An Improved Methodology For Absorption Costing: Efficiency Based Absorption Costing (EBAC)

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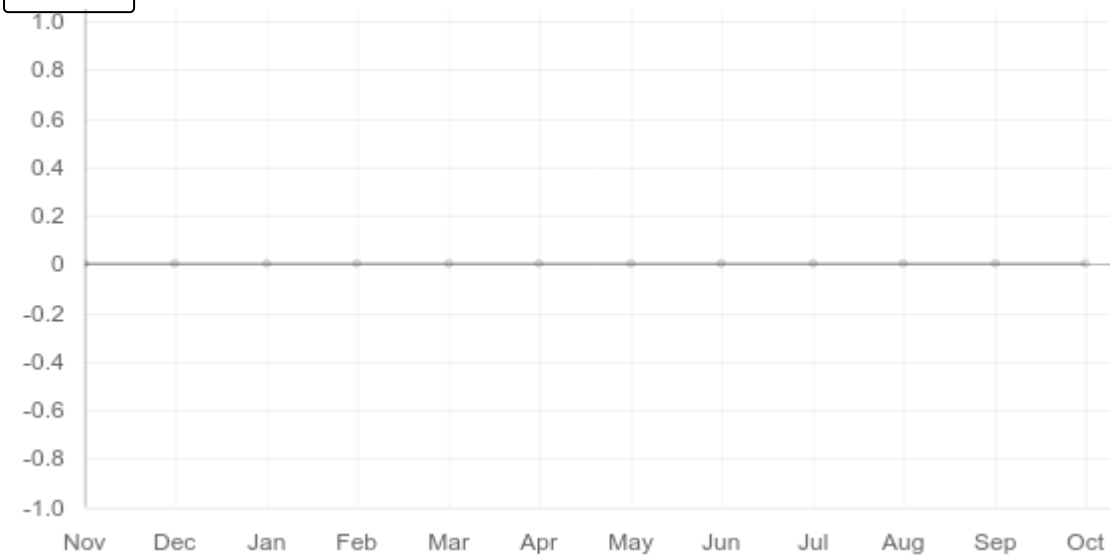
Keywords

Absorption costing, Efficiency Based Absorption Costing, Activity Based Costing, Traditional Costing System

Abstract

This paper presents an improved, efficiency based absorption costing method. Efficiency based absorption costing EBAC represent an algorithm that absorbs costs based on efficiency as the main driver and we compare its results with other methods such as ABC as proof-of-concept. EBAC results in significant cost changes compared to ABC and the traditional costing system (TCS). Businesses could embrace the more efficient EBAC for a host of their pertinent cost control and decision making needs. The EBAC methodology is both easy and convenient to apply as firms currently using ABC could instantly explore EBAC without the need to gather extra information.

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