

The Role of Performance Focused Activity Based Costing (PFABC) in Productivity Improving and Performance Evaluating, Case study in the General Company for Tire Industry in Najaf – Iraq

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Abstract— The research aims to use "Performance Focused Activity-Based Costing System, PFABC" to improve productivity and evaluate performance in the industrial sector in Iraq. The Namazi 2009 model, which consists of nine steps, was used in one of the industrial institutions in Iraq / General Company for the tire industry in Najaf. Through the application, researcher has reached the possibility of implementing PFABC in the Iraqi manufacturing environment. If it is applied, it will bring several advantages such as reducing costs, increasing productivity and improving the performance evaluation process.

Keywords— *PFABC*, *TDABC*, *Productivity Improving*, and *Performance Evaluating*.

I. INTRODUCTION

Cost information plays a key role in operational and investment decisions. To meet the needs of economic entity by useful information, a role has made attention to the subject of the provision of integrated cost systems. With the intensification of competition, globalization of markets, changes in the modern production environment, and the use of advanced technological systems, the importance of this information has emerged.

As part of the development of traditional cost systems, Kaplan introduced a new system called "Activity Based Costing System" (ABC) in the 1980s, a method for measuring and linking costs, to overcome the problems and shortcomings of traditional cost systems in allocating and distributing Indirect costs.

One of the best tools for refining a costing system is activity-based costing. Activity-based costing (ABC) refines a costing system by identifying individual activities as the fundamental cost objects. An activity is an event, task, or unit of work with a specified purpose—for example, designing products, setting up machines, operating machines, and distributing products. (Horngren et al, 2012)

However, The ABC system faced several criticisms and weaknesses, as opponents of this system criticize it through several points and aspects of them:

 The application of the ABC system is costly, as the use of this system carries the company additional costs. (Kieso, 2012)

- 2) The ABC system is not compatible with GAAP, since it relies on the allocation of some non-productive expenses such as research and development costs on products, and on the other hand, other expenses are not allocated to such products, such as the plant's depreciation. (Garrison & Noreen, 2008): (Barfield, 2003).
- 3) The application of this system requires the process of interviewing employees and staff, in order to estimate the times of activities in the unit, which leads to waste of time so it takes a long time to implementation. (Thomson, 2005)
- 4) The ABC data is subjective, difficult to verify and may be inappropriate (Kaplan, 2007)
- 5) It is difficult to identify cost drives and cost guides appropriately.
- 6) The process of updating this system requires a re-analysis of activities, re-determining the amount of time spent on activities, which leads to the identification of the cost is incorrect and finding the results at the wrong time. (Bruggeman & Moreels, 2003).

When the problems worsened, a group of researcher developed a newer level of ABC called "Time-Driven Activity-Based Costing System" (TDABC), which was based on the time taken to complete an activity. (Horngren et al., 2012).

Kowsari defined the TDABC system as a way to determine the energy of each section or process and to allocate the cost of this energy to resource groups and to target the cost based on the time required to conduct the activity (Kowsari, 2013), (Ojah et al., 2019).

Despite the advantages offered by TDABC technology, it has been criticized for the following:

- 1) Measurement errors: This comes from the possibility of not accurately measuring the time required for each activity, as the measurement of time is subject to personal judgment and appreciation. (Barrett, 2005)
- 2) Data: Many studies indicate that data collection for TDABC seems to be complex and must be managed carefully and that the quality of the results depends on the quality of the available data. This means that it does not eliminate the need for data collection but rather needs updating the data and routers (Nascimento & Calil, 2009).

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- 3) Provision for homogeneous and repetitive activities SRERAT states that TDABC is limited to predefined procedures and activities (Sherratt, 2005), or for each case separately, and does not fit heterogeneous activities or the nature of non-recurring work (Barrett, , 2005)
- 4) Unused energy: The unexploited energy cost problem, which is emphasized in the TDABC method, is not a good or recent discovery. It has been discussed in studies and literature since the beginning of the 20th century and in order to comply with international financial reporting standards and laws. Financial accounting is excluded from production costs for purposes of financial reporting (Abu Ghuban, 2013).

II. LITERATURE REVIEW

A. Performance Focused Activity Based Costing (PFABC).

Performance Measurement Systems (PMS) is an area of interest in organizational studies. It is the process of collecting, analyzing and reporting information about the performance of the organization to see if what has been achieved is the same as what was intended or should have been achieved. (Sofyani et al., 2018)

In order to avoid the shortcomings of the ABC (first generation) system and the TDABC (second generation) system, third-generation ideas Performance Focused Activity Based Costing (PFABC) were developed. These ideas aim to create a system that is more responsive to the requirements of the competition component, taking into account the benefits of applying both the ABC and TDABC systems and avoiding their respective shortcomings. Where the beginning of the appearance of PFABC was in late 2008 where the writings started by (Namazi.), (Ojah et al., 2019).

PFABC has been defined by Namazi as a system that achieves three advantages: performance monitoring, solving some cost allocation problems in the TDABC system, and the ease of operation of the ABC and TDABC systems. (Namazi, 2009)

To use and apply the PFABC system and to achieve its desired benefits, there are Phases to follow when applying: (Namazi, 2009), (kowsari, 2013).

Phase 1: Identifying major activities of the unit.

This step is similar to the first step in traditional ABC which has been omitted in TDABC. This phase is needed for two reasons: 1- the nature and behavior of costs for each activity is usually different from other activities. 2- It is one of the major components of ABC which should be maintained in order to continue the process of administrative production.

Phase 2: Identifying the actual resources needed for each activity.

The staffs who administer a designed activity can recognize the type and amount of resources needed for each activity based on the behavior or companies' data systems, especially accounting data system. Resources may include time, the amount of direct materials, or other suitable measures.

However, resource should have a definite relationship with cost. This creates a great deal of suppleness in choosing the capacity of different effective resources. The phase includes the determination of the actual resources' behavior resulted for the cost issue regarding two resources: flexible resources and promised resources. Flexible resources have behaviors like variable costs and promised resources have behaviors like fixed costs.

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Phase 3: Determine the actual rate of the resource for each activity resource.

In PFABC, the actual rates of costs are determined separately for each of activities done by the company based on different drivers through present data systems according to the actual data and regarding the resources and behaviors of its costs.

Phase 4: Determine the cost of each activity.

PFABC determines the cost of each activity regarding the behavior of cost resource. When the resource is a variable cost, the cost of input factors are calculated by multiplying the actual resources used in each activity (AR) and the actual price of the resources used (AP).

The actual activity cost= the actual resources used * the actual price of the resources used

ACi= ARi *APi

Flexible resources such as direct materials, direct work and production overcharge can be identified very easily and are determined as flexible resources with variable cost behavior. In addition, the promised costs are appropriated by using one of the methods: Flexible Costs Assignment Approach, Cost-Driver Assignment Approach, Weighted Average, and Net Realizable Value.

Phase 5: Calculate standard rate for each activity.

Standard rate of each activity should be estimated. Different tools such as, job measurement and assessment techniques, market mechanisms, and internal or external criteria can achieve this estimation. In addition, we can use statistical techniques such as regression analysis and time sequential models.

This standard should be calculated accurately because it is used as a criterion for comparison with actual rates and actual costs of operations.

Phase 6: Calculate the deviation of the activity price.

This stage is not common neither in ABC nor in TDABC. Cost managers identify price deviation by calculating actual resources needed for each activity multiplied by standard price for resources consumed and subtracting it from actual cost of each activity. Promised resources cannot be changed because their amounts are fixed. (Kowsari, 2013)

Phase7: Calculate the costs of the activities implemented.

Determining the standard amount of resources consumed in administering an activity is the first thing in order to calculate flexible resources. It is possible to use a job assessment system or statistical tools such as regression analysis to calculate this standard. The authorized flexible budget for actual work carried out regarding capacity cost of employed flexible resources is achieved by multiplying standard resources needed for the product (SR) with accrual work carried out (AW) multiplied by standard price of resources (SP)

 $(AW \times SR) \times SP$ = Price of flexible resources utilized



In order to calculate promised resources utilized, first the planned or budgeted level (BL) should be determined. This level usually is based on the concept of practical capacity. Then standard price for each promised capacity consumed is calculated through dividing the budgeted costs by budgeted level. Thus;

(AW×SR) ×SP =Price of promised resources utilized

The difference between the two equations is related to flexible resources, which act as changing costs and are related to standard price of each activity.

Phase 8: Calculate the quantity deviation (quality).

The quantity deviation shows whether the company's production manager used more than the standard amount of resources in the actual production of a particular product or service. In fact, the quantity deviation measures the performance of the production manager. (Milani, 2013) *Phase 9*: Calculate the productivity of each activity.

The sum of efficiency and effectiveness lead to productivity that is shown in this stage. Resources' efficiency can be described as the efficiency of an activity resulted from price deviation and quantity deviation. However, the efficiency of activity may be presented and introduced as the difference between the actual work done and the budgeted work related to the promised costs. Efficiency deviation shows whether the planned resources have been used efficiently and effectively practically or not. On the other hand, efficiency deviation shows whether plan manager has been successful in achieving the predetermined goals or not. (Namazi, 2009)

B. Performance Evaluation

Performance evaluation is the process of objective examination and comparison between the results of actual performance and the policies set by the governors of the economic entity, aims to identify deviations, thresholds deviations, and corrective actions required. This is done by adopting criteria and indicators, in order to measure the efficiency of financial and administrative performance.(Fartusi, 2015)

Scientific and research methodology is a hallmark of performance evaluation, using well-known scientific research

methods and models. The auditor shall plan and implement his work and draw conclusions in the light of the scientific methodology. The methods recommended for accreditation in the evaluation process are: (Qureshi, 2011)

i.Financial Analysis Approach.

ii.Inductive Approach.

iii.Responsibility Accounting Approach.

iv.Balanced Scorecard Approach.

v.Functions of Economic Unity Approach.

vi. Process Auditing Approach.

III. RESEARCH METHODOLOGY

The General Company for Tire Industry was chosen in Najaf for the purpose of applying the field test for research. The company is one of the formations of the Ministry of Industry and Minerals of Iraq, the company consists of five production lines are: production line of salon tires (13, 14 15, 16), production line tires (17, 18), agricultural tires sizes (28 30, 32) Production line for heavy truck tires, small and medium trucks.

In early 2015, the company kept the production of heavy and light truck tires of all sizes and quantities in a few quantities to cover what is used by the Ministries of Defense and Interior. The company is expected to meet between 15% and 20% of the needs of the local market, while the company's cost system is the unified accounting system, which is applied in all production units in Iraq.

TABLE 1.1 list 1 hase. Identifying inajor activities					
	Type of activity	Resources			
uin activities	Preparation	Direct materials , Direct wages , Machines			
	Formation	Direct materials , Direct wages , Machines			
	Build	Direct wages, Machines			
W	Installation	Direct wages, Machines			
	Inspection and quality	Direct wages, Machines			
<i>A</i> .	Maintenance	Backup materials , staff			
Secondar activities	Services Marketing	staff			
	Administrative services	staff			
	Stores	staff			

TABLE 1: First Phase: Identifying major activities

TABLE 2: Second Phase: Identifying the actual resources needed for each activity
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D	Main activities					
Resources	Preparation	Formation	Build	Installation	Inspection and quality	Total
Direct materials	1,004,729,506	183,509,590	0	0	0	1,188,239,096
Direct wages	484,538,617	541,575,718	1,183,233,420	1,221,093,139	996,675,755	4,427,116,649
Indirect costs	110,512,912	63,588,358	114,409,915	220,276,647	1,926,203	510,714,035
Total	1,599,781,035	788,673,666	1,297,643,335	1,441,369,786	998,601,958	6,126,069,780
Pasauraas	Secondary activities					
Resources	Maintenance	Services Marketing	Administrative services	Stores		Totai
Direct materials	0	0	0		0	0
Direct wages	2,229,618,310	318,818,342	2,753,501,599	23	8,542,638	5,540,480,889
Indirect costs	125,713,426	4,898,579	134,662,781	19,633,566		284,908,352
Total	2,355,331,736	323,716,921	2,888,164,380	258,176,204		5,825,389,241



TABLE 3: Third Phase: Determining the actual rate of each activity resource	
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Type of activity	Main activities				
Type of activity	Cost elements	Drive cost	The actual rate equation	Actual Kate	
	Direct materials	Direct materials	1,004,729,506 / 279,427	3,596	
Preparation	Direct wages	Actual hours	484,538,617 / 150,480	3,220	
-	Indirect costs	Direct materials	110,512,912 / 279,427	395	
	Direct materials	Direct materials	183,509,590 / 51,036	3,596	
Formation	Direct wages	Actual hours	541,575,718 / 168960	3,205	
	Indirect costs	Direct materials	63,588,358 / 51,036	1,246	
Duild	Direct wages	Actual hours	1,183,233,420 / 366,960	3,224	
Dulla	Indirect costs	Actual hours to Build	114,409,915 / 6,510	17,574	
Installation	Direct wages	Actual hours	1,221,093,139 / 377,520	3,234	
Instantation	Indirect costs	Actual hours to Installation	220,276,647 / 6,944	31,722	
Inspection and quality	Direct wages	Actual hours	996,675,755 / 234,960	4,242	
	Indirect costs	Total of Inspection	1,926,203 / 21,700	89	
Type of activity	Secondary activities				
Type of activity	Cost elements	Drive cost	The actual rate equation	Actual fate	
Maintananaa	Direct wages	Actual hours	2,229,618,310 / 472,560	4,718	
Wantenance	Indirect costs	Total actual maintenance times	125,713,426 / 1,189	105,730	
Some Montrating	Direct wages	Actual hours	318,818,342 / 71,280	4,473	
Services Marketing	Indirect costs	Total tires sold	4,898,579 / 1203	4,072	
Administrativo sorrigos	Direct wages	Actual hours	2,753,501,599 / 736,560	3,738	
Auministrative services	Indirect costs	Total employees	134,662,781 / 989	136,160	
Stores	Direct wages	Actual hours	238,542,638 / 60,720	3,928	
Stores	Indirect costs	Total units produced	19,633,566 / 4,070	4,824	

TABLE 4: Fourth Phase: Determining the cost for each activity

Type of activity	Cost elements	Drive cost	Actual resources	Actual rate	Actual cost of the activity
	Direct materials	Direct materials	2,352 * 62.57 Kg 1,718 * 53.23 Kg	3,596	858,055,153
Preparation	Direct wages	Actual hours	4070 * 1.5 h	3,220	19,658,100
	Indirect costs	Direct materials	2,352 * 62.57 Kg 1,718 * 53.23 Kg	395	94,252,443
	Direct materials	Direct materials	2,352 * 11.48 Kg 1,718 * 9.57 Kg	3,596	156,218,223
Formation	Direct wages	Actual hours	4,070 * 1 h	3,205	13,044,350
	Indirect costs	Direct materials	2,352 * 11.48 Kg 1,718 * 9.57 Kg	1,246	54,129,006
Duild	Direct wages	Actual hours	4,070 * 1.5 h	3,224	19,682,520
Bulla	Indirect costs	Actual hours to Build	4,070 * 1.5 h	17,574	107,289,270
Installation	Direct wages	Actual hours	4,070 * 1.7 h	3,234	22,376,046
Installation	Indirect costs	Actual hours to Installation	4,070 * 1.7 h	31,722	219,484,518
Inspection and quality	Direct wages	Actual hours	4,070 * 2.5 h	4,242	43,162,350
inspection and quanty	Indirect costs	Total of Inspection	4,070 * 5 R	89	1,811,150
Maintananaa	Direct wages	Actual hours	1,189 * 2 h	4,718	11,219,404
Maintenance	Indirect costs	Total actual maintenance times	1,189 R	105,730	125,712,970
Services Marketing	Direct wages	Actual hours	71,280 h	4,473	318,835,440
	Indirect costs	Total tires sold	1,203 p	4,072	4,898,616
Administrativo sorricos	Direct wages	Actual hours	736,560 h	3,738	2,753,261,280
Administrative services	Indirect costs	Total employees	989 e	136,160	134,662,240
Stores	Direct wages	Actual hours	60,720 h	3,928	238,508,160
Stores	Indirect costs	Total units produced	4,070 p	4,824	19,633,680

TABLE 5a: Fifth Phase: Calculating standard rate of activity.

Descuração			Total				
Resources	Preparation	Formation	Build	Installation	Inspection and quality	Total	
Direct materials	2,155,144,790	1,227,128,628	0	0	0	3,382,273,418	
Direct wages	322,702,719	433,512,211	753,719,688	721,666,045	619,932,319	2,851,532,982	
Indirect costs	193,397,596	101,105,489	123,562,708	258,604,783	2,390,418	679,060,994	
Total	2,671,245,105	1,761,746,328	877,282,396	980,270,828	622,322,737	6,912,867,394	
Descurress		Se	econdary activit	ies		T-4-1	
Resources	Maintenance	Services Marketing	Administrative services		Stores	Total	
Direct materials	0	0	0		0	0	
Direct wages	885,158,469	232,418,571	936,190,543		238,542,638	2,292,310,221	
Indirect costs	189,198,706	10,615,220	112,308,759		19,692,466	331,815,151	
Total	1,074,357,175	243,033,791	1,048,499,302		258,235,104	2,624,125,372	



TABLE 5b: Fifth Phase: Calculating standard rate of activity.

True of estimiter		Standard rate		
Type of activity	Cost elements	Drive cost	The standard rate equation	Standard rate
	Direct materials	Direct materials	2,155,144,790 / 1,121,948	1,921
Preparation	Direct wages	standard hours	322,702,719 / 110,880	2,910
_	Indirect costs	Direct materials	193,397,596 / 1,121,948	172
	Direct materials	Direct materials	1,227,128,628 / 203,861	6,019
Formation	Direct wages	standard hours	433,512,211 / 134,640	3,220
	Indirect costs	Direct materials	101,105,489 / 203,861	496
Duild	Direct wages	standard hours	753,719,688 / 240,240	3,137
Bulla	Indirect costs	standard hours to Build	123,562,708 / 19,415	6,364
Installation	Direct wages	standard hours	721,666,045 / 271,920	2,654
Instantation	Indirect costs	standard hours to Installation	258,604,783 / 22,715	11,385
T (* 1 1*)	Direct wages	standard hours	619,932,319 / 139,920	4,431
inspection and quanty	Indirect costs	Total of Inspection	2,390,418 / 97,075	25
Type of activity		Standard rate		
Type of activity	Cost elements	Drive cost	The standard rate equation	Stalidard Tale
Maintananaa	Direct wages	standard hours	885,158,469 / 224,400	3,944
Wantenance	Indirect costs	Total actual maintenance times	189,198,706 / 3,750	50,453
Sometoos Montratino	Direct wages	standard hours	232,418,571 / 71,280	3,260
Services warketing	Indirect costs	Total tires sold	10,615,220 / 15,531	683
A dministrative corriges	Direct wages	standard hours	936,190,543 / 253,440	3,694
Auministrative services	Indirect costs	Total employees	112,308,759 / 751	149,546
Stores	Direct wages	standard hours	238,542,638 / 60,720	3,928
Stores	Indirect costs	Total units produced	19,692,466 / 19,415	1,014

TABLE 6: Sixth Phase: Calculating activity price variance.

Type of activity	Resources	Price variance = Actual cost –(actual resources* standard	Variance	Туре
	Direct materials	858,055,153 - 458,377,071	399,678,082	Unfav.
Preparation	Direct wages	19,658,100 - 17,765,550	1,892,550	Unfav.
	Indirect costs	94,252,443 - 41,041,570	53,210,873	Unfav.
	Direct materials	156,218,223 - 261,478,361	105,260,138	fav.
Formation	Direct wages	13,044,350 - 13,105,400	61,050	fav
	Indirect costs	54,129,006 - 21,547,311	32,581,695	Unfav.
Build	Direct wages	19,682,520 - 19,151,385	531,135	Unfav.
Dullu	Indirect costs	107,289,270 - 38,852,220	68,437,050	Unfav.
Installation	Direct wages	22,376,046 - 18,363,026	4,013,020	Unfav.
Instantion	Indirect costs	219,484,518 - 78,772,815	140,711,703	Unfav.
Inspection and quality	Direct wages	43,162,350 - 22,930,425	20,231,925	Unfav.
	Indirect costs	1,811,150 - 508,750	1,302,400	Unfav.
Maintananaa	Direct wages	11,219,404 - 9,378,832	1,840,572	Unfav.
Maintenance	Indirect costs	125,712,970 - 59,988,617	65,724,353	Unfav.
Sorvices Marketing	Direct wages	318,835,440 - 232,372,800	86,462,640	Unfav.
Services Marketing	Indirect costs	4,898,616 - 821,649	4,076,697	Unfav.
A	Direct wages	2,753,261,280 - 2,720,852,640	32,408,640	Unfav.
Auministrative services	Indirect costs	134,662,240 - 147,900,994	13,238,754	fav.
Stores	Direct wages	238,508,160 - 238,508,160	0	0
Stores	Indirect costs	19,633,680 - 4,126,980	15,506,700	Unfav.

 TABLE 7: Seventh Phase: Calculating the cost of activities implemented

Type of activity	Resources	Standard supplier price * actual resources	Activities applicable costs
	Direct materials	1,921 * 238,614	458,377,494
Preparation	Direct wages	2,910 * 6,105	17,765,550
	Indirect costs	172 * 238,614	41,041,608
	Direct materials	6,019 * 43,442	261,477,398
Formation	Direct wages	3,220 * 4,070	13,105,400
	Indirect costs	496 * 43,442	21,547,232
Build	Direct wages	3,137 * 6,105	19,151,385
	Indirect costs	6,364 * 6,105	38,852,220
Installation	Direct wages	2,654 * 6,919	18,363,026
	Indirect costs	11,385 * 6,919	78,772,815
Inspection and quality	Direct wages	4,431 * 10,175	45,085,425
hispection and quanty	Indirect costs	25 * 20,350	508,750
Maintonanaa	Direct wages	3,944 * 2,378	9,378,832
Maintenance	Indirect costs	50,453 * 1,189	59,988,617
Sorvioos Markating	Direct wages	3,260 * 71,280	232,372,800
Services warketing	Indirect costs	683 * 1,203	821,649
Administrative services	Direct wages	3,694 * 736,560	2,720,852,640



	Indirect costs	149,546 * 989	147,900,994
Stores	Direct wages	3,928 * 60,720	238,508,160
	Indirect costs	1,014 * 4,070	4,126,980

Type of activity	Resources	Quantity variance= (Actual Quantity- Standard Quantity) Standard price	Type
	Direct materials	0	0
Preparation	Direct wages	2,989,487	unfav
-	Indirect costs	0	0
Formation	Direct materials	0	0
	Direct wages	1,052,718	unfav
	Indirect costs	0	0
Build	Direct wages	6,302,175	unfav
	Indirect costs	163,128	unfav
Installation	Direct wages	5,328,669	unfav
	Indirect costs	22,860,624	unfav
Inspection and quality	Direct wages	17,798,743	unfav
	Indirect costs	0	0
Maintenance	Direct wages	1,724,981	unfav
	Indirect costs	0	0
Services Marketing	Direct wages	0	0
	Indirect costs	0	0
Administrative services	Direct wages	2,439,604	unfav
	Indirect costs	10,388,499	unfav
Stores	Direct wages	15,773,890	unfav
	Indirect costs	4,401,635	unfav

TABLE 9: Ninth Phase: Calculating profitability of each activity.

Type of activity	Resources	Productivity = Quantity variance + price variance	Variance	Туре
Preparation	Direct materials	0 + 399,678,082	399,678,082	unfav
	Direct wages	2,989,487 + 1,892,550	4,882,037	unfav
	Indirect costs	0 + 53,210,873	53,210,873	unfav
Formation	Direct materials	0 + (105,260,138)	(105,260,138)	fav
	Direct wages	1,052,718 + (61,050)	991,668	unfav
	Indirect costs	0 + 32,581,695	32,581,695	unfav
Build	Direct wages	6,302,175 + 531,135	6,833,263	unfav
	Indirect costs	163,128 + 68,437,050	68,600,178	unfav
Installation	Direct wages	5,328,669 + 4,013,020	9,341,689	unfav
	Indirect costs	22,860,624 + 140,711,703	163,572,327	unfav
Inspection and quality	Direct wages	17,798,743 + 20,231,925	38,030,668	unfav
	Indirect costs	0 + 1,302,400	1,302,400	unfav
Maintenance	Direct wages	1,724,981 + 1,840,572	3,565,553	unfav
	Indirect costs	0 + 65,724,353	65,724,353	unfav
Services Marketing	Direct wages	0 + 86,462,640	86,462,640	unfav
	Indirect costs	0 + 4,076,697	4,076,697	unfav
Administrative services	Direct wages	2,439,604 + 32,408,640	34,848,244	unfav
	Indirect costs	10,388,499 + (13,238,754)	(2,850,255)	fav
Stores	Direct wages	15,773,890+0	15,773,8	Unfav
	Indirect costs	4,401,635 + 15,506,700	19,908,335	Unfav

IV. CONCLUSION AND DISCUSSIONS

- a. The main and secondary activities showed an unfavorable deviation of the price, which reflected the loading of these activities for additional costs. The additional costs were distributed on both materials, wages, and factory overhead costs, and this led to a lower level of production.
- b. A PFABC achieves control in production costs, and this can be seen through lower production costs for key activities and chocks.
- c. The ninth phase reflects an inappropriate deviation of most of the activities of the unit in terms of efficiency and effectiveness, which reflects the inappropriate performance in those activities in achieving the required productivity.
- d. The inappropriate deviation of the price, for most of the Unit's activities, indicates the existence of unexploited

production capacity. Unutilized energy can be explained by two reasons, one of which is the inefficiency of management in exploiting that energy. The second is the absence of protection for the national product, given the diversity of competing products in domestic markets. Which made the company unable to cover the overhead costs.

- e. The increase in the deviation amount for the work resource, which indicates the presence of surplus workers, while their costs were charged to the units produced.
- f. A researcher through the field study of the company, found that there is a statute of limitations in the administrative systems and manufacturing technology, in addition to the failure to follow the modern techniques of cost in determining the costs of the product accurately..



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