

## Executive Summary

The idea of Activity Based Costing drifted in 1980s, since then numbers of efforts are made to refine the same. Though plentitude of research work has been carried out in this direction for its easy implementation as well as practice yet, it still yearns for practical acceptance. Hence, this research has possibilities of contributing towards abridging this divide in service sector concretising the present competitive service based economy.

The main objective of this research endeavour is to carry out a systematic study of role of Activity Based Costing in cost management as well as business decisions. Further, to check the effectiveness of Activity Based Costing as a tool of cost management in service sector organisations, by integrating both, qualitative as well as quantitative measures and understanding the same.

This research work has been divided in three parts: *Part One* of the study identifies the traditional volume based cost management practices in selected service sector organisations. Further, it examines the various aspects of cost and the effective variables in cost management. This part also deals with study of costing system and examines its impact on decision making. *Part Two* of this research incorporates case study to investigate the validity, objectivity and efficiency of activity based costing system as a tool of cost management to ascertain cost and use the information for decision making in the selected service sector organisation. *Part Three* of the study deals with Quantitative analysis (Survey Study). This part of the study focuses on collecting and analysing opinion received from the respondents through a survey method. Views of professionals like CA, CMA, CS etc., and representatives from various industries, owners, trustees and academicians are included in the research.

This study will help practitioners and academia to grasp the importance of ABC in the Health Care and Banking sector by visualizing the implementation and application of ABC in service sector as a tool of cost management with the help of Case Study. **CASE-I:** Designing Time Driven Activity Based Costing System for a Laboratory. The main objective of the study was to assign cost to various Cost Objects using Time Driven Activity Based Costing (TD-ABC). The major recommendation is that TD-

ABC which emphasizes time usage in costing services be embraced by health care service businesses hence, it is a better costing system if profitability, growth, sustainability and development are to be emphasized. **CASE-II:** Designing of an Activity Based Costing System for Co-operative Credit Society. The Costing system designed and suggested provides cost data for selected cost objects based on the methodology of Activity-Based Costing. This output can be used for managerial decision making. Activity-based costing (ABC), as a management accounting tool, offers a remedy for accurate costing as well as improvement in efficiency, effectiveness, and quality of the cost information in Cooperative banks.

The survey analyzed the behaviour of all the important variables on activity based costing as an effective tool for cost management in service sector organisation. The basic purpose of this exercise is to have a collective opinion from the senior and experienced professionals and executives dealing in the decision-making and to carry out a systematic study of application of Activity Based Costing in cost management as well as business decisions. The results of the empirical analysis provide information about the state of Activity Based Costing in India. It also suggests the number of benefits from application of Activity Based Costing in effective cost ascertainment and cost management.

Literature review, the two case studies in the service sector and the empirical analysis have confirmed that the objectives with which this study was undertaken have been efficaciously achieved. The pursuit has reinstated the indispensability of ABC in select service sector organisations. ABC has proved to be easy and fast in implementation, inexpensive in operation, fast to be updated as it captures the complexities of organisation. The Costing system designed and suggested for selected service sector organisations provide cost data for selected cost objects based on the methodology of Activity-Based Costing. This output can be used for effective managerial decision making. Activity-based costing (ABC), as a management accounting tool, offers a remedy for accurate costing as well as improvement in efficiency, effectiveness, and quality of the cost information in organisations. ABC is hence a better costing system for services to achieve profitability, growth, sustainability and development.