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A COMPARISON OF ACTIVITY BASED COSTING SYSTEM WITH TRADITIONAL PRODUCT COSTING SYSTEM: A CASE STUDY OF NIPPOLAC PAINTS (PVT.) LTD.

By

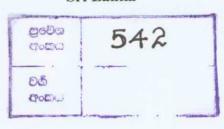Y.A.M.B Manawansha

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A Dissertation Submitted to the Master of Commerce Degree Programme of the Faculty of Commerce and Management Studies, University of Kelaniya as a Partial Fulfilment of the Requirements for the Master of Commerce Degree.

Master of Commerce Programme

Faculty of Commerce and Management Studies

University of Kelaniya

Kelaniya

Sri Lanka

Abstract

This study focuses on understanding the Activity Based Costing System by of a comparison of the Activity Based Costing System with Traditional Product Costing system. The empirical research declared in this Dissertation constitutes that the output of this study which was conducted in Nippolac Paints (Pvt.) Ltd. one of the largest paints manufacturers in Sri Lanka.

This Dissertation studied about reliability of alternative costing systems for the purpose of pricing the products, inventory valuation and decision-making. Most of the managers rely on cost information generated by their costing system in making decisions. The accountants prepare financial statements using cost information. Further, the auditors also audit the financial statements using information provided by the management. But, the auditors do not audit that how inventories are valued. The inventory valuation involves increasing or decreasing profits of the companies. Therefore, it will affect decisions. To conduct this study, selected manufacturing company was the Nippolac Paints (Pvt.) Ltd in Matara. Using data provided by this company, the writer compiled the dissertation. The conclusion was that the Traditional Product Costing System of Nippolac Paints (Pvt.) Ltd. does not provide the actual cost of each product for the purpose of pricing of the products, inventory valuation and decision making.

This Dissertation is consisted of six chapters, as introduction and the conceptual framework together with methodologies, incorporating elementary theory and demonstrating how such theory can be applied to an organization and analysis of data as well as presenting the conclusion and recommendation.