

Discuss how an abc system might be beneficial for your friend and how he should d...

[Business](#), [Decision Making](#)



ABC System An ABC System might be beneficial to my friend because it will assist him to comprehend overhead costs and find ways of reducing them. Overhead costs in businesses are very common and business operators need to know how to trim them down. Businesses that have adapted the system are experiencing limited overhead costs given that the system is easy to identify with and construe. Its computation base is unit cost, which is considered better than the conventional technique of total cost.

This ensures more accuracy as the system provides a more defined breakdown of indirect costs (Jiambalvo, 2009). The system is particularly beneficial in spotting business services that add no value. Certain business products and services add no value and using this system will ensure that such products and services are identified and removed.

The system enhances access to profitability. Considering that my friend does not know which of his customers bring in profit, this system will help him to identify and market directly to them. My friend has to ensure that there are adequate resources in order to implement the System successfully.

My friend's business could use the system for budgeting purposes so that he promotes organizational procedure. He needs to understand the architecture of the system before he embraces its software. This will help in objectivity when deciding. My friend should consider the diversity of his services and products before adopting the system. He should think about the effectiveness of his current methods of allocating costs. Overhead costs should be an important factor to consider when deciding on whether to adopt the system or not (Weygandt, Kieso and Kimmel, 2010). After careful

deliberation, my friend needs to weigh whether he is ready to adopt the system or not. The decision making process will require the involvement of other shareholders in the business.