

Uses of The Mechanisms of Modern Cost Accounting Systems Based on Activities

استخدامات آليات نظم محاسبة التكاليف الحديثة على أساس الأنشطة

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Abstract:

Effective construction of cost accounting systems is a critical task for companies today. The company must maintain consistency between management systems, cost and budget, Providing better information about the costs of each activity and getting acquainted with the cost drivers in advance enables forecasting activities and their costs. Thus, ABC system information is considered a source for preparing budgets (activity-based budgets).

Categorizing cost system design elements into decision categories, to be used during the design process, simplifies the efforts and helps the designer both choose and assure that all meaningful elements are considered and compared, in order to create the most impactful and useful system for the company.

Keywords: Cost Accounting System, Designing Cost Accounting Systems, Choosing Cost System Elements

ملخص:

يعد البناء الفعال لأنظمة محاسبة التكاليف مهمة حاسمة للمؤسسات اليوم. ويجب على المؤسسة الحفاظ على التناسق بين نظم التسيير والتكلفة و الموازنة، و من أجل الحصول على بيانات أحسن عن تكاليف كل نشاط المعرفة مسبقا على موجهات التكلفة، فيساعد على التنبؤ بالأنشطة وتكليفها وبذلك تعتبر بيانات نظام ABC مصدرا لإعداد الموازنات (الموازنات على أساس الأنشطة. ABB).

.ولابد من تصنيف عناصر تصميم نظام التكلفة إلى فئات قرار لاستخدامها أثناء تبسط عملية التصميم ، وتساعد المصمم على الاختيار والتأكيد على ذلك كله يتم بالنظر في العناصر ذات الدلالة ومقارنتها ، من أجل إنشاء أكثر العناصر تأثيرًا وإفادة لنظم المؤسسة.

الكلمات المفتاحية: نظام محاسبة التكاليف ، تصميم أنظمة محاسبة التكاليف ، اختيار تكلفة عناصر النظام

introduction :

The constant pursuit of institutions to provide products that satisfy consumers in terms of quality and price are related factors have caused production costs increase. Especially indirect ones, as they constitute a greater proportion of the total costs. Attention had to be paid to it, which proved the failure of traditional methods to accurately track costs. It was considered an effective system in an environment characterized by limited production and relatively stable specifications. As a consequence it affected the quality of the information provided, and the extent of reliance on it in the decision-making process, and in the planning process.

At the end of the eighties of the last century, Cooper and Kaplan developed a new costing system known as ABC Activity Based Costing. This system considered as one of the most important developments in management control mechanisms. Based on this system the changing working conditions of institutions had to be accompanied by developments in management control mechanisms. as an alternative to the traditional costing systems. The main principle of the system is based on dividing the organization into several activities, determining the cost of each activity using appropriate cost drivers, and then assigning the costs of activities to the products and services that benefit from them. This division into activities necessitated a special pattern of management through its classification, tracking, and determining its cost. Knowing these activities and determining the related cost drivers can predict their future costs.

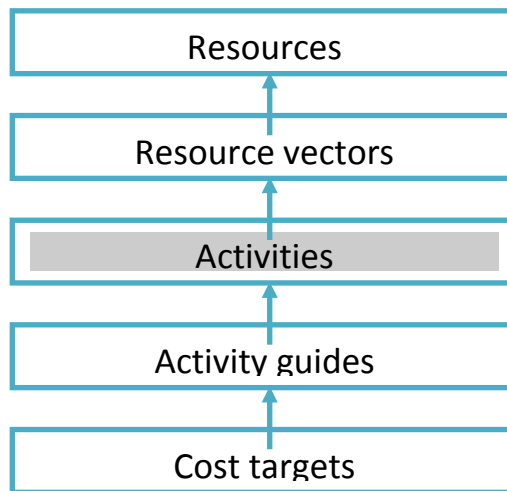
I- Activities-Based Budget ABB:

The use of budgets in the running of the institution is an organized, coordinated, and planned framework for the institution's activity. It is used as a means of control by following up and comparing the actual performance, recording deviations, and carrying out their analysis according to the requirements, such as preparing budget control reports, taking into account the accuracy, appropriateness, adequacy and timeliness of information and providing it in the right time ¹. Implementing budgets requires several conditions:

- Consistency of all budgets within the framework of the objectives of the public institution.
- It is developed and implemented on the basis of responsibility.
- Its reliance on an effective information system (with regard to market research, production, accounting ...).
- The existence of an effective control system consistent with the budget and approved for development, implementation and evaluation.

I-1- The concept of budgeting based on ABB activities

The ABB, Activity Based Budget is based on understanding activities and their relationship to achieving strategic goals by controlling activities as the main reason for improving results. The budget on the basis of ABB activities is defined as a quantitative expression of the expected activities of the organization. Reflecting the management's prediction of the workload, as well as the financial and non-financial requirements to reach the strategic goals, and the planned changes to improve performance by determining the type of work to be performed, the amount of work to be performed, and the cost of this work. It is considered a forecast and forecast tool for allocating the necessary resources ²

Figure (02): ABB Budget Preparation Scheme

Source : Bouin - Simon .FX : All managers op.cit, p 142

The budget is based on the activities of ABB on the basis of analyzing the cost objectives (products). To know what activities are required to complete them, and to determine the resources to be included with the necessary budget to perform these activities according to the following stages:

1. Estimating the amount of sales and production for the next period:

The sales and production quantity is estimated, in addition to determining the production mix and the target customer category, and the information about the procedures for completing the sales and production plan, such as determining the number of manufacturing times for each product, shipping methods, purchase orders for raw materials, expected customer orders and other information. Which enables identifying the activities that the institution needs and the operational capacity for each activity, and this calls for providing more detailed information than that required by the traditional budget preparation.

2. Forecasting the activities needed by the organization, and the operating capacity for each activity:

Preparing the budget on the basis of ABB activities requires including all the activities that are necessary to produce and sell products; product development and design activity, receiving activity, material handling activity, product inspection activity, and other activities³.

In addition to determining the operational level for each of the activities based on the data of the production and sales plan.

3. Determine the resources needed to implement the activities:

After developing the list of activities necessary to implement the sales and production plan and estimates are made about the resources needed to implement each activity, in terms of quantity and specifications, so that the activities can reach the required and previously determined operational capacity.

4. Determine the actual resources to be provided:

The need for resources is transformed into a total estimate of the resources that must be provided according to the financial and technical capabilities available to the institution. The available resources are allocated on the basis of estimates, policy and strategy of the institution's management.

5. Determine the energy of each activity:

The production capacity must be calculated for each of the activities, in light of the resources allocated to each activity, and the resource element that controls the maximum production capacity of the activity must be determined. This stage is considered one of the most complex stages, as determining the required energy of the activity requires knowledge of sales order forms, production scheduling, purchases and shipping And resources that can be used in various activities.

ABB budgeting is one of the methods of providing the resource planning system with valuable information used in allocating available materials to various activities, by evaluating the volume of activity necessary to achieve sales and production objectives by identifying the activity directors and resource directors ⁴.

I -2 - Activity Based Budgeting:

Budgeting on the basis of activities ABB allows determining the energy required of each activity, and then allocating the necessary resources needed to carry out this activity at that level of energy.

The activity-based budget focuses on the clients' requirements and thus analyzes their needs and links them to the strategic objectives.

Involving all workers in preparing and preparing the budget by defining and defining activities promotes teamwork in addition to providing information.

The use of ABB budgeting helps to plan future operations more precisely by identifying direct and indirect costs, which allows controlling cost elements and making the largest part of them variable costs associated with performing the activity.

The activity-based budget sets goals for the continuous improvement of operations, unlike the traditional budget, which is based on a historical repetition of previous processes.

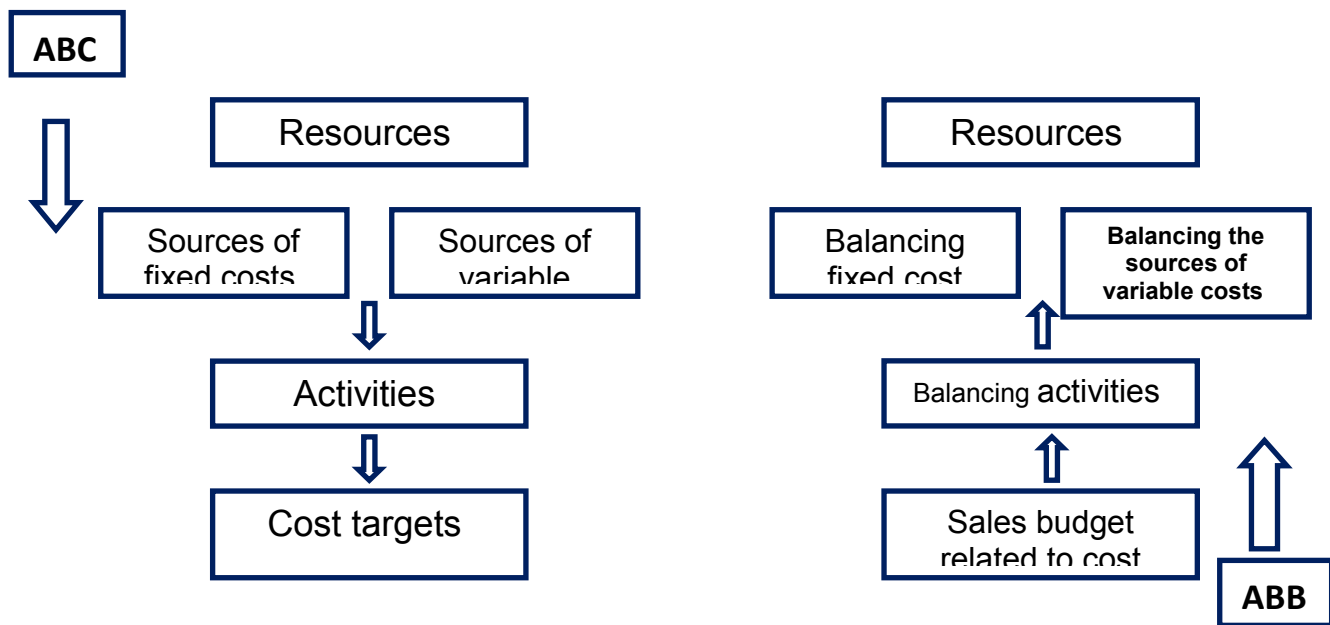
I - 3- Budgeting on the basis of ABB activities and its relationship to the ABC system:

The ABB budget is a process of planning and controlling the expected activities of the organization in order to prepare an effective budget for the predicted work and achieve the strategic objectives. It came as a result of criticism of the traditional budget, as it works on the real estimate of resources by evaluating the size of the necessary activity using cost and resource directives.

The application of the ABC system allows providing the necessary information to prepare the budget on the basis of activities by determining the level of sales and expected production.

This allows forecasting of the demand for activities, which in turn enables the determination of resources according to what activities require and then determining the real demand for resources based on the capacity of activities.

Figure 03: Budgeting based on ABB activities and the ABC system



Source : HORNGREN sundem stratton and others :management accounting 13 th ED new jersey prentice hll 2005 P315.

The diagram shows that the activity-based budgeting method goes against the direction of the ABC system. It is based on the principle of linking as a first stage between activities and the resources used by these activities, and then linking in the second stage between activities costs and cost objectives (produced units, clients, projects ... etc), in order to reach a level of accuracy in calculating costs.

As for the budget on the basis of activities, ABB, which means a financial plan that starts from determining the sales budget related to each product, after which all the activities necessary to achieve this budget are determined, and from there an estimate of the resources required to perform these activities, including variable costs and fixed costs.

The ABC system is used as a means of preparing the budget on the basis of activities as the latter is based on activities and whose costs can be determined more accurately through the ABC system.

II- Management based on ABM activities

The development of manufacturing techniques required sophisticated management thinking, in all areas related to planning, control, performance evaluation and decision-making.

II - 1- ABM System Concept:

The idea of the management system is based on the activities of Activity Based Management on the grounds. The management of activities is the way in which they can improve the product and improve the profits that can be achieved from the production value of this value. The ABM system is a management style that focuses on activities and processes, as it is considered more stable in terms of costs and factors causing them in addition to its contribution to generating the value that the customer expects which necessitates its effective management .

The ABM system can be defined as the sum of the work that the organization undertakes in order to improve the efficiency and effectiveness of its activities and operations, taking into account the extent of its contribution to creating value, depending on the information obtained from the ABC system ⁵. The ABM system is based on a strategic vision, that is, the decisions taken must take into account the long-term impacts, as well as the expected changes, and the interest in continuous contact with customers through knowing what the consumer expects in order to satisfy him .

A system that allows ABM assessment activities to control and reduce their costs ⁶Through the following stages:

1. Activities analysis:

The analysis of activities aims to improve the operational performance of these activities by knowing the reason for which these activities were carried out and in what way they will be performed.

This analysis enables the classification of activities into value-adding activities, which must be worked on to reduce their costs and distinguish them with special specifications that ensure the attractiveness of the products. To identify also non-value-adding activities that must be eliminated or reduced to a minimum that based on the concept of value analysis.

This concept is used to define the cost and functionality elements of a product, with the purpose of determining the minimum costs required for each function to accurately perform its tasks

The value of the product means the ability to perform its functions at the lowest possible cost, which increases whenever possible to obtain the required job or service at the specified time and place, and with the required quality at the lowest possible cost Value analysis plays an important role in reducing unnecessary costs by excluding activities that do not add value, that is, concern with cost as one of the most important determinants of the value of products. Which means that the value of products is determined to the extent that it satisfies the needs and tastes of consumers, and to the extent that they perform the functions that justify the existence of these products. Therefore, unnecessary activities should be excluded, precisely those that require variable costs or what may exist fixed costs related to these activities

The total value of the activities of the host institution is a special value chain, which means that adding value occurs at each stage ⁷.Increasing the value of products requires the improvement of the value of each organization's activities.

2. Study the etiological factors:

Work to identify the least important activities, as well as the activities that are not performed well by knowing the factors causing these activities that enable us to stop at the operating points. For example, the transfer of the product inside the factory (between two stages of production) is considered an unimportant activity. From the consumer's point of view it is an activity without a value, but this activity cannot be canceled as long as there are two separate stages in practice. However, the factor can be reorganized, and working to reduce the distance to the minimum possible between the two processes. Taking into consideration that the distance is the factor that causes the activity, thus excluding the transport activity as an activity without a value ⁸.

3. Measuring the performance of activities:

Evaluate the performance of each activity in a way that reflects the extent to which each activity contributes to achieving the institution's strategy, that is, the objectives to be reached, using financial and non-financial criteria to measure performance by choosing an indicator to measure the performance of the activity according to the nature of the activity.

In this context, it is possible to rely on the balanced scorecard., This is based on four important rules through which the management can translate its objectives into specific criteria for evaluating performance.

4. Reduce costs :

The evaluation of the performance of activities pays for continuous improvement in the pursuit of developing their performance, and improving quality in order to maximize the benefit that the consumer gets

Continuous improvement, **Kaiz en** in Japanese language, means making improvements to the operation process, in the form of successive minor process improvements, the aim is to reduce the cost ⁹.

The goal of continuous improvement is a continually moving goal that means continuous follow-up in order to:

- Meet the needs of (targeted) customers by constantly improving specifications according to the requirements and needs of customers.
- Continuous reducing of costs to maintain a competitive advantage is a moving goal achieved by adopting impeccable production.

Cost reduction is achieved by reducing the time or effort required to perform activities by working on improving the process or product (improving product design, improving tool arrangement ...), excluding activities that do not add value through an adjustment at the process or product level .

II - 2- Importance of ABM System:

The ABM system is a method for managing the main activities of the organization's operation by defining these activities as well as determining how each activity consumes resources. It allows classifying activities into two types,

Value-adding activities and non-value-adding activities to reduce costs ¹⁰. ABM system enables organization management to answer questions:

- Can operations be simplified?
- How can it be achieved differently?
- What prevents you from achieving the best?

The system allows to reorganize activities and processes through:

- Exclude activities that do not add value, or reduce them to the lowest possible level.
- Discover opportunities and activities for continuous improvement and development, which allow to reduce the costs of value-adding activities and improve their performance.
- Restructuring of operations Reengineering to reduce the complexity by using secondary activities.
- The ABM system allows the identification of the main factors explaining the change in costs.

System helps ABM in making strategic decisions (and Special Operations:

- **Pricing decision:** The pricing decision is one of the most important administrative decisions. It depends on the cost considerations that can be determined more precisely under the ABC system. In addition to some considerations surrounding product marketing in terms of the nature of competing products, government interference, and other circumstances resulting from competition that make the pricing decision is an important decision .

Product mix: Among the decisions that need accurate information on product profitability and the application of appropriate pricing policies provided by the application of the activity-based costing system, which facilitates the selection of the product group that contributes to maximizing profits .

- **Product design decision:** The real measurement of the success of the organization depends on the suitability of its products to the desires of customers. In addition to achieving its objectives behind the production of those products, the organization always seeks to design and implement products in a manner that meets the needs of consumers in terms of quality, trust, guarantees and appropriate price. The decision to design the product and its pricing are linked together because they constitute the alternatives proposed by the consumer in choosing the product. Therefore, it is necessary to work on meeting customer demands at a competitive speed relying on accuracy and the speed in analyzing customer requests and implementing them at the lowest possible cost
- **Decision to provide production resources:**

The ABC system provides information on production costs that allows strategic decisions to be made regarding the manufacture of semi-finished products or obtaining them from outside the organization.

Based system ABM on the comparison of reference, it is a bench marking in order to study and compare, and evaluate the institution's operations with reference institutions are taken as the best. It is intended as compared to the reference, the constant search for the most efficient way to accomplish the task by comparison with other institutions, or within the same institution between sub-units through the following steps ¹¹:

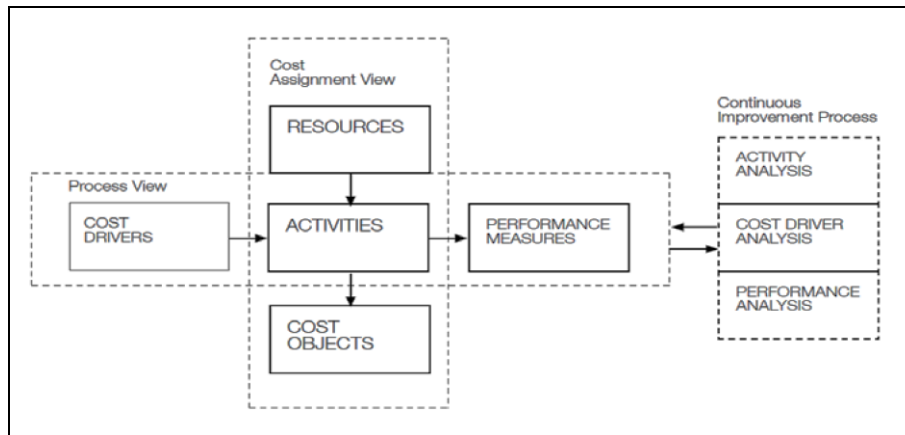
- Determine the tasks and goals of the organization, taking into account what customers expect.
- Define and describe the organization's operations.
- Of all the processes, the ones that are most important in relation to the achievement of assigned tasks and objectives are identified.
- A reference institution is selected for each process of interest.
- Identify among the institution's reference experiences, those that are adaptable to the institution's culture.
- Initiate improvements.

The importance of the ABM system is highlighted in controlling costs by understanding it well as a result of analyzing activities and their causes , and working on their performance at the lowest costs as well as eliminating activities that do not add value, that is, cutting out the costs of these activities.

The relationship of the ABM- based management system to the ABC system :

The ABM activity-based management system is the framework within which the ABC system operates , a research that constitutes an integrated system, as the ABC system is a main tool for monitoring the management of the ABM system , as it is a source of information at the same time that the ABM system provides the appropriate and flexible framework for the application of the ABC system . The ABM system is based on the idea that the ABC system provides appropriate information related to value chain activities (design, supply, production, distribution) This information serves as a basis for the ABM system to improve the management process. ¹²

Figure 01 : The relationship between the ABM system and the ABC system



Source (Miller, 1995)

The activities represent the main axis on which each of ABC and ABM systems are based as the outputs of the first stage of the ABC system represented by the cost of activities represent the inputs of the ABM system. The analysis of activities in the ABC system aims to provide data on the product or production stages, with the aim of determining the cost of the product. For the ABM system the analysis aims to improve the performance of these activities . By searching for the original causes of their occurrence and studying them in order to evaluate them by means of financial and non-financial performance evaluation indicators. The ABC system is based on analyzing the existing situation, as it provides data that enables to amend this situation through the ABM system.

Both the ABC and ABM systems are based on identifying, measuring and controlling the cost-creating factors that contribute to the implementation of the value-raising strategy¹³.

III- Activities Based Costing System ABC:

The design of any cost system depends on the extent to which the system is able to provide a more accurate picture of the cost data, which is a basis for performance evaluation and appropriate decision-making. The effectiveness of traditional systems is related to the conditions in which they are created. The development of these conditions has led to the need to search for a system capable of tracking costs and define them more precisely.

III- 1- The Origins of the ABC System :

More than fifty years ago, Goetz defended the principles of the ABC system when it referred to the relationship of indirect costs to management problems of planning and control.

Johnson suggests that accountants of the American company, General Electric, may have been the first to use the term activity to describe work that causes costs in¹⁴

Staubus' 1971 study is the first academic study to address the idea of the ABC system, as he studied the most important basic points on which the system is based in his 1971 book.

German academics addressed the foundations of indirect cost allocation to auxiliary departments which were similar to cost drivers.

The real start of the ABC system was in the mid-eighties of the last century in the United States of America¹⁵ by Robin Cooper and Robert Kaplan in companies such as Union the Pacific, and John Deere, Their method described under which set operating expenses by activities, to Allocate products and services¹⁶.

The ABC system was actually introduced by Cooper and Kaplan in 1987 in an article published by Harvard University titled “How does the cost accounting regulator for distribution costs of products”¹⁷. The emergence of the ABC system was after strong criticism of traditional analytical accounting¹⁸.

III- 2- ABC System Concept:

Many researchers have dealt with the concept of costing system on the basis of ABC activities. Most of the definitions of the concept of ABC system are based on the same principle. ABC system is defined as a modern management control tool that works to determine the actual cost of products and services, and provides more accurate information, by charging the cost of each activity to the cost objectives (products and services) benefiting from it using cost drivers.

Therefore, ABC is a system based on the assumption that activities consume resources and products consume activities.

The ABC cost input is considered a system because it includes all the components of the system from: inputs, operations, outputs, feedback¹⁹

- ABC system inputs: financial data related to cost accounts and non-financial data represented by information on cost drivers.

Operations: All processes and procedures necessary to determine unit cost from cost drivers, determine the cost of each activity.

Outputs: It is represented in the cost of cost targets (products, customers, distribution line ...). ABC system is based on the idea that activities consume resources, and products consume activities, that is, activities are the cause of costs²⁰.

Therefore, the costs should be attributed to it, and then charged to the products according to the consumption of each of these activities using cost drivers²¹.

III- 3- Steps to implement the ABC system.

The design of the ABC system starts from the planning stage during which the objectives to be achieved are determined. As well as preparing the appropriate work team for the design and implementation of the system²². The team includes members from various functions and must have the support of the higher management²³. Determine the level of degree of detail in identifying and describing activities²⁴.

The implementation of the ABC system goes through the following stages:

III- 3- 1- Define the activities:

The organization is divided into a group of activities after studying the institution and identifying the nature of the work in each department and how the production process proceeds²⁵. Analyzing the operations carried out by the organization into main and sub-activities describe them. Writing a job description with the help of each official in the organization²⁶. Both the work team and the employees must collaborate to determine the list of activities²⁷. Therefore, conducting a personal interview with a large number of the organization employees is needed in determining the list. Basically, defining the activities related to design, manufacturing, distribution, accounting, and management is a requirement²⁸.

The identification of the main activities must achieve a balance between the desire to obtain accurate cost data and the cost-benefit criterion. Identifying many activities is the clue to have a more accurate cost data, but at the same time the efforts to accomplish that are exerted and costly²⁹.

III -3-2 - Determination of Cost of Activities:

The amount spent on each activity is determined by linking spending to activities using the resource cost guide. Based on the guide a number of actions are grouped into one activity, at the same time reporting the costs of these actions independently. Because the activity costs are equal to the total costs of the activities it's composed to the activity by using the information available in the accounting records and the essential reports whenever it's needed³⁰.

There are major and ancillary activities, the costs of secondary activities are allocated to the main activities that support them, and the costs are allocated to the targeted cost using the activity cost drivers that are chosen for the main activities.

III-3- 3- Selection of cost drivers:

The cost vector is the means of linking the cost of the activity with the cost objectives; the cost vector should reflect the main cause of consumption by the activity³¹. It is necessary to choose the appropriate cost vector so that it reflects a strong relationship between the change in the cost of the activity and the change in the level of the vector³². Whenever possible, the costs of accurate activities can be recorded.

III-3- 4 - Grouping Activities:

Activities that have the same cost drivers are grouped into pools called aggregation centers, in order to facilitate the accounting treatment.

It was reported by Mervellec that due to the multiplicity of activities, and number of massive, it cannot be linked to all of the various products manufactured and sold, because of the high cost³³. He suggested that a comprehensive compilation of activities through a matrix intersect with the activities in columns and routers in the two lines can explain the growth of resource consumption in each activity

III- 3- 5 - Calculating the cost of cost targets:

After the activities are defined and the appropriate cost drivers are selected, the total cost of the cost objectives (product, service, customers) is determined, which consists of:

- Direct material cost.
- The cost of direct labor.
- The cost of the activities consumed by the cost target which is calculated in relation to:

The volume of the cost vector consumed by the cost X per unit cost of the cost vector.

This is for all activities consumed by the cost target as: ³⁴

Per unit cost of the activity cost vector = total activity costs / number of activity cost vectors

The cost of activities is charged to the products using cost drivers, as each cost objective (the products) consumes from the activities .

III- 4- Importance of ABC System:

The prices of the products and services have become determined under conditions beyond the control of the institutions, due to the tremendous technological development and the increase of competition to provide products that satisfy consumers. As a result, the product life cycle reduced, and the institutions no longer have options other than focusing on reducing the cost while maintaining products quality in order to provide a product that can be competitive in the market with sufficient profits

Interest in the ABC system has increased in recent times as a cost analysis system and an effective management control tool. The system works as a complementary remedy of the gaps in the traditional systems, and it provides information not only in order to determine the costs of the products but also to assist in the management process. The importance of this system is highlighted:

III-4--1 in the field of planning:

The analysis on the basis of activities enables to study each activity carried out by the organization independently, which allows to classify the activities into value-adding activities and non-value-adding activities. This classification is of great importance in the management process (ABM system).

Where work is done to enhance the activities that host value and reach excellence in them, and to try to eliminate or reduce activities that do not add value to the minimum .

The host of value activities constitute the value chain ³⁵. Which contribute to strengthening the competitiveness of the enterprise.

Providing better information about the costs of each activity and getting acquainted with the cost drivers in advance enables forecasting of activities and their costs. Thus, ABC system information is considered a source for preparing budgets (activity-based budgets) ABB . This is what makes the ABC system a strategic tool that helps achieve the organization's goals

III-4- 2- Cost Control:

The ABC system exercises control over the cost elements at the level of the activities with a causal relationship between the cost and the activity. Therefore, measuring and analyzing deviations under the ABC system is more significant and has better results than the traditional systems that focus control only on the final product level.

The ABC system enables the allocation of cost to the various appropriate elements (products, customers, distribution channels ...) by using cost drivers that relate to an appropriate causal relationship with cost elements and thus avoid misleading results ³⁶

- Defining the role of each activity in the production process and stating the activities that do not add value helps in dealing with them and reduces their costs, which contributes to maximizing production through controlling and improving quality.

Activity-based analysis facilitates cost control by focusing on resource-consuming activities. This is done by identifying value-adding and non-value-adding activities ³⁷.

Eliminating the randomness in the allocation of indirect costs is by determining the share of each product from activities using appropriate cost drivers .

- The ABC system helps to accurately identify opportunities for cost reduction by providing clearer information on activities and cost drivers. Allows the operator to eliminate any costs associated with non-value- adding activities ³⁸.

III-4- 3 - Performance Measurement:

The ABC system is a tool for measuring performance. With the help of the system the activities are identified and the supervisor is identified for each activity. Among the measures used in evaluating the performance of supervisors is the reduction of costs, especially the cost of the unit of the guiding factor ³⁹.

The ABC system helps to evaluate the performance of activities by determining the extent to which the activities contribute to achieving the value expected by the customer ⁴⁰

ABC system contributes to reducing and rationalizing resources through:

- Reducing the number of times the activities are executed through improving the level of performance when implementing operations and through the continuous development of products.

- Raising the efficiency in the performance of activities that enable them to be performed with the least possible resources using modern approaches such as Total Quality Management.

- ABC system provides a set of non-financial metrics through non-financial indicators to measure cost drivers, which include time and quality.
- The cost management determining the activities most related to costs represents a contribution to measuring performance effectively and more precisely which provides an opportunity to a better redistribution of the resources.
- Studies have demonstrated that the high degree of correlation between the development of financial performance and the application of the ABC system and the system provides accurate information on cost increase the accuracy of financial indicators, and measures and ratios which helps to identify the correct financial position of the institution.

III-4- 4- Decision-making:

Making the right management decisions achieves the optimum utilization of available resources. The application of the ABC system provides accurate information on activity costs and thus product costs.

Determining product costs with great accuracy allows providing information that helps in making pricing decisions that are affected by cost, making it easier for the organization's management to choose and apply appropriate price policies.

- The ABC system helps to give a clear picture of the activities causing costs and thus make appropriate decisions regarding their development or reduction.
- The implementation of the ABC system provides a measure of transparency and accuracy in the information . It is necessary for planning, control and decision-making.

It can be said that the ABC system is a tool of great importance in the management process by providing more detailed information on costs which contributes to measuring performance effectively and gives a more realistic picture of the status of the institution. Also, enables it to control the elements of its costs, the performance of its activities, and the effective contribution to the right pricing decisions.

Perhaps the most important thing presented by the ABC system is what is known as the ABM activities-based management system and the ABB activity-based budgets system ⁴¹.

Conclusion

The criticism directed at traditional systems in particular its inability to provide accurate cost data, especially for enterprises whose products are diversified with a degree of complexity, and in which indirect costs constitute an important proportion led to the necessity of creating a system capable of providing more accurate information that helps the management process.

The activity-based costing system (ABC) emerged as a management control tool and a method based on a better understanding of cost behavior, by identifying what is causing it by focusing on activities as cost targets, and then allocating the cost of these activities to the final cost objectives.

The system provides information about the various activities of the organization, allowing it to be classified into value-adding activities and non-value-adding activities. Providing better information about the costs of each activity and knowing in advance about the cost drivers enables the activities and costs to be predicted.

The importance of the ABC system is highlighted in controlling the cost elements at the level of activities and cost incidence, as defining the role of each activity and showing unimportant activities helps to address them and reduces their costs.

Activity-based analysis facilitates cost control by focusing on resource-consuming activities. It also enables identifying opportunities to reduce costs by providing clearer information on activities and their cost drivers.

The ABC system is a tool for measuring performance, by evaluating the performance of activities in order to determine the extent to which each activity contributes to achieving the expected value from customers, and the system provides information that helps in making decisions that are affected by cost.

ABC system represents a basis for management on the basis of ABM activities, which in turn is based on activities, to measure its performance in order to reach its improvement, taking into account the extent of its contribution to raising value.

The evaluation of activities enables the control and reduction of costs as well as the continuous improvement of the performance of these activities to seek to develop their performance, in order to maximize the benefit obtained by the customers.

The application of the ABC system allows providing information that helps in the planning process by preparing the budget on the basis of ABM activities that focus on customer requirements, analyzing their needs and linking them to the strategic objectives.

Activities form the focus of the two systems ABC and ABM, which provide different information and at the same time are the subject of many questions related to the management of management at the present time, so it is necessary to find a coherence that enables to reach a comprehensive conception of the management process on the basis of activities, as well as the budget side that still poses a problem. Despite the existence of the budget on the basis of activities, which cannot be considered nothing but an attempt that requires work to develop it in order to reach a judgment on its suitability, in addition to the ambiguity regarding the preparation of the dashboard as a tool to measure the performance of each activity, which must reflect the extent of achieving the strategy.

In the end, it can be said that real development is not only possible in developing new tools, but also how to create a culture of cooperation and continuous improvement that is included in the application of these tools, because it is still difficult for institutions to get rid of the prevailing Taylor culture for decades.

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