

Entrance Measuring Cost Accounting Basis of Specifications (ABCII) and its Role in Meeting the Needs of Customers and Increase Competitiveness.

SabeehaSalih Omar

sabeeha.saleh@ruc.edu.iq

AL – Rafidain University College – Accounting Dep., Baghdad, Iraq

AlaaJassim Salman

Alaa@ruc.edu.iq

AL – Rafidain University College – Accounting Dep., Baghdad, Iraq

AbdulrazzaqTuamaHawas

Razaq@ruc.edu.iq

AL – Rafidain University College – Accounting Dep., Baghdad, Iraq

Abstract:-

The entrance to cost accounting based on the specifications (ABCII) is one of the Modern Management Accounting entrance that Meets the customer's needs , By relying on the specifications required for products to achieve the competitive advantage. and develop it in economic entities in modern business environment.

was applied the entrance to cost accounting based on the specifications (ABCII) in the State Company for Leather Industries, It is one of the most important industrial companies in Iraq , that it is need to provide Required specifications by customers to it's products to meet the needs of the market And fulfill customers' wishes ,Which is reflected to increased competitive advantage for the company.

The study found that is necessary to adopt the entrance to cost accounting based on the specifications (ABCII) in the company the study sample , to provide products with required specifications by the customers, To increase the company's competitiveness and to achieve it's strategic goals.

1- Introduction:-

The great development in world markets and the expansion of technological development . And the constant change in customers' needs in the modern business environment , The traditional costs measurement systems was unable to Provide relevance information that convenient for

modern business environment , Which necessitated to reliance on a range of modern approaches and techniques for managerial accounting and one of these entrances is the entrance to cost accounting based on the specifications (ABCII) which helps in measuring costs

and control it under the important specifications that meet the needs of customers , than that, the economic entities management must be adopt on relevance internal and external information , to produce it's products and achieve it's strategic goals and increasing competitiveness in the markets.

Key words:- cost accounting based on the specifications (ABCII) , competitiveness , leather industries.

2- Introduction and Research Design:-

● Introduction of the study:-

The weak attention by the economic entities to meeting the needs of customers and providing products with the desired specifications by the customers . Which requiring from economic entities to adopting on modern and sophisticated methods in a contemporary business environment , one of these methods is the entrance to cost accounting based on the specifications (ABCII) , Due to a lot of shortcomings in traditional cost accounting measuring, for providing the customer's needs.

● The important objectives of the study are:-

A- Identify the entrance to cost accounting based on the specifications (ABCII) and how is it helps to meeting the needs of customers.

B- Adopting the entrance to cost accounting based on the specifications (ABCII). In one of the most important industrial sectors in Iraq it is the General Company for Leather Industries.

● Hypothesis of the study :-

That the entrance to cost accounting based on the specifications (ABCII) , helps to meeting the customer's needs , and supports the competitiveness of the economic entity.

● The importance of studying:-

The importance of the study , is for trying to find appropriate solutions to improving the Performance and competitiveness by providing products that meet customer's needs , And the achievement of service to the community and Sustainable Economic Development (SED).

● Scope of the study:-

A- Spatial scope: - Iraqi industrial sector specifically (General Company for leather industries).

B- temporal scope:- Choosing year 2017 as a period to the study and adopt on the data available on that year.

3- The conceptual entrance to cost accounting based on the specifications (ABCII):-

The entrance of cost accounting based on the specifications (ABCII) use the marketing researches to selected the specifications that the customers need and also measuring the costs of the specifications and learn how to achieve that specifications , by the expected levels of achievement and determining the benefit of the customer from each specification (Jackson , 2009:68).

Considered (ABCII) is a method of measuring costs by determining the costs for each product specification and

then determine the costs associated with those activities (Sandborn ,2012:93).

Therefore (ABCII) depends on determining product costs and analysis the Product according to the all product specifications , to main specifications , And analyzing those specifications into sub-specifications and find out the cost of each specification accurately by depending on the costs of the necessary activities to implement each specification and then determine the cost of the product by collecting the costs of the specification to boost competitive advantage of the economic entity and meet the needs of customers . There are a set of necessary requirements to adopt (ABCII) as follows:-

- A. Existence of a group of the required specifications, by customers in the market.
- B. There are a percentage of completion for each specification of product.
- C. The possibility of measuring the optimal coordination in the levels of completion , to providing the best earning for the economic entity and to achieve the customers' needs (Bromwich, 1990:32).

4- Applying cost accounting based on the specifications (ABCII) in the General Company for Leather Industries to increase competitiveness.

The General Company for Leather Industries is one of the companies of the Iraqi Ministry of Industry. The company has a legal personality with an independent financial and administrative system as well as subject to the control and audit by the **Federal Board of Supreme Audit**. The researchers chose Baghdad Factory NO.(7) In Baghdad / AL- Karrada , and selected the product is Jacket , because there is specifications are required and specific that the costumers need and there is a high demand for it in the markets .

The method adopted to apply cost accounting based on the specifications (ABCII) depends on the following steps:-

First Step:- To study the needs and customers' wishes :- This step is the basic step to increase the company's competitiveness in the markets because it depends on finding out the needs and customers' wishes and to provide it to the customers to achieve the customers satisfaction and the market section in the company did the good job about that , by using a different of market research to know the demand of the product and then providing that information to the exhibition in the right time.

Second Step: Determine the basic product specifications

:- Product specifications have been identified , depending on

the quality of the product , components , shape , color and other characteristics . So the company selected the basic specifications of the product as the following:-

- i. **Quality:** The customer try to get a high quality in local leather and its ability to resist the different conditions.
- ii. **Design:** The company's ability to compete with modern models, also in the developed local markets, which have many imported products that compete the company.
- iii. **Sizes:** Here the company focus on the sizes that customers need to providing the required quantity.

After inquiry from the Marketing Manager we found that the black and the brown jackets are the favorites also there is a high demand for them . Depending on the required

specifications such as quality, natural leather and the chemical processing method that used to get the required specifications . Either in terms of modernity are apply by adding a buttons made of iron or tapes with a beautiful colors or by sewing the jacket with a wide lines , To keep up with the modern models in the market . The size specification is provided by dragging leather to get a jacket with a light weight , and also the special lining that made of high quality.

The necessary data has been collected and included according to the specifications required to determine the cost of the jacket. according to the following steps:-

First :- Collect the necessary data for the materials and its activities for each specification with the help of the engineering staff concerned , so the total cost of materials for each one jacket is (68078 ID ¹) as shown in the table No.(1)

Table No.(1)
The quantity and costs for the required materials specification per unit of product

Material	Unit of measurement	Quantity	Price	Total
----------	---------------------	----------	-------	-------

Sheep Leather	Centimeter square	356.8	155	55304
Sheep Leather (Rejected)	Centimeter square	89.2	46.500	4148
Lining leather	Meters square	3	1784	5352
Tapes	Number	2	130	260
Pillar of cloth	Meters	1.5	2009	3014
Total cost				68078

Prepared by researchers depending on the company's books.

But the total costs of design is (2252 ID) for each jacket as shown in the table No.(2) which Includes quantity and cost of materials of the specifications required for the design per jacket , and Includes quantity and cost of materials of the specifications required for the size (1225 ID) per jacket as shown in the table No.(3) Finally, the total costs of materials required according to the specifications required is (71555 ID) for each jacket produced as shown in the table No.(4).

¹(ID) Iraqi Dinar.

Table No.(2)
The quantity and costs required for specification the design (per jacket)

Material	Unit measurement	of	Quantity	Price	Total
Iron Zipper	Number		1	930	930
Leather logo	Number		1	332	332
Lining	Number		1	290	290
Plastic buttons for pocket	Number		1	25	25
Small plastic buttons	Number		1	1	1
Nylon thread 60/3	Meter		200	2328	466

Nylon thread 42/3	Meter	100	0.596	60
Tape measuring for	Number	1	52	52
Compression buttons	Number	2	48	96
Total costs				2252

Prepared by researchers depending on the company's books.

Table No.(3)

The quantity and costs required for specification the size (per jacket)

Material	Unit of measurement	Quantity	Price	Total
Glue	Grams	50	3756	188
Natural Linen	Meter	1	4981	747
Sponge Protective	Number	1	290	290
Total cost				1225

Prepared by researchers depending on the company's books.

Table No.(4)

Total costs according to the required specifications

Specification	Total
Quality	68078
Design	2252
Size	1225
Total costs	71555

Prepared by researchers depending on the company's books.

Second :- The direct costs incurred by the company to produce jackets according to the required specifications is (2500000 ID) depending on the laborers and the rate of their wages according to the required specifications as shown in the table No.(5).

Since the company produces 100 jackets per a day so that the direct wages cost per unit will be 25,000 as shown

$$2500000 / 100 \text{ jackets} = 25000 \text{ ID per jacket}$$

Third: Determine costs of the specifications by the supporting activities per unit. from the supporting activities to do the small tanning that was 5059 ID per jacket as shown in the table No.(6).

While the costs of specifications have been determined for supporting activities, to Produce

the leather clothes in cost 3528 ID per unit of product as shown in the table No.(7).

Table No.(5)

Total direct wages costs per specifications

specifications	No. of labors	Ratio of wages per labor	Total
Quality	136	12500	1700000
Design	44	12500	550000
Size	20	12500	250000
Total cost			2500000

Prepared by researchers depending on the company's books.

Table No.(6)

Total relevance costs for supporting activities to small tanning

Name of activities	Cost of activity	Quantity	Cost per unit
Laboratory	2939558	1080	2721
Maintenance	44553646	21120	2110
Quality control	1469779	574973	3
Resource Management	129762881	574973	225
Total cost			5059

Prepared by researchers depending on the company's books.

Table No.(7)

Determine the specifications cost for the supporting activities in leather clothing factory

Name of activities	Cost of activity	Quantity	Cost per unit
Design	4084176	1920	2127
Marketing	54000	38911	1
Quality control	14480227	191100	76
Maintenance	5903993	7920	746
Resource Management	4419566	7644	578
Total cost			3528

Prepared by researchers depending on the company's books.

From table No. (6) and table No.(7) the cost of jacket can be calculated from supporting activities in amount 8587 ID per unit as shown in the table No.(8)

Table No.(8)
Determine the specifications cost for the supporting activities in small tanning factories

Name of factory	Cost per unit
Small tanning factory	5059
Leather clothing factory	3528
Total cost	8587

Prepared by researchers depending on the company's books.

Forth: Determine the total cost per unit by adopting on the required specifications . The total cost per unit can be calculated by depending on the entrance to cost accounting based on the specifications (ABCII) that was 105142 ID as shown in the table No.(9).

Fifth :- Determine the price and profit per unit by adopting on the required specifications by the customer with the helping of marketing section in the company in amount 120000 ID per jacket.

So that , the target profit by using the entrance to cost accounting based on the specifications (ABCII) is **14858** ID per jacket by

$$120000 - 105142 = 14858 \text{ ID}$$

Table No.(9)
The relevance total cost per unit (jacket)

Data	Amount	Notes
Total cost of raw materials per specification	71555	Table No. (4)
Total direct cost (wages)	25000	Table No. (5)
Total cost of supporting activities	8587	Table No. (8)
Total cost per unit (jacket)	105142	

Prepared by researchers depending on the company's books.

Because of the high demand of the market for the jackets according to the required

specifications by the customer and also in addition to orders by government sectors so the required quantity per month is 3000 jackets. that made profit 44574000 ID as shown.

3000 jackets * 14858 ID = 44574000 ID

So that will improve the company's competitiveness and that means the hypotheses of the study has been accepted.

5- Final Considerations:-

❖ Conclusions:-

The conclusions of the study are:-

A – The entrance of cost accounting based on the specifications (ABCII) is one of the modern entrance to determine the costs according to the specification.

B- The adoption of entrance of cost accounting (ABCII) helps to improving the competitiveness of the company in the market, because the entrance of cost accounting based on the specifications (ABCII) depend in production process on the specifications for each part of product that the customer needs.

C- The entrance of cost accounting based on the specifications (ABCII) Provides high quality information in the different levels of production that helps to give a high benefits to the company to improve the company competitiveness in the markets.

D - The adoption of the entrance of cost accounting based on the specifications (ABCII) shows that production in a required

specifications by the customers in a total cost 105142 ID per jacket with a profit around 14858 ID per unit.

❖ Recommendations:-

The recommendations of the study are:-

A- The adoption of the entrance of cost accounting based on the specifications (ABCII) by the economic entities will improve the competitiveness of the companies with a acceptable costs.

B - It is important to use the entrance of cost accounting based on the specifications (ABCII) to achieve many benefits the most important one is to provide a high quality information, that will helps the decision makers to increase the company profits and competitiveness of the company.

C - It is important to use the specifications of accounting the company on the specifications (ABCII) by the General Company for leather Industries (study sample) because it will providing the specifications that the customers need and to achieve the strategic objectives of the company.

D- Reconsider pricing of the jackets in leather Industries (study sample) in competitiveness of the company competitiveness by adoption the entrance of cost accounting based on the specifications (ABCII) that will determine the total cost depending on Market Research to find the specifications that the customers need and to achieve a high profit.

References

- 1- Jackson , Sawyers, Jenkins (2009)
“managerial Accounting “ A Focus on
Decision Making , Hard-court collage
publishers,Inc. **(Jackson, 2009:68).**
- 2- Sandborn p , ‘Cost
AnalysisofElectronicSystems’,worldScie
ntific publishing , London , UK, 2012 .
(Sandborn, 2012:93).
- 3- BromwichM.,’TheCaseforStrategicM
anagementAccounting
:The RoleofAccounting
InformationforStrategyinCompetitive
Markets ‘ , Accounting Organization
and Society , Vol . 15 N. 1/2/1990.
(Bromwich, 1990:32).