

Cost Systems and Company Characteristics

**Susan B. Hughes
Butler University
Indianapolis, IN 46208**

Abstract

Prior to the mid-1980s, management accounting techniques generated little discussion. However, within the last ten to 15 years there has been a renewed interest in two different types of management accounting systems -- activity-based costing (ABC) and variable costing methods derived from work on the theory of constraints (TOC). There is little indication of the proportion of US companies that use these alternative costing methods, or information on how these companies differ from those that continue to use traditional cost systems. This paper presents the results of a questionnaire study that investigated the possible relationships between manufacturing company cost systems and the companies' operations, competitive environments and primary industries.

Responses were received from 130 companies in 18 different industries. Traditional cost systems were used by 46 companies, ABC systems (in total or in part) by 46 companies, and variable cost systems by 34 companies. Overall, users of ABC and variable cost systems believe their systems provide more adequate information for determining product costs, assessing performance, cost reduction, and revenue enhancement than traditional system users. Across all responses, no significant differences were noted in either the operating or competitive environments of the various system users. Discriminant analyses found two variables (somewhat different in each industry) that properly classified at least 71 percent of the cases in three industries.