

HALA ELIAS

Royal University for Women, Bahrain

ARPITA MEHROTRA

Royal University , Bahrain

ACTIVITY-BASED COSTING OF LIBRARY SERVICES IN UNIVERSITIES - A CASE STUDY OF A PRIVATE UNIVERSITY

Abstract:

An organization's costing system is a system that helps the management with the strategy planning while the system plays an important role in providing accurate cost information about the products and customers. In other words, the costing management system is important to provide timely and quality information to help managers in their decision making process. Producing quality graduates is the main objective of any university and the cost of quality or the cost of poor quality is one that is often difficult to measure in higher education. This can be partly attributed to the fact that most accounting systems are not structured to capture important cost-of-quality information.

In order to succeed, many organizations tend to shift from conventional or traditional costing system to Activity-Based Costing (ABC). ABC provides both higher education administrators and policymakers with better information on which to base decisions. The approach provides information to universities that could help them in better projections and forecasting. Not only that, this approach provides information on different activities and identifies the high cost areas and high impact activities that can help administrators in decision making process. The use of multiple cost pools and drivers under ABC leads to more detailed and accurate product costing than that provided by traditional cost systems. The individual activities become the central cost focus with the assigning of costs to activities based on the way in which the resources are consumed by the activities. Managers can then determine whether certain activities are necessary or whether they can be eliminated. Only services that are value adding are maintained while nonvalue-adding services can be eliminated, resulting in cost savings for the university

Although not trained as accountants, library managers rely on accounting information for strategic planning and operational decision-making. Increased demands for institutional accountability, with university performance and costs under increased scrutiny, place library managers under increased pressure to maintain quality services while faced with decreased funding and tighter budgets. A commitment to greater efficiency requires an understanding of cost behavior. Considering that there is no evidence of the costing systems in universities in the Kingdom of Bahrain, this paper attempts to investigate the possibilities and limitations of implementing ABC in the Royal University for Women. More specifically the paper discusses the benefits of ABC to library managers and explains the steps involved in implementing ABC in an academic library.

Keywords:

costing systems, activity-based costing, cost drivers, costing of library services, universities