

# [Article analysis](https://assignbuster.com/article-analysis-article-samples-10/)

The article is an excerpt from “ Time Driven Activity Based Costing” published by the Harvard Business Review in 2004. First, the article discuss the merits of activity based costing which has been applied in “ repricing of unprofitable customer relationships, process improvements on the shop floor, lower-cost product designs, and rationalized product variety”. However, Activity Based Costing is rather a simple method so the authors have come up with a better version of ABC. Thus, the article is informing the reader on how to use Time Driven Activity Based Costing.
According to this method of costing, there are only two parameters needed : the cost of time per unit of supplying resource capacity and the unit times of consumption of resource capacity by products, services, and customers. The author argues that this approach is better since it can be applied even to complex transactions in a large company since more precise cost-driver rates can be determined due to unit times. Therefore, estimating the resource cost per unit for different variables such as cost per cubic meter or cost per megabyte can be ascertained. In addition to this, the article presents the advantage of the new method over the traditional ABC by assuming that employees or machines do not always operate in full capacity thereby presenting a more realistic computation of costs. Because of this, the manager can make important decisions on maximizing the unused or unfulfilled capacity which may mean putting off capitalization to a later time until everything is fully efficient or productive. Another important argument that this article presents is that Time Driven Activity Based Costing can be updated. This enables the management to review the costs according to existing conditions.
In conclusion, the article corrected the common notion about the traditional ABC and shared a better model that is more useful, accurate, and practical which I can use someday.
References:
Activity Based Costing. (1999) Retrieved from http://rockfordconsulting. com/activity-based-costing%20 (ABC). htm on May 9, 2009.
Kaplan, R. Anderson S. ( 2005 ) Rethinking Activity Based Costing, excerpt from " Time-Driven Activity-Based Costing," Harvard Business Review, Vol. 82, No. 11, November 2004. Retrieved from http://hbswk. hbs. edu/item/4587. html on May 10, 2009.