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**THE STUDY ON GUIDELINE FOR COST REDUCTION USING
ACTIVITY BASED COSTING SYSTEM OF PST CONCRETE
COMPANY**

Abstract:

The objective of this research was to study the Guideline for Cost Reduction Using Activity Based Costing for PST Concrete Company Limited. Data was collected from the corporate database such as the structure, job description, quality manual and interviews of executives and workers as well as the observation of employees' performance. This research found that the PST Concrete Company Limited has 124 activities. In conclusion, the company has 108 value-added activities and 16 nonvalue-added activities. This research had been worked on activity cost calculation and cost per driver calculation of accounting and finance division. Out of all costs of accounting and finance division 292,878.55 baht, 54,334.81 baht is the cost of nonvalue-added activities, equally 18.55 %. The accounting and financial division has 2 nonvalue-added activities : The cost per time of follow-up problematic debtor is 1,252.33 baht and the cost per time of connection government units is 1,750.55 baht.

Keywords:

activity based costing, value-added activities, nonvalue-added activities, cost per driver calculation

JEL Classification: M41

Introduction

The world trade has affected the global markets in competition. The impact on the industry in each of the countries with high costs. And production in any period (Mass Production) to sell at lower prices because buyers want to be the era of variety in style and quality. To meet the market is changing quite quickly businesses must adapt to increasing competitiveness in the global market. The business will survive, will have to adjust their products to the needs of the buyer. Process improvements leading to increased efficiency and productivity. As well as reduce manufacturing costs and operating costs of the process, which requires information on the potential strengths and weaknesses, accurate and timely. The system will provide such information is systematically ABC (Activity Based Costing System or ABC), the study has recognized the need to study the ABC (Activity Based Costing System: ABC) as ways to reduce costs. manufacture The data of PST concrete Company for a case studies.

Methodology

Research Design

The method for quantitative Research. The sample groups as followings : The company manager, Accounting and Finance Department, Head of Production department and Workers.

Research Tools

Research tools are such as the interview about the production process, the cost production of PST Concrete Company.

Data Collection

Data Collections are comprised two methods as followings:

1. The primary data were indept Interview and the observation
2. The secondary data were collected from the documents for getting the basic information which is the guideline for the research.

Data Analysis

The primary data analysis is analized and summarized by the dept interview and the observation of operation. The report is to describe and analyze, including graphic presentation. The secondary data analysis is summarized and presented by content analysis. The report is described with the analysis result.

Results

Activities Analysis

To analyzing activity centers based on the organizational structure of PST concrete Company at this step is to gather information by interviewing staff. Each supervisor Factory Manager about Operation process ,Production costs and the document., Job Description and Quality Manual for consideration identifying the activities of each department. Consisting of nine departments, including the delivery of Marketing

Procurement Manager / Finance Manager Maintenance Department. Quality Assurance personnel and management. The stated mission of the Department is to cover activities that are currently available.

Activities Report

To reports all activities in each department. After the integration activities that are allied together.

Cost Driver Activities

To analyze cost cost In an ABC System of PST Concrete Co., an application for reduce costs by using the ABC System. So cost drivers choose form input, it is Cost Driver.

Value Added and Non-Value Added Analysis

Activities are divided into two types, Value Added Activity and Non – Value Added Activity

Calculated the cost of accounting and finance activities

Figure 1 Accounting and Finance Department Cost

| Cost Items | Allocation Cost (Baht) | Direct Cost (Baht) | Total (Baht) |
|-----------------------------------|------------------------|--------------------|-------------------|
| Salaries Expenses | | 83,610.00 | 83,610.00 |
| Employee Benefits | | 8,361.00 | 8,361.00 |
| Social security contributions | | 4,180.50 | 4,180.50 |
| Accident Insurance | 1,106.37 | | 1,106.37 |
| In house trainee cost | 625.00 | | 625.00 |
| Trainee cost | 1,330.56 | | 1,330.56 |
| Education Expenses | 2,549.00 | | 2,549.00 |
| The charity Expenses | 6,287.50 | | 6,287.50 |
| Depreciations-Building | 1,828.29 | | 1,828.29 |
| Depreciations-Equipment | 6,716.63 | | 6,716.63 |
| Depreciations- Musical instrument | 460.08 | | 460.08 |
| Accounting Advisor cost | | 21,000.00 | 21,000.00 |
| Computer Programing cost | | 3,000.00 | 3,000.00 |
| Miscellaneous Expenses | 9,193.75 | | 9,193.75 |
| Office supplies used | 4,021.81 | | 4,021.81 |
| Computer supplies used | 468.75 | | 468.75 |
| Fund | 12,091.63 | | 12,091.63 |
| Office repair | 1,600.00 | | 1,600.00 |
| Energy expenses | 3,692.22 | | 3,692.22 |
| Telephone expenses | 43,062.51 | | 43,062.51 |
| Bank fee | | 77,692.95 | 77,692.95 |
| Total | 95,034.10 | 197,844.45 | 292,878.55 |

Table 2 Analysis Cost-driver activities of Accounting and Finance Department

| (Activities) | (Cost Driver) | (Cost of Activity) | (NBR.of Activity) | (Cost Per Driver) |
|--|------------------------------|--------------------|-------------------|-------------------|
| 1. Invoices Activity | Quantity of Invou | 14,471.40 | 58 | 249.51 |
| 2. Collection Activity | Quantity of customer | 43,831.51 | 35 | 1,252.33 |
| 3. Banking Activity | Banking times | 18,920.50 | 60 | 315.34 |
| 4. Account Receivable payment Activity | Quantity of Received Voucher | 30,672.59 | 46 | 666.80 |
| 5. Account Payable payment Activity | Payment vouchers | 30,672.59 | 39 | 786.48 |
| 6. Payroll Activity | Payment vouchers | 43,868.66 | 54 | 812.38 |
| 7. Account Receivable Classifying Activity | Account receivable balance | 10,796.40 | 58 | 186.14 |
| 8. Purchases Voucher Activity | Purchase vouchers | 7,504.95 | 52 | 144.33 |
| 9. Sales Voucher Activity | Sale Vouchers | 7,504.95 | 65 | 115.46 |
| 10. Payment Voucher Activity | Payment vouchers | 7,504.95 | 93 | 80.70 |
| 11. Received Voucher Activity | Purchase vouchers | 7,504.95 | 87 | 86.26 |
| 12. General Accounting Activity | Operation Hours | 29,041.80 | 240 | 121.01 |
| 13. Inventory Activity | Operation Hours | 13,109.11 | 180 | 72.83 |
| 14. Government contracting Activity | Government contract times | 10,503.30 | 6 | 1,750.55 |
| 15. Seminar Attending Activity | Seminar attending Hours | 16,970.88 | 96 | 176.78 |
| Total | | 292,878.55 | | |

Summary

The results showed that the activity can be identified in each of the PST Concrete Co. has a total of 124 activities from nine parties include the results from the analysis. Considering 108 Value Added Activities and 16 Non-Value Added Activities, which arise from various causes. In this study, the cost of Accounting and Finance Department activities. As a guide to the management. Finance and accounting activities has 15 activities that included 13 Value Added Activities following 1) Invoices Activity 2)Banking Activity 3) Account Receivable payment Activity 4) Account Payable payment activity 5)Payroll Activity 6)Account Receivable Classifying Activity 7)Purchases Voucher Activity 8) Sales Voucher Activity 9)Cash Receive Voucher Activity 10) Cash Payment Voucher Activity 11)General Accounting Activity 12)Inventory Management Activity 13)Seminar Attending Activity.

And PST Concrete Company has 2 Non-Value Added Activities considering Debt Collection Activity cost 43,831.51 Baht and Government Contracting Activity cost 10,503.30 Baht total cost of 54,334.81 baht or 18.55% of all Finance and Accounting Department

Executives can use the information to the management activities that occur. Specific activities that do not add value. To guide the Company's cost reduction, following;

1. Activity elimination, particularly activities that do non-value added to disappear, such as debt collection activity. If the entity is considered to credit tightening. This event will not occur. If business activity is cut, it will not affect the operations of the Company. And employees who perform Debt can provide the remainder to be used to support the core activities that value added through the issuance of invoices or the other side, which would make the variable costs incurred due to this activity. which makes the cost of some of affairs fell. As a result, the Company's production costs decreased.
2. Activity selection to consider new activities that the Company has not made. In order to enhance performance. By selecting events with the lowest total cost of multiple activities.
3. Activity reduction by the entity to try to reduce the time and resources used in operating activities. For non-value added activities, such as contacting government activities. By reducing the time and costs incurred in this activity. Until this can be cut off in the end. This will help reduce the costs incurred. And the enhancement of the activities required by maximizing the (Output) of the activity to be more like a paid activity.
4. Activity sharing by adding the results of the necessary activities, such as acquisitions, the repayment of debt. If the Company can increase the yield of this activity. Will result in the affairs of the Company can earn up from this activity. However, the cost of this activity should not increase. As a result, unit costs driven down.

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