
Relative importance of variables in discriminating small and medium enterprises in implementing activity based costing: an empirical investigation

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Abstract

Since the past few years, Small and Medium Enterprises (SME's) were the main source of job creation in developing countries mainly due to their nature of the business, its peculiarities and also the important contribution that it does towards employment growth and economic development of countries. In spite of that, there has been a strong criticism in the recent past that the SME's have not been able to adapt newer management accounting practices to the changing business scenario. Today, SME's continue to be under increasing pressure to remain in a highly competitive environment. To be effective and profitable SME's need to embrace proven management accounting techniques. In this backdrop, the author investigated the existing cost management practices, and the driving forces influencing the adoption or non-adoption of Activity Based Costing (ABC) in SME's. In the process 100 valid responses were obtained from SME's functioning in Coimbatore and were subjected to analysis, to infer the relative importance of variables that discriminates SME's in implementing/non-implementing ABC and to establish a functional relationship among current cost management practices with their demographics. The study reveals that Competition, Annual Turnover, Business Classification, Nature of Products/Services contribute substantially for active consideration and implementation of ABC by the SME's in this region.
