

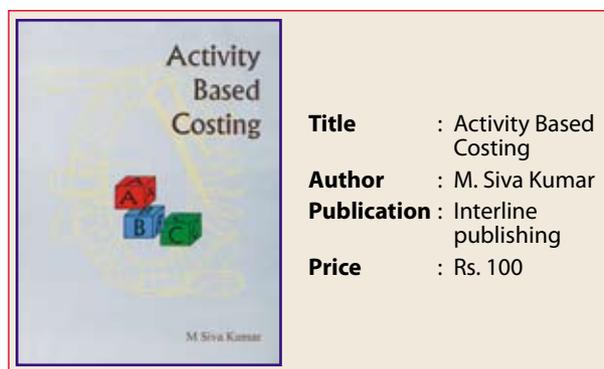
ACTIVITY BASED COSTING IN A NEW LIGHT

When one comes across a book, which is exclusively devoted to a specific topic, an in-depth analysis and exhaustive coverage are only to be expected. Although Activity Based Costing is a relatively old concept now, very less has been written about it as a stand-alone text in India. In this regard, 'Activity Based Costing' by M. Siva Kumar stands to be amongst the few works by an Indian in Indian conditions on this important discipline. The book contains over 150 pages, exclusively devoted to ABC, and is divided into 7 chapters, a glossary and an addendum.

Chapters 1 and 2 introduce the reader to the discipline of traditional and activity based costing. The sequencing of the two chapters and their content is well ordered; however, the author has restricted the understanding of traditional costing to a single product company adopting a blanket overhead rate. A broader outlook of traditional costing based on the evolution of the subject over the past 100 years would have made the reader get a better picture of the need of the emergence of ABC in the modern day environment characterised by TQM and JIT philosophies.

Chapters 3 and 4 help readers get an actual feel of ABC through a well-drafted real life case study, which has been written and analysed in a comprehensive manner. The case study is successful in highlighting the benefits which a company can get by adopting an activity based approach to cost management.

Chapter 5 introduces readers to the



computerisation process and is especially useful for those who have not had any exposure to the various software packages in the market. There are many professionals in this category that could benefit from this chapter by understanding newer and better ways of computing activity based costs. Chapter 6 links the use of ABC with areas such as BPR (Business Process Re-engineering), EVA (Economic Value Added) and TOC (Theory of Constraints). This understanding is subsequently elaborated upon in the addendum provided at the end of the book. In addition to these linkages, this chapter briefly touches upon the use of ABC in the services sector and its application in the small and medium industry.

On the whole, the book makes interesting reading. The case study approach is sure to add value to professionals who are either working or intend to work in this popular discipline. Students appearing for professional examinations and other academic courses can also take advantage of the book by getting a conceptual understanding of the topic.