042000	7301000	14343000
Salaries of service workers	26000000	19000000	45000000
Medical supplies	17730000	25950000	43680000
Other supplies	3200000	3500000	6700000
Stationery	300000	920000	1220000
Educational books	96000	350000	446000
Garments	3200000	1720000	4920000
Foodstuffs	7900000	1760000	9660000
Electricity expenses	4290000	2334000	6624000
Water expenses	980000	980000	1960000
Fuel maintenance of medical devices	4290000	3045000	7335000
Maintenance of medical devices	2853000	27250000	30103000

Devices and machines maintenance	750000	707000	1457000
Building maintenance	304000	278000	582000
Depreciation of medical devices	1953000	1605000	3558000
Depreciation of machines and devices	820000	1030000	1850000
Depreciation of building	1860000	1960000	3820000
Other services	390500	199000	589500
Total	92238500	107449000	199687500

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4092)

Table (3) : Determine resources needed for each activity

Resources	**Internal medicine**	**orthopedics**	**Total**
Direct material	132600000	271884000	404484000
Direct labor	302400000	261360000	563760000
Indirect expenses	92238500	107449000	199687500
Total	527238500	640693000	1167931500

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4092)

2-3- third phase : Determining actual rate of each resource activity

In PF ABC, actual costs rates are separately determined for each of the firm's activities, primarily from the existing information systems based up on actual data and according to the resource and its cost behavior ((Namazi, 2009, p. 37).

Table (4) : Calculating the actual rate for the main activities

Internal medicine				
Resources	**Cost driver**	**Actual cost (1)**	**Activity cost driver (2)**	**Actual rate (1)/(2)**
Direct material	Number of patients	132600000	5475	24219
Direct labor	Number of working days	302400000	4745	63730
Indirect expenses	Number of patients	92238500	5475	16847
Orthopedics				
Resources	Cost driver	Actual cost (1)	Activity cost driver (2)	Actual rate (1)/(2)
Direct material	Number of patients	271884000	7665	35471
Direct labor	Number of working days	261360000	3650	71605
Indirect expenses	Number of patients	107449000	7665	14018

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4093)

2-4- fourth phase : Determining the cost for each activity

PF ABC determines the cost of each activity regarding the behavior of cost resource. When the resource is a changing cost, the cost of input factors are calculated by

multiplying the actual resources used in each activity (AR) and the actual price of the resources used (AP).

AC= ARi* APi

Here flexible resources such as direct materials, direct work and production overcharge can be identified very easily and are determined as flexible resources with changing cost behavior. Also the promised costs are appropriation by using one of the methods of flexible costs appropriation approach, cost driver appropriation approach, harmonized average, netretrievable value and multi-criteria decision making models ((Sarakolaei, 2013, p. 348).

Table (5) : Determine the cost of each activity

Internal medicine				
Resources	Cost driver	Amount of actual resources per year AQ (1)	Actual rate of resources AP (2)	Actual cost of activity AC (1)*(2)
Direct material	Number of patients	5100	24219	123516900
Direct labor	Number of working days	4080	63730	260018400
Indirect expenses	Number of patients	5100	16847	85919700
Orthopedics				
Resources	Cost driver	Amount of actual resources per year AQ (1)	Actual rate of resources AP (2)	Actual cost of activity AC (1)*(2)
Direct material	Number of patients	6340	35471	224886140
Direct labor	Number of working days	2853	71605	204289065
Indirect expenses	Number of patients	6340	14018	88874120

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4094)

2-5- fifth phase : Calculating standard rate of activity

This stage is common in ABC and it is not seen in TD ABC, but it is a key step in PF ABC process administration. In this step standard rate of each activity should be estimated. This estimation can be achived by different tools such as measurement and job assessment techniques, merket mechanisns and internal or external criteria. Also we can administer statistical techniques such as regression analysis and time sequential models. This standard should be calculated accurately because it is used as a criterion for comparison with actual rates and actual costs of operations ((Kowsari, 2013, p. 2506).

Table (6) : Identify the standard resources needed for each activity

Resources	Internal medicine	Orthopedics	Total
Direct material	159594540	299756040	459350580
Direct labor	328897050	210307000	539204050

Indirect expenses	104884669	138558857	243443526
Total	593478900	648740942	1242004361

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4095)

Table (7) : standard rate

Internal medicine				
Resources	Cost driver	Standard costs of activity (1)	Activity cost driver (2)	Standard rate (1)/(2)
Direct material	Number of patients	159594540	5840	27328
Direct labor	Number of working days	328897050	5110	64363
Indirect expenses	Number of patients	104884669	5840	17960
Orthopedics				
Resources	Cost driver	Standard costs of activity (1)	Activity cost driver (2)	Standard rate (1)/(2)
Direct material	Number of patients	299756040	8395	35706
Direct labor	Number of working days	210307000	2920	72023
Indirect expenses	Number of patients	138558857	8395	16505

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4095)

2-6- Sixth phase : Calculating activity price deviation

This stage is not common neither in ABC nor is it present in TD ABC. Cost managers gain price deviation by calculating actual resources needed for each activity multiplied by standard price for resources consumed and subtracting it from actual cost of each activity. Promised resources cannot be changed because their amounts are fixed ((Kowsari, 2013, p. 2506).

Table (8) : Calculating price variance of activities

Internal medicine					
Resources	Actual cost (1)	Actual resources (2)	Standard price (3)	Variance amount 1-(2*3)	Variance nature
Direct material	123517808	6340	35706	-1494054	Favor
Direct labor	260019389	2853	72023	-1191030	Favor
Indirect expenses	85920795	6657	16505	-20998323	Favor
Orthopedics					
resources	Actual cost (1)	Actual resources (2)	Standard price (3)	Variance amount 1-(2*3)	Variance nature
Direct	224885135	6340	35706	-1494054	Favor

material					
Direct labor	204290433	2853	72023	-1191030	Favor
Indirect expenses	88874972	6657	16505	-20998323	Favor

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4096)

2-7- seventh phase : Calculate the costs of the activities implemented

Determining the standard amount of resources consumed in administering an activity is the first thing in order to calculate flexible resources. It is possible to use a job assessement system or statistical tools such as regression analysis to calculate this standard. The authorized flexible budget for actual work carried out regarding capacity cost of employed flexible resources is achieved by multiplying standard resources needed for the product (SR) with acctual work carried out (AW) multiplied by standard price of resources (SP)

(AW*SR)*SP= price of flexible resources utilized.

In order to calculate promised resources utilized, first the planned or budgeted level (BL) should be determined. This level usually is based on the concept of practical capacity. Then standard price for each promised capacity consume dis calculated through dividing the budgeted costs by budgeted level. Thus ;

(AW*SR)*SP= price of promised resources utilized.

The difference between the two equations is related to flexible resources, which act as changing costs and are related to standard price of each activity ((Ahmed, 2019, p. 36).

Table (9) : Calculating the costs of the activities

Internal medicine				
Resources	Standard price (1)	Actual work (2)	Standard resource (3)	Activity costs (1)*(2)*(3)
Direct material	27328	340	16	148663407
Direct labor	64363	340	14	306369855
Indirect expenses	17960	340	16	97700788
Orthopedics				
Resources	Standard price (1)	Actual work (2)	Standard resource (3)	Activity costs (1)*(2)*(3)
Direct material	35706	317	23	260336068
Direct labor	72023	317	8	182650189
Indirect expenses	16505	317	23	120337418

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4096)

2-8- Eighth phase : Calculating value deviation

Value deviation shows whether production manger of a company has utilized resources more than standard amount in actual manufacturing of a product or service designed or not. In fact it assesses the performance of manufacturing managers ((Sarakolaei, 2013, p. 349).

Table (10): Calculate the quantity variance of activities

Internal medicine					
Resources	Actual resources (1)	Standard price (2)	Standard resources (3)	Variance amount (1*2)-(3*2)	Variance nature
Direct material	5100	27328	5440	-9291463	Favor
Direct labor	4080	64363	4760	-43767122	Favor
Indirect expenses	5100	17960	5440	-6106299	Favor
Orthopedics					
Resources	Actual resources (1)	Standard price (2)	Standard resources (3)	Variance amount (1*2)-(3*2)	Variance nature
Direct material	6340	35706	7291	-33956878	Favor
Direct labor	2853	72023	2536	22831274	Un favor
Indirect expenses	6340	16505	7291	-15696185	Favor

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4097)

2-9- Nineth phase : Calculate the productivity of each activity

The sun of efficiency and effectiveness lead to productivity that is shown in this stage. Resources effeciency can be described as the efficiency of an activity resulted from price deviation. However, the efficiency of activity may be presented and introduced as the difference between the actual work done and the budgeted work related to the promised costs. Efficiency deviation shows whether the planned resources have been used efficienthy and effectively practically or not. On the other hand, efficiency deviation shows whether plan manager has been successful in achieving the predetermined goals or not(Ahmed, 2019, p. 37).

Table (11) : Calculate the productivity of each activity

Internal medicine				
Resources	Effectiveness variance (1)	Performance variance (2)	Activity productivity (1+2)	Variance nature
Direct material	-36076732	-25145599	-61222331	Un favor
Direct labor	-68877661	-46350466	-115228127	Un favor
Indirect expenses	-18963874	-23992591	-42956466	Un favor
Orthopedics				
Resources	Effectiveness variance (1)	Performance variance (2)	Activity productivity (1+2)	Variance nature
Direct material	-74870905	-35450933	-110321838	Un favor
Direct labor	-6016567	21640244	15623677	Favor
Indirect expenses	-49683885	-36694508	-86378393	Un favor

Source : (Amal Abdulhussain & Hassanein Mohi, 2020, p. 4098)

5- Adventage of Performance Focused Activity Based Costing

The Performance Focus Activity Based Costing System has many adventages, the most important of which are :

- It identifies each important activity explicitly and distinclty, mapping the costs of resources to relevant activities ;

- PF ABC determines actual costs for each activity separately and accurately by considering the appropriate resource and cost driver ;
- PF ABC considers the behavior of resource costs, leading to the more accurate determination of the costs of each activity. Consequently, the profitability analysis can also be conducted more properly and precisely ;
- The PF ABC system can be extended to consider ABC's cost hierarechy such that the costs at the unit level, batch level, product-sustaining level, and customer-sustaining level can be considered when flexible and committed resources are being applied ;
- PF ABC is not just an accurate cost determination technique, it is also a powerful planning and performance evaluation tool when management adopts it for identifying important cost variances such as rate, efficiency, and production volume variance, it is powerful technique that can be used to determine the productivity for an activity or a firm as a whole and extended to analyze the two significant elements of productivity : efficiency and effectiveness ;
- PF ABC shows managers used and unused capacity where used capacity is based upon applied costs of flexible and committed resources and unused capacity is determined by the difference between applied and budgeted committed resources ;
- PF ABC is a more complete model than the conventional ABC and TD ABC because it considers multiple relevant elements for each activity and compares actual with standard operations ((Namazi, 2009, p. 45).

6- Discussion of Study Hypotheses:

In this section, we will attempt to verify the validity of the study hypothesis, which states, "The PF ABC system can solve the problems encountered by previous activity-based costing systems or not."

After reviewing the study elements, we have reached a conclusion that the activity-based costing system focused on performance is a combination of the activity-based costing (ABC) system and the time-driven activity-based costing (TD ABC) system. By comparing the criticisms directed towards the previous activity-based costing systems (ABC and TD ABC) with the advantages of the performance-focused activity-based costing system, we found that the PF ABC system can solve the problems faced by both systems.

This will be further explained in the following analysis:

The activity identification phase is a common step between the ABC system and PF ABC system. It enables the user to understand the nature and cost behavior of each activity, thereby determining which activities add value and which do not. This phase is absent in the TD ABC system.

Classifying resources as flexible (variable) and committed (fixed) provides flexibility in selecting the necessary resources to perform the activity. This step is missing in both systems.

Actual resource consumption rates are calculated for each activity, which was a point of criticism for the TD ABC system, as it considers all activities driven by time.

It reveals the utilized and underutilized capacity of each activity separately, addressing a criticism of the ABC system.

In conclusion, despite the high implementation costs, time requirements, and difficulty in updating, the PF ABC system has been able to address most of the criticisms directed towards

the previous systems. Moreover, by measuring performance indicators, it provides management with the necessary information for control and performance evaluation.

Conclusion:

After presenting the theoretical content of the performance-focused activity-based costing system, we have arrived at a set of conclusions, which we will present as follows:

- The PF ABC system addresses the criticisms directed towards previous activity-based costing systems.
- The PF ABC system determines the cost of the product/service in a fairer and more objective manner than the ABC and TD ABC systems.
- The PF ABC system assists in analyzing profitability more accurately.
- It clearly examines the behavior of consumed resources by categorizing them into flexible (variable) and committed (fixed) resources.
- The PF ABC system accurately determines the cost of each activity.
- It helps identify deviations by determining the actual and standard cost for each activity and comparing them.
- The performance-focused activity-based costing system contributes to enhancing other aspects such as promoting the management philosophy based on value, achieving organizational excellence, increasing profitability, in addition to cost control and performance evaluation.
- It provides the necessary information for control and performance evaluation.
- It enables measuring the efficiency and effectiveness of each activity.
- It heavily relies on the concept of operational capacity and provides a more detailed view of unused capacity.
- It utilizes multiple cost drivers based on factors such as time, weight, cost, and quantity.
- It has the ability to provide the necessary information for control and performance evaluation.

Based on the above, the researcher recommends the following:

- The necessity of adopting the performance-focused activity-based costing system in economic institutions and abandoning traditional cost systems due to its accuracy and credibility of information.
- We recommend students and researchers to further investigate and explore the intricacies of this system.
- We recommend organizing seminars and conferences to draw attention to such topics and increase the likelihood of implementing them in practice.

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