

# Activity-based Costing Research on Enterprise Logistics Cost Management

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## Abstract

With the expanding of the production and the increasingly market competition, enterprises need to reduce the cost to enhance their own competitiveness. Reduce logistics cost is the most effective way to make profits. This way will become the main method in logistics management. In this paper, combining with the current logistics management, form the application of activity-based costing method in the process of enterprise logistics management of realistic urgency and already have conditions, we construct the enterprise logistics cost management mode based on ABC.

**Keywords:** Logistics Cost, Activity-Based Costing, Logistics Cost Management

With the development of economic globalization and information technology, enterprises by cutting the costs of raw materials and artificial or expand the market to profit way has come to an end. By reducing logistics costs to increase profits to become "the third profits source" of modern enterprises, and become a new economic growth point of economic development. With the increase of industrial division of labor refinement and industrial chain, led to the logistics cost of production increased the proportion of the total cost. Accurate accounting enterprise logistics cost become important and division of labor refinement not only contains the contents of the increased logistics costs and the calculation is complicated. The entire aspects make describing logistics cost situation is difficult. In the process of logistics management, because of the complexity of logistics cost, the traditional cost accounting system has not reached the requirements of enterprise. Because in the process of logistics cost accounting does not take into account the reasonable distribution of the indirect cost and the entire contents of the complete process, the logistics cost accounting is not comprehensive, and affects the strategic decisions of the enterprise.

## 1. The significance of applying ABC in logistics cost management

ABC is a cost accounting concept based on the premise that products require an organization to perform activities and that those activities require an organization to incur costs.

- a) ABC enterprise logistics cost calculation more accurate and reasonable

The application of ABC in logistics management, it will resource group to work again after assigned to products, so as to make cost calculation more accurate and reasonable, thus is advantageous to the enterprise management decision. After the application of ABC, in constant evolution, the full cost of enterprise accounting quality was improved. Not only improves the management efficiency and benefit, but also guarantee the quality of the enterprise service, so as to maintain the enterprise social image and its position in the customer heart, bring to the company of good effect and higher operating earnings.

- b) ABC is advantageous to the enterprise to the product cost control

ABC accounting of logistics cost in the end is to change the resource collection to work again after calculation of assigned to products. This way for enterprises to understand the cost, resources, assignments, and the relationship between product, has been clear about the source and principle of cost, which benefits

the management of enterprises to carry out targeted, realize the effective control of the logistics cost At the same time the overall management of all the logistics activities improved significantly, and create a profit for the company.

- c) ABC is advantageous to the enterprise management of the logistics activities

ABC accounting process is: first analyze the cost and its classification, then analysis the operating and expenses according to identify cost drivers will accrue to the homework cost library, then will contact assignments and product, and in accordance with the cost drivers will work the cost Shared by a product, finally calculated the cost. In the process, enterprise combing their own process, is more advantageous to enterprise for each activity on the whole and the management of respectively.

## 2. ABC accounting procedures

- a) Analysis and determine the resources, the establishment of library resource cost.

Main task is to comprehensively collecting enterprise activities to the required resources, including human, material and financial resources, Analysis, make sure to include all the consumption of resources, and establish a database to store and manage the information. Purpose is to prepare for subsequent cost allocation, because ABC was first need according to the resource drivers will the cost of resources to track operation has formed operation cost.

- b) Analysis and determine the operation, the establishment of library operation cost.

Main task is to clear the enterprise business activities have been through what homework link, How to going, what kind of relationship between them, And to establish a library of homework cost collection and management of the information. This is mainly to prepare for the follow-up to determine the product cost, Because ABC need according to the work motivation will work to track the product cost in order to form the product cost.

- c) Factors determine resource agent, will cost to library operation cost.

According to the actual operation situation of enterprises, Identify the various resources of the enterprise needs the intensity and frequency of the standard, And according to these standards in homework for each cost object (i.e., resource cost or cost) the collection, Cost of activity cost pool.

- d) Determine the cost drivers, according to the cost object entry to collects the homework.

According to the actual operation situation of enterprises, to identify the company's various assignments by the intensity and frequency of the standard, And according to these standards to the cost object all the entries for the unit to be classified.

- e) To calculate the cost of logistics operation.

According to the above cost tracking and distribution, to calculate the cost of logistics operation, its computation formula is as follows:

Cost drivers allocation rate = homework cost/work

Shall bear the homework cost = the sum of consumption of assignment\* the homework cost allocation;

## 3. To build enterprise logistics cost management mode based on ABC

- a) Set up management goal

Before the building enterprise management mode, must first be clear for the purpose of constructing logistics cost management mode, and build hope to achieve the goal and effect. Only in this way, in the process of management in the future, to perfect the management system will be able to effectively improve.

- b) Determine the cost calculation object

Cost object refers to, in cost management, cost accounting which finally summarized contents need to calculate and distribute. It may be the product of the company (including intangible services), or customer. Cost accounting products refer to using established, operational cost assignment fees collection resources. The formation of operating costs for operating cost accounting. Then according to the product output of activities consumed in the process collect operation cost and account products cost.

## c) Determine the cost of the project

According to the enterprise's own resources is consumed in the activities of the specific circumstances, to identify the enterprise's resources are consumed the intensity and frequency standard, and in accordance with the standard operation for unit collects the cost object which is work cost and the collection is operating cost.

According to the principle of the ABC costing, for a certain enterprise cost accounting, we should detail the enterprise business process and divide the whole operation system into a single, detachable and operational activity. Then according to the work unit determine the product's motivation to work, reflect the cost of the product to related resources. Above all, we can define the responsibilities of cost, convenient enterprises to grasp the actual specific resource consumption situation, thus more specifically for reducing cost and management decisions.

## d) Building cost process

The enterprise cost generating root cause is the consumption of enterprise production process, and assignments will have to consume certain resources. In simple terms, "Product consumption operation, operation consumption of resources".

Due to have any activities related resources investment, therefore activities will produce cost, and they are closely linked. When we put object that collects the cost to the activity pool, which means turn resource cost to activity cost. And the operation is for the products of the output, in the process of production, activity cost is gradually transformed into the product cost.

## e) Build operation cost of the collection and distribution

Product cost calculation is divided into two parts, which are resources to the operation cost and activities to the distribution of the finished product.

Activities costing collection refers to base on activities' classify, collect resource consumption to the related activities cost pool. Activities costing distribution refers to resources consumption, which collect in a unit with activity, divide to the final product process according the quality activities costing.

## f) Construction of homework cost accounting procedures

In front of the building work is fundamental, is for the calculation of cost of this last step for a long, solid foundation. Above all analyses, ABC Cost accounting procedures can be divided into two stages; first stage is collection resource to costing, and makes sure the causal relationship of resources and costs; second stage allocate the operation cost to products, which have inseparable relationship. Therefore, we can accord the content of activities cost accounting procedure of two stage build.

At present, the vast majority of companies are still using the traditional cost accounting system in cost accounting. It will lead to the information cannot real reaction even distorted. But ABC has a special advantage, which can solve some problems when company account logistic costing and be available for company's development and survive.

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