

**IMPACT OF ACTIVITY BASED COSTING SYSTEM OF
FIRM PERFORMANCE IN NIGERIA
(A CASE STUDY OF UNITED BANK FOR AFRICAN (UBA))**

By

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CERTIFICATION

This is to certify that this study was carried out by **SHITTU ASIAT AYOMIDE** with Matriculation Number **HND/23/ACC/FT/0144** titled “Impact of Activity Based Costing System of Firm Performance in Nigeria: A Case Study of United Bank For African (UBA)” has been read and approved as meeting part of the requirements for the award of Higher National Diploma (HND) in Accountancy, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin.

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DEDICATION

This project is dedicated to Almighty God, ancient of days for His protection on me and my family throughout my academic pursuit. And for making my dream come true.

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Every good accomplishment starts by making the choice in the right direction it thus becomes exceedingly necessary in showing gratitude to the personalities who have in one way or the other contributed to the success of this project

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

In the 1990s business strategy played an essential role in financial operation with the expansion of productivity and the complexity of business management, efficient financial performance has become a very common term. Researchers have shown that cost accounting has been of the most vital parts of management accounting. It is used to control a company's cost and provides management with accurate information of financial operation and performance. At that time, traditional operation costing system (TCS) trace overhead costs to the product based on the assumption that product cause costs. It taxes a total cost and assigns it to each part of the process. In the fact, it relies on an essentially illogical quotation of indirect costs and this system does not give managers accurate product cost information, which leads to inaccurate calculation of product profitability therefore traditional cost accounting (TCA) has a lot reported the realities of financial performance of the firm and can mislead and increase cost and have major negation effective on a company profits.

Introduction by Robin Corper and Roberts Kaplin (Mai), activity based costing (ABC) was described as a potential approach to solve traditional costing problems. It soon claimed its major advantage and overcome limitation of TCA, despite of a rising number of questions concerned with the adoption and implementation on ABC. However liftner et al (2002) stated that ABC will only have indirect effect on financial efficiency since then various studies have been conducted on the real benefits and the actual influence of ABC on performance of accounting system and the firm in order to see whether or not applying ABC was the right solution. This project will illustrate the impact of ABC on financial performance of the firms. In addition, it will focus on the

empirical test of the impact of ABC in UBA and the effects of ABC to financial performance.

Activity-based costing plays an important role in companies' strategies and long-range plans to develop a competitive cost advantage. While activity-based costing focuses attention on activities in allocating overhead costs to products, activity-based management focuses on managing activities to reduce costs. Cost reduction generally requires a change in activities. Top management can send notices to company employees to reduce costs, but the implementation requires a change in activities. If you have lived in a city that has had to reduce costs, you know that achieving the reduction required a change in activities such as fewer police patrols, a cut in library hours, and reduced social services. An entity cannot know the effect of a change in activities on costs without the type of cost information provided by activity-based costing. UBA is a banking sector, a firm operating based on profit. All financial activities to UBA are aimed to increase additional value to investment. If business activities are supposed to again a profit that can yield its capital cost.

An ABC system can provide better costing information and help management manage efficiently and gain a better understanding of the firm's competitive advantages, strengths and weaknesses. Often, managers recognize needs for a better costing system such as ABC when they are experiencing increased lost sales due to erroneous pricing that resulted from inaccurate costing data. Service organizations, such as banks, and government departments, have very different characteristics than manufacturing firms. ABC brings accuracy and reliability in product cost determination by focusing on cause and effect relationship in the cost incurrence. It recognizes that it is activities which cause costs, not products and it is product which consume activities. In advanced financial institution environment and technology where support functions overheads constitute a large share of total costs, ABC provides more realistic product costs.

1.2 STATEMENT OF THE PROBLEM

The activity based cost system is widely suggested as a key tools for improving the behavioral, business and accounting practices in organization (Anerson 1995), Copper and Zmud (1990). Many organizations have found that the profit performance can best be achieved by implementing activity based costing system (Comotion 1998). ABC has different levels of utility for different organization such as large financial institution can use it more usefully than the smaller financial institution. Also, it is likely that firms depending on cost-plus pricing can take advantages from ABC as it gives accurate product cost. But those firms who use market based prices may not favour ABC. The level of technology and financial institution environment prevailing in different institution also affect the application of ABC. This study therefore attempts to contribute to the body of knowledge by assisting the impact of activity based costing on organizational performance.

1.3 RESEARCH QUESTIONS

- i. What is the impact of applying activity based costing on financial performance in firm?
- ii. To what extent does activity based activity costing techniques affect the financial performance?
- iii. Does the use of activity based costing gains positive benefits to increase financial performance?

1.4 OBJECTIVE OF THE STUDY

The main objective of this study is to:

- i. To examine the impact of applying activity based costing on financial performance in a firm
- ii. To examine factors affecting the impact of importance of activity based costing on financial performance

- iii. To determine use of activity based costing gain positive benefit to increase financial performance

1.5 RESEARCH HYPOTHESES

Hi: There is a direct positive impact of applying ABC on financial performance in firm.

Hii: There are some factors affecting the impact of importance of ABC on financial performance

Hiii: The use of ABC gains positive benefits to increase financial performance.

1.6 SIGNIFICANCE OF THE STUDY

This project will benefits of activity based costing which provides accurate information and precise costs and update's daily financial managers in decision making, production controls and business operations. Moreover, this project also contributes to other previous researches by studying the impact of using activity based costing not in general manner but in depth of how activity based costing influences a firms accounting process. Being aware of applying activity based costing successfully, managers can improve their business operation, thereby improving the quality and management activities, increasing competitiveness and economic power in open market economy, as a result of this may also have a great effect on the success of a firm. In addition, this project will demonstrate the current limitation of ABC which may enable future research to make improvement to this model.

1.7 SCOPE OF THE STUDY

The research work covered the whole of financial institution, but due to certain constraints the research is restricted to United Bank for African (UBA). Therefore, the area in which data were collected is limited to United Bank for African (UBA). Thus, the research investigates the impact of activity based costing system on firm performance.

1.8 LIMITATION OF THE STUDY

The duration of time upon the limit it should be complete shortly i.e. the time limit for the

completion and submission of the project is short but researcher was also to collect data needed for the completion of the work. Hindrance in data collection. This was due to the fact that giving out information owing their ways of accessing financial decision making entitle limited was not curly given out by the employee finally, the find that was contribute to the researcher was sufficient as there was needed to travel between one place to another transportation lost was too exorbitant but the researcher was able to resource for limitation

1.9 DEFINITION OF KEY TERMS

Activity Based Costing (ABC): is a costing methodology that identifies activities in an organization and assigns the cost of each activity resources to aid product and services according to the actual consumption by each.

Variable cost: are cost that change in proportion to the goods and services that a business produces.

Overhead or over head Expenses: is an ongoing expense of operating a business. It is also known as operating expenses.

Fixed Cost: is an expense that does not change as a function of the activity of a business with the relevant period.

Cost drive: is a factor that creates or drives the cost of the activities.

Semi-variable cost: is an expense which contains both a fixed cost component and a variable cost component.

Contribution margin: is the selling price per unit minus the variable cost per unit.

Cost curve: is a graph of the costs of production as a function of total quantity produced.

Opportunity cost: also referred to as economic cost is the value of the best alternative that was not chosen in order to pursue the current endeavour.

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

2.1.1 ACTIVITY BASED COSTING

As defined in MBA venture line business dictionary, “Activity Based Cost is a costing system that identifies the various activities performed in a firm and use multiple cost drivers (non-volume as well as volume based cost drivers) to assign overhead costs (or indirect costs) to product. ABC recognizes the casual relationships of cost drivers with activities”.

According to Deepok Mohan & Hemontkumar Patil (2003) “Activity Based Costing is a costing model which to measure activity costs, results, resources and cost objects. ABC assigns resources to activities, activities to cost objects according to actual consumption by each and recognize the casual relationship of cost drivers with activities, ABC focuses more on costs and the cause based on process and activities rather than on departments and traditional functions”

From the view of Stewart, G.B (1991), Activity Based Costing provides complete data on business activities in “financial metric form” it can be applied to business according to variable factors.

Thus, it is more innovative compared with TCA, ABC has three main objectives: a tool to guide strategies decision making; insight in process of business to allow resources to be efficiently allocated and minimized costs; an allocation techniques in determining internal cost prices and selling prices”.

Therefore, ABC can be defined as a model of aggregated financial and non-financial data related to operation activities in a firm to produce goods, by assigning resources consumption in a firm to product and services provided to customer.

2.1.2 CONCEPTUALIZATION OF FINANCIAL PERFORMANCE

Financial performance is the measuring of the result of a firm's policies and operations in monetary terms. In the firm, financial performance refers to the rate of returns for a financial portfolio. The portfolio includes the financial instrument which is used with different rate of return (Cagwin and Bounman, 2002).

In current business environment, financial performance has related to the profit of firm. Sales profit and cost was used to evaluate the value of business activities. These values will be measured with current budgets or sales forecast to create business strategy in which to answer the "big question" how to maximize profit, reduce cost and better financial management.

2.1.3 IMPLEMENTATION OF ACTIVITY BASED COSTING SYSTEM

COST CLASSIFICATION IN ACTIVITY BASED COSTING SYSTEM

A. ACTIVITY LEVEL COSTS

To determine costs of resources to activity, according to Blocher (1991), a business must classify levels of costs, resources and activities. ABC system often uses a four level system.

B. OUTPUT UNIT LEVEL COSTS

Output unit level costs are costs of activities performed on each individual unit of products and services which are assigned directly to products (Blocher, 1991). For example, production costs to turn raw materials into units of product. These activities of running automated machinery.

C. BATCH LEVEL COSTS

Batch level costs of activities are related to a group of products and services, which help to produce a batch of product rather than each individual unit of product or service, when a business purchases a variety of raw materials, purchasing costs account

for a considerable proportion in an overhead. Purchasing cost of order planning, raw material receiving and payment to supplier.

D. PRODUCT SUSTAINING COSTS.

Product sustaining costs are costs of activities undertaken to support individual products or services regardless of the number of unit or batches in which units are produced and consumed, such as product design, marketing, advertising, research etc (Blocher, 1991).

E. FACILITY SUSTAINING COSTS.

Facility sustaining costs are cost of activities performed at each facility that can be seen as periodical costs (Blocher, 1991). They are traced to all activities performed at every stage to support the organization as a whole, such as management costs facility sustaining cost, taxes and asset assurance. Most activities of facility sustaining costs are assigned to all products and cannot be traced to each individual product because they support the business as a whole.

ABC IN APPLICATION MANAGEMENT COSTS

ABC is one of the best ways to improve costing, ABC system improves costs by focusing on individual activities is the basis of cost objects. An activity is an event, task or a job with a goal defined. For example products design, operating machinery, product distribution. ABC calculates individual activities and allocates these costs to the object. Since direct costs can be charged to each product, ABC can focus on indirect costs; improve cost allocation to department, processes and products.

PROCEDURE OF ABC COST ALLOCATION

According to Cooper (1998c), procedure of ABC costs allocation has two steps:
Step1: all costs originated during a given period are gathered and assigned to each activity based on appropriate cost consumption.

Step 2: based on performance of each activity in production and sales to assign activity costs to product's price.

2.1.4 BENEFITS OF USING ACTIVITY BASED COSTING SYSTEM

a. Cost

Cooper, Robin (1991) reported that ABC system reveals cost of transactional information; it represents all types of costs to produce that transaction.

Thus, even detailed costs are shown clearly and accurately, cost management in ANC approach is gaining better support in comparison with TCA. Cost driver are allocated base on suitable and detailed procedures, thus this ensures high trustworthiness in cost. ABC focuses on diverse costs which can be obviously seen in overheads. ABC system almost provides a more completed manageable report on cost of an organization, establishing cost modeling and target costing to perform without an expected factor. The most important advantage of ABC in its attraction to advance costing system, its unique and logical features of business process.

b. Management of activities in a firm.

When a manufacturing firm applies ABC method, it has to establish system cost drivers and has to be reliable to all activities happening in a firm in a given period of production (Cooper Robin 1991). Then a firm needs to determine the cost level for each activity periodically and finally, level of distribution of each activity to each product are decided. With the ability to determine such detailed information, managers can easily classify activities in a firm into pools, pool of high valuable contribution, pool of low contribution and also pool of no valuable contribution for business activity. By understanding the importance of each activity, a manager can give out solutions to improve efficiency of business operation in order to reach higher profit and then improve financial performance. Profitability from customers is considered as a suitable improvement of activity based costing approach by starting different prospects of profit

as profit really come from customers, not from product. Some management processes as quality management, time management, productivity process is implemented more easily by activity based costing system management or less operation can turn from functional management.

c. INFORMATION PROVIDING

While TCA only provides information on cost levels, ABC method provides information and cause of costs (Cooper, Robin and Robert S. Kaplon, 1992). When managers are aware of process and cause of costs, they can find proper solution and cut unnecessary costs; besides, it helps managers to establish criteria to evaluate their staff which contributes to improvement of efficiency.

2.1.5 LIMITATION OF ACTIVITY BASED COSTING SYSTEM

ABC system is surely more complicated than traditional method. In order to provide detailed cost structure, it requires many calculations and analysis to be performed. Plans must be carefully set in detail. Management process must be more detailed which will increase input factors (increase cost).

In summary, gathering cost is vital in proper understanding of the real of resources in a business to make investment decisions and set a conceivable price. While traditional costing methods allocate costs based on simple criteria and cannot reflect the relationship, ABC method is based in simple criteria and cannot reflect the relationship between cost objects and indirect cost.

2.1.6 DESCRIPTION OF ACTIVITY BASED COSTING WITH THE FINANCIAL PERFORMACE

Some recent researchers gained success in realizing the connection between the use of ABC and financial performance in particular business environment. Kenedy and Afleck Grave (2001) were successful in connecting of Activity Based Costing and the improvement in financial efficiency for producers. Ittner (2002) Cagwin and Bounman

(2002) state that Activity Based Costing has indirect than direct influence on improvement of financial efficiencies. Activity Based Costing is one of many initiative business strategies including Total Quality Management (TQM), just –in –time (JIT). Although researchers I recent years have tried to line the use of methods in stimulating business operation to improve financial performance, they have not yet come up with a final conclusion and still have a lot of limitations. Huston and Manda (1995) showed that the use of JIT can improve earnings per share after controlling cost units, revenue and profit. Easton and Jarrel (1995) state there are profit than TQM is related to real financial performance. However, no one in the researchers has evidence for the use of these business initiatives; so as the result of each study is specified for each particular business initiative.

2.2 THEORETICAL FRAMEWORK

2.2.1 Theory Of Constraints

The theory of constraints is a five-step management philosophy/methodology that focuses on identifying and correcting the bottleneck of the process. The steps are identifying the constraint, exploiting it, altering the rest of the system to aid in the elimination of the bottleneck, improving the constraint and repeating the process. The bottleneck is the constraint that is responsible for the throughput volume of the system others see TOC as merely a decision making tool, but the majority consensus is that TOC is a short term management solution if you are seeking to eliminate on constraint (Ifandouldas & Gurd, 2010), but it can also be seen as an on-going process where managers are constantly working to better their system by eliminating the changing constraint. Developed by Dr. Eliyahu M. Goldratt in the 1970s, the TOC recognizes that there will always be limitations or constraints on performance of the “system of interest” The constraint in the system can be physical, political or behavioral. However, in the following section we will see how both techniques has been historically used without

careful consideration for the new product development processes and how the main question of this paper “ How do activity based costing

2.2.2 Stewardship Theory

Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman and Donaldson (1997) as “a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized”. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization.

Meckling and Jensen (1994) further state the cost incurred to curb agency problems (reducing information asymmetries and accompanying moral hazards) is less when owners directly participate in the management of the firm as there is a natural alignment of owner managers’ interest with growth opportunities and risk. It follows from the above that stewardship theory unlike agency theory is a complete contrast and doesn’t emphasize on the need to incur monitoring or agency cost which includes establishing an internal audit function. Nevertheless Donaldson and Davis (1991) further note that returns are improved by having both of these theories combined rather than separated which implies that management must strike a balance. In this study the steward theory supports the study by the fact that managers of institutions of higher learning act as stewards of shareholders, suppliers, creditors, consumers and employees of these institutions.

2.2.3 Positive Accounting Theory

In accounting research, it is labeled as either positive research or normative research. Research that tends to predict and find explanations for particular phenomena is categorized as positive research. Theories that are related to such research are called positive theories (Deegan and Unerman, 2006). These kinds of theories are typically

based on observations, which can empirically be tested and improved through further observations. Unlike positive theories, other theories are not based upon observations. These kind of theories are normative and grounded upon the beliefs of the researcher. The positive accounting theory itself was developed by Watts and Zimmerman (1986), who states that positive accounting theory is concerned with explaining accounting practice. It is designed to explain and predict which firms will and which firms will not use a particular accounting method but says nothing about which method a firm should use.”

The theory is based on “the assumption that all individual actions is driven by self-interest and that individuals will always act in an opportunistic manner to the extent that the actions will increase their wealth” (Deegan and Unerman, (2006). From this perspective, the positive accounting theory predicts that organizations will seek to put mechanisms in place to limit actions that are driven by self-interest. This is needed to align the interest of managers of the firm (agents) with that off the owners of the firm (the principles). The costs of dealing with problems concerning the agency relationship and installing appropriate mechanisms are referred to as ‘monitoring cost’.

2.3 EMPIRICAL REVIEW

Activity based costing began with highly applied research undertaken by Cooper and Kaplan (1992) in some leading US companies. ABC was proposed as an alternative to traditional costing methods on the basis that it captures the economics of operational processes more efficiently than traditional systems. Indeed, Activity based costing addresses the shortcomings of traditional costing by identifying cost drivers, which allows an organization to gain better quality information in order to understand the behavior of an activity and specify the root causes of overhead costs. It provides a detailed mechanism that assists managers in understanding how the organization’s activities affect costs so during ABC analysis organizations gain a deeper understanding

of their business processes, cost behaviors, and cost structures and are thus better enabled to manage costs, the extent of value-added and structure their strategic responses (Mansor et al., 2012). Examining activities and activity costs more closely helps organizations identify nonvalue-adding activities, which provides opportunities for cost reduction and cost management by removing some or all of them to enable more efficient use of capacity and time (Kaplan and Anderson, 2007). Thus, ABC can be used along the whole value chain to support greater efficiency and performance improvement. Having greater insight into the accuracy of costs can lead to more appropriate pricing decisions, possibly revealing loss-making products and those 8 which are most profitable. This can lead to refinement of a product portfolio by adjusting the product mix to enhance financial performance.

It is not automatic that improvement in operational performance will lead to improvement in financial performance, but it is plausible that such a relationship may occur. For example, a company which seeks to respond rapidly and flexibly to customer enquiries (a differentiator) may deliberately operate with some spare capacity to facilitate this. As a result, whilst their measures of delivery reliability/response time may be very good, their measures of capacity utilization/process efficiency may be relatively poor, compared say, to a cost leader. However, this trade-off would be a judgment of the management regarding an appropriate balance and in a market economy it would presumably be guided by short-term or long-term profit-related advice. The ABC suggests that organizations that extensively use ABC for various purposes (e.g. product costing, product design, pricing decisions, outsourcing decisions, budgeting, performance measurement) may benefit from ABC implementation.

Maiga and Jacobs (2008: p 539-540), concluded that “one would expect the benefits received from an innovation, such as ABC, to depend on the extent to which it becomes incorporated into an organizational sub-system”. It follows therefore that the extent of

use and the purposes of that use could variously affect management decisions and hence performance in the application of the technique. Thus, it is 9 possible that using ABC for more purposes and to a greater extent would result in improving organizational performance.

Furthermore, Maiga and Jacobs (2008) revealed that the extent of ABC use in various functional areas of US manufacturing plants was significantly related to cost reduction, quality improvement and improvement of various aspects of cycle-time, including delivery reliability. Additionally, Banker et al. (2008) found an impact of ABC on cost reduction. Similarly, Maiga (2014) found that ABC adoption was related to manufacturing plant performance, particularly quality and cost reduction. A positive impact of ABC on several aspects of operational performance (e.g. on-time delivery, product quality) was also found by Miryazdi and Jusoh (2015) in a study of Iranian manufacturing firms. Despite an early assertion that ABC was designed to improve financial performance (Cooper and Kaplan, 1992), empirical evidence of the impact of ABC on financial performance is ambiguous. While results of some empirical studies show direct positive relationships between ABC and financial performance, others provide opposite evidence. For example, Kennedy and 10 Affleck-Graves (2001) revealed that organizations that adopted ABC accomplish higher abnormal returns, by approximately 27 percent.

Hardan and Shatnawi (2013) reported association between ABC use and profitability related to service businesses in a study of Telecoms companies while Maiga (2014) found that ABC adoption in manufacturing plants was related to financial performance improvement. Meanwhile, another group of empirical research results revealed that there is no association between ABC and financial performance and the extent of ABC in various functional areas had no significant positive relationship with profitability. The empirical analysis shows that extensive use of ABC contributes to improving operational

performance, it indirectly improves financial performance through improving operational performance. However, importantly, the evidence provided does not support the view that extensive use of ABC positively impacts financial performance directly or indirectly through operational performance

2.4 GAP IDENTIFIED

Given the debate in both the professional and scholarly literature on the effectiveness of activity-based costing systems (ABC) in the contemporary business environment, there is a need to understand more about the impact of activity-based costing (ABC). show that the choice of a management accounting system, such as ABC, may have a significant impact on firm performance. Firms adopting activity-based costing techniques outperform matched non-ABC firms by approximately 27 percent. This result is robust to different matching criteria and for both accounting and market-based measures of performance. Further analysis suggests that ABC adds to firm value through better cost controls and asset utilization, coupled with greater use of financial leverage.

CHAPTER THREE

METHODOLOGY

3.1 RESEARCH DESIGN

This section which could be referred to as either research design or research method is very critical to the entire research process. It is in this section that the research stamps his scientific status on the process. A research design therefore is a blue print or scheme that is used by the research for specific structure and strategy in investigating the relationship that exist among variables of the study so as to enable him or her collect the data which will be used for the study. Research designs are basically of four types, which are experimental, historical, survey and case study research design. For the purpose of this study,

3.2 SOURCES OF DATA

Both primary and secondary sources of data were adhered to on the course of this study and the attitude and responses of those interviewed were noted.

Primary Sources of Data: The primary sources of data are the sampling or study unit from which information is obtained on a first hand basis (Eboh, E.S.1998:68). It is very important to note here that the researcher did not adopt any rigid method in the collection of data; rather the data for the research were collected in response to the requirements of the research problem. Creativity and judgment also played a vital role at this stage of the project, bearing in mind that the final judgment will be partly constrained by the type and value of information collected. The primary data were gathered from the following sources.

a. Oral Interview: personal interviews were conducted in addition to the questionnaires which were duly administered. The information obtained through the oral interview was used in cross-checking the responses to the questionnaire. It either affirmed or disproved the data collected

b. Unstructured Interviews: unstructured interviews were also collected out through informal discussions with various staff members at different levels of operations. This gave the researcher the opportunity to structure the questionnaire wordings in order to gain the understanding of the subjects and enabled him receive the more accurate and reliable information. This in no little way contributed the objectivity on the part of the respondents.

c. Actual field investigation: The researcher was privileged to see the annual reports in order to fully comprehend their performance as well as its reporting style.

Secondary Sources of Data

Library materials provided the bulk of the secondary research data collected by the researcher. These resource materials were used to review extensively the facts and the reporting components of Nigerian Breweries plc. For the purpose of obtaining these secondary data, the following academic libraries were used:

- Data from oral interview and library materials.
- Data from the compilation of other related research work previously conducted

The Data Gathered Was Used At Three Different Stages As Follows:

- In anticipation of these data the question on the questionnaires were designed in order to ensure that the respondents will confirm these data.
- The data also formed the basis upon which the review of related literature was carried out.
- They also formed part of the analysis carried out in chapter four which led to conclusion which were later arrived at in chapter five.

3.3 POPULATION OF THE STUDY

In the way of gathering important on vital and timely information on this research work, the study was conducted and it is aimed at enabling the researcher to determine a particular situation from the reaction of this subject concerned with study.

The reason of define the population is this research work in not just to identify the element but to enhance the measurement of certain characteristics which can be eliminated and classified according to the requirement of a particular survey.

Furthermore this research work on the population on the study be limited to the entire staff and management of united bank for African. These staff and junior staff from the data available from the case study. There are fifteen (15) senior staff from and thirty-five (35) junior staff given to total population of seventy (70)

3.4 SAMPLE SIZE AND TECHNIQUE

A standard sampling techniques was used in selecting staff from the four zone in which the bank were located. According to pedro (2011), 10% could be used has the sample size. 50% of 50equal to 25 which represent the entire population which is basically selected from various department that up the bank sampling in research project since the research room for thorough study complete average from all population. It enables the research method used for select sample to represent the population of study was simple random sampling in the simple. The researcher adopted random sampling technique to make sure that every element in the population has the same chance of being draw in the sample. The sampling use in the research work are so follows.

1. The first method is where variable such as age month status or salary are used are with the result of the questionnaire to the expected frequency using the following formular calculating the chi-square is give as:- $X^2 = \frac{(F_o - F_e)^2}{F_e}$

F_e

Where F_o = observed frequency

F_e = expected frequency

2. The second method is where variable is used. The number of respondent would be divided by the responsible level such as agree, strongly agree, disagree, strongly disagree and undecided.

Fe = row x column total

Grand total

Therefore, the sample size for this study is 60

3.5 RESEARCH INSTRUMENT

Collection of data refers to the research instruments used by the researcher to collect whatever data needed. The research instruments used in this research include: questionnaires, interviews and library research. Questionnaires were employed by the researcher because it is most practical, economical and easiest way of obtaining information about events. They also helped in collecting information that are valid. Interview schedule was made use of by the researcher because of its usefulness in following up an unexpected result in order to validate other method or problem motivation of respondents and their reasons for responding the way they did. The primary gathered was effectively and extensively employed in the next chapter to test the formulated hypothesis

3.6 METHOD OF DATA ANALYSIS

The simple percentage and chi-square method has been used for data analysis and hypothesis testing, respectively. The percentage has been used to evaluate the responses of the respondent to evaluate the responses of the respondent to each of the question while chi-square has been used to determine whether the observed frequency differ significantly from expected frequency.

Results of the data collection for this, has been presented by the uses of table, the questionnaires administrated by appropriate and hypothesis tested in testing the hypothesis, use chi-square statistical tool. the chi-square was based and evaluated at 5% level of significant and a degree of freedom of (n-1) of the chi-square distribution.

$$X^2 = \frac{(O-E)^2}{E}$$

E

Where

χ^2 = chi-square distribution

O_i = observed frequency

E_i = expected frequency

Σ = summation

n = number of question asked

3.7 MODEL SPECIFICATION

The relationship between these indices is shown by the model below. The analytical model is considered by the research is a multiple linear regression model as follow:-

$$Y = a + bx + E$$

Where

Y = Firm Performance

X = Activity Based Costing Affects

B = Coefficient of x i.e rate of changes

E = Error term

This model was formulated and tested with the aid of simple regression analysis.

The result of the analysis is represented below.

CHAPTER FOUR

4.0 DATA PRESENTATION

This chapter aims at presenting, analyzing and interpreting the research findings. Presentation and analysis are so vital that they serve as the core of any research since they give meaning to raw facts. The administered questionnaire are analyzed with the use of percentage where information given by the respondents were qualified in numerical and then converted to percentage.

PREAMBLE

4.1 PRESENTATION AND DATA ANALYSIS

TABLE 1: SEX DISTRIBUTION OF RESPONDENTS

SEX	NO OF RESPONDENTS	PERCENTAGE (%)
FEMALE	15	25
MALE	45	75
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: From the above table, 15 respondent representing (25%) were female, while 45 respondents representing (75%) of the sample were male. Therefore there were more male in organization due to the kind of work they do.

TABLE 2: AGE DISTRIBUTION OF RESPONDENTS

AGE	NO OF RESPONDENTS	PERCENTAGE (%)
20-35YEARS	40	67
36-50 YEARS	18	30
51YRS AND ABOVE	2	3
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: The above table shows that (67%) of the respondents are between the ages of 21-25 years 30% were 36-50 years, while 3% fall between 51 years and above. This indicated that about (97%) of the total sample are working class, the few 3% remaining were dependent involved.

TABLE 3: MARITAL DISTRIBUTION OF RESPONDENTS

VARIABLE	NO OF RESPONDENTS	PERCENTAGE (%)
SINGLE	30	50
MARRIED	30	50
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: The table indicated only (50%) of the working populate of the organization are single while (50%) were married means the organization consists of both single and married men and women.

TABLE 4: EDUCATIONAL QUALIFICATION OF RESPONDENTS.

VARIABLE	NO OF RESPONDENTS	PERCENTAGE (%)
O'LEVEL	5	8
OND	15	25
HND/B.SCC	35	59
MSC AND ABOVE	5	8
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: 5(8%) of the respondents were holders of ordinary level certification, 15(25%) of the respondents were **OND** holders, 35(59%) of the respondents were holder of Higher National Diploma or Bachelor of Science. While only 5(8%) of the respondent

were holders of Master of Science. This shows that the future of the organization is bright when the researches are well managed.

TABLE 5: YEARS OF SCIENCE IN THE ORGANIZATION

YEARS OF SCEINCE	NO OF RESPONDENTS	PERCENTAGE (%)
1-5 YEARS	10	17
6-11 YEARS	35	58
11 YEARS AND ABOVE	15	25
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: The table shows years of working with the organization. 17% were between 1-5 years, 35(58%) were 6-10 years of working experience, while 15(25%) were eleven (11) years and above. This shows the various working experience and knowledge about the organization.

TABLE 6: POSITION FIELD IN THE BANK

POSITION RANGE	NO OF RESPONDENT	PERCENTAGE (%)
LOW LEVEL	10	16
MIDDLE LEVEL	30	51
TOP LEVEL	20	33
TOTAL	60	100

Sources: Research Survey 2025

COMMENT: The above table shows that 10(16%) of the total respondents were low level, 30(51%) were middle level, While 20(33%) were top levels. This indicates that 30(51%) of the totals are middle level.

SECTION B

Table 5: Research Question One – what functions that determine the type of structure

Determinants	Response	Percentage %
Environment	15	16.17
Size	16	40
Strategy	12	24.4
Technology	10	11.1
Other	7	7.8
Total	60	100

Sources: Research Survey 2025

The above table seeks to know that factors that determine the type of structure the company has the respondents who think environment is the determinant of the firm's structure amount to 15(16.7%) of the total percentage. 36(40%) goes to those who think size is the determinant of the firms structure. Strategy has a total 22(24.4%) technology 10(11.1%) and those who had other reasons amounted to 7(7.8%).

Table 6: Research Question Two – Does your firms performance increase of asset turn-over?

Aid increment Asset turn-over	Response	Percentage
Yes	35	61.1
No	25	38.9
Total	60	100

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Sources: Research Survey 2025

Those who think that the firm's structure and increase of asset turn-over have a percentage of 35(61.1%) while those who think it does not, have a percentage of 25(38.9%).

Table 7: Does your firms performance Increase in profit?

Aid increase profit	Response	Percentage %
Yes	32	68.9
No	28	31.1
Total	60	100

Sources: Research Survey 2025

A total of 32(68.9%) agreed to that fact that the firm's performance and increase in profit while 28(31.1%) day disagreed.

Table 8: Does costing system and the firm performance effectively?

Employee's	Response	Percentage %
Yes	49	87.8
No	11	12.2
Total	60	100

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Sources: Research Survey 2025

The table above to know if the costing system and firm to perform effectively. A total of 49(87.8%) think that the firm's structure and in effectiveness while 11(12.2%) think it does not.

Table 9: Does organizational structure increase in the marketing share of your company?

Marketing Share	Response	Percentage %
Yes	27	30
No	33	70
Total	60	100

Sources: Research Survey 2025

A total of 33(70%) are of the opinion that the firm's structure has nothing to do with it's market share while 27(30%) at the respondents said otherwise.

TABLE 10: DO YOU HAVE STANDRAD GRIEVANCE PRODCEDURES?

CATEGORY OF PEOPLE	NO OF PEOPLE	RESPONDENTS			
		YES	NO	YES%	NO%
				%	%
SUPERVISORS	20	20	-	100	-
MANAGERS	20	20	-	100	-

JUNIOR WORKERS	20	10	10	50	50
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Sources: Research Survey 2025

COMMENT: It was observed in the table above that the higher percentage of respondents from the categories people in the questionnaire said they have a standard grievance procedure in the bank.

TABLE 11: Since you have been working in this bank, do you have any regret or complaint about how the bank has been treating you and other worker?

SOURCE: ZENITH INTERNATIONAL BANK, IIORIN, KWARA STATE, 2015.

CATEGORY OF PEOPLE	NO OF PEOPLE	RESPONDENTS				CO MM ENT S: It has been know n from
			NO	YES%	NO%	
		YES		%	%	
SUPERVISORS	20	2	-	90	100	
MANAGERS	20	-	20	-	100	
JUNIOR WORKERS	20	15	5	75	25	

the above information that the majority of the respondents said no to the question, which means that the bank has been treating the workers their satisfaction.

TABLES 12: IS THERE ANY PROSPECT OF EMPLOYMENT FOR DISABLE APPLICANTS?

CATEGORY OF PEOPLE	NO OF PEOPLE	RESPONDENTS			
			NO	YES%	NO%
		YES			

				%	%
SUPERVISORS	20	20	-	100	-
MANAGERS	20	20	-	100	-
JUNIOR WORKERS	20	20	-	100	-

Sources: Research Survey 2025

COMMENT: It was derived from the above information that of all the workers both interviewed respectively, none of them says” yes” while all of them said “no” which means that 100 percentage response “no” to the question. And this indicates that there is no prospect of employment for disable applicant.

TABLE 13: IS THERE ANY POSITIVE EFFECT DERIVED FROM THE STAFF WELFARE POLICIES OF THE BANKS?

CATEGORY OF PEOPLE	NO OF PEOPLE	RESPONDENTS			
		YES	NO	YES%	NO%
				%	%
SUPERVISORS	20	20	-	100	-
MANAGERS	20	20	-	100	-
JUNIOR WORKERS	20	20	-	100	-

Sources: Research Survey 2025

COMMENTS: Table has been able to show that all the workers as a whole interviewed categorically, all said “yes” and none said “no” which means 100% said “yes” and also indicate that there is positive effect derived from the staff welfare.

Table 3

Respondent Characteristic Based on Department

Designation	Department	No of Respondent	Percentage %
Directors	Sales and market	5	2.5
Directors	Financial & Account	5	2.5
Directors	Human Capital	2	2.5
Directors	Technical Service	2	2.5
Managers	Sales	15	37.5
Managers	Human Capital	2	5
Managers	Marketing	10	12.5
Managers	Production	4	10
Managers	Financial & Account	5	10
Managers	Technical	5	5
Managers	Supply & Apply	5	10
Total		60	100

Sources: Research Survey 2025

The descriptive analysis shows the 90% of the respondent are managers who are responsible for a unit or department of the case study. Thus the questionnaire administered focused the personal that are both decision makers at operational level and very prone to the customers complaints and satisfactions.

In addition, the percentage (%) of respondents with least qualification (first degree) is 30% this indicate that all the responsible officers are intellectually fit and capable. The effects of this are the ability to adopt entire total innovations that come to their ways.

In term of experience, 27% of the total population has least experience of years.

4.2 DATA ANALYSIS USING INFERENTIAL STATISTICS

In order to analyze the gathered data toward the hypothesis stated in chapter one, a model specification becomes imperative. This study adopts a simple regression analysis to analyze the data. Its adoption stem from the number of respondents administered with questionnaire which is more than 30 and the scale used (Likert scale).

4.3 MODEL SPECIFICATION

$$Y = a + bx = E$$

Where

Y = Firm Performance

X = Activity Based Costing Affects

B = Coefficient of x i.e rate of chances

E = Error them

This model was formulated and tested with the aid of simple regression analysis.

The result of the analysis is represented below.

4.4 TEST OF HYPOTHESIS

Hi: There is a direct positive impact of applying ABC on financial performance in firm.

Impact of business strategy on ABC adoption logistic regression analysis is used to examine the statistical relationship between strategy and the ABC adoption. The logistic regression analysis was carried out by the logistic procedure. This value is not significant which means the overall model is not predicting display rule understanding

significant better than it was with only the constant include. The Nagel ke-ke R-square indicate that the business strategy explain only 0.044% of the variance in ABC use.

Hypothesis Two

Hii: There are some factors affecting the impact of importance of ABC on financial performance

We will use the students t-test for a difference in means of the performance of the management accounting method in prospector firms and defends enterprises.

In prospector firms, the use of ABC results in an increase in competitiveness and in general in performance. Also in defend enterprise, the use of this new model of the management accounting result in an increase in competitiveness, productivity and in general in performance. There results show that the both types of firms (prospectors and defenders) have an interest to adopt the ABC method.

Hypothesis Three

Hiii: The use of ABC gains positive benefits to increase financial performance.

H1: GPM of the Jordanian industrial companies improves after implementing ABC system

H2: MBIT of the Jordanian industrial companies improves after implementing ABC system

H3: ROS of the Jordanian industrial companies improve after implementing ABC system

H5: ROE of the Jordanian industrial companies improve after implementing ABC system

H6: ROI of the Jordanian industrial companies improve after implementing ABC system

H7: There is significance different between the pre and post implementing ABC in terms of GPM, MBIT, ROS, ROA, ROE and ROI

4.5 SUMMARY OF FINDING

INTERPRETATION OF THE RESULT

Table 1: Regress Table of the Result

			Adjusted R-square	Std Error of the Estimate						Durbin Watson
Model	R	R-Square			R Square		F Change	DF	Significance	
1	0.67	0.044	-0.22	2,71697	0.04	682	171	1	38	1.552

Sources: Research Survey 2025

INTERPRETATION OF THE RESULT

The regression table shows the independent variable, i.e activity based costing system; only improve the company performance with about 67% as given by the value of R of the regression estimate. This suggests that 335 of the company performance improvement is enhanced by other factors such as the company market shares of skilled labour, company track record e.t.c.

In addition, the Durbin Watson test showed in the result indicate that there are presence of autocorrelation which can be ignored not withstanding that it shows that one or more explanatory variable in the model is entitled.

CHAPTER FIVE

SUMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The first part of the study describe the importance of activity based costing system as an innovative costing system that if well implemented, may improve the general performance of firm. Thus, the study was derived to investigate the impact of ABC costing system in the firm performance for the study to be normal, hypotheses were also formulated.

In the second part of the study, a general theoretical framework was extensively discussed by reviewing various arguments prepositions, theories of relevant and related works.

Furthermore, in order to investigate verbal question during the research, a case study research design was used to collect data.

In the penultimate chapter, data was analyzed and the attendance result discussed based on the finding and hypothesis was accepted.

5.2 CONCLUSION

Based on the findings discussed on the preceding chapters, it will be logical to describe activity based costing (ABC) as a device of improving firms performance I terms of productivity, customer relation and product quality.

Performance is no doubt the major objective of every business public or private. Its interpretation may be different depending on the nature and type of business or whether it is a public or private sector. For positive returns however, one needs to apply the most modern technique of costing. Most businesses have failed either because of lack of proper processing of cost or proper accountability of cost. ABC has therefore; breathed a new life of hope into the accounting process for cost management in service industry. Even though ABC is unique to banking industries, service firms should be given the

opportunity to practice it so as to assess their performance effectively. Given this opportunity the managers will be able to know which special tool of economic analysis to apply in their determination of cost and profit.

5.3 RECOMMENDATIONS

Since this study seeks to provide empirical evidence about impact of ABC system in firm performance, the study therefore suggests the following as a basis of implementing ABC system for effective result.

- a. Companies seeking substantial improvement in their programme should modify their banking initiative to complement the new performance standards.
- b. Companies in competitive environment should endeavor to analyze their banking process to identify value addition, ability and non-value addition. This will go a long way to eliminate redundancies and consequently improve performance.
- c. The tradition cost system though may not be totally disregarded, should complement with innovative costing system that could give sound basis for performance evaluation.
- d. This study has taken a small step forward building more comprehensive empirical evidence of ABC implementation. However, from the standard point of the theory advancement, considerable work is needed to develop more complex theories arguing complex to superior performance, several implementation variable should be internally consistent.

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QUESTIONNAIRE

INSTRUCTION: Tick (✓) the box with your appropriate answer and that best describes the extent to which you agree with each of the statements afterward.

SECTION A.

RESPONDENT'S PERSONAL INFORMATION AND SOCIAL ECONOMIC PROFILES

1. Please indicate your gender: (a)Male [] (b)Female []
2. Please indicate your age range: (a)26-35 [] (b)36-45 [] (c)46-55 [] (d)55 []
3. Please indicate your post; (a)Accountant [] (b) Head of Dept./Unit [] (c)Financial Controller [] (d)Other []
4. Please indicate your level of education; (a)Advance Level [] (b)Bachelors [] (c)Masters [] Others []
5. How long have you been in service? (a)3[] (b)03-06 [] (c)07-11[] (d)11 []

SECTION B

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

No	STATEMENT	1	2	3	4	5
6	Does your firms performance increase of asset turn-over					
7	Does your firms performance Increase in profit					
8	Does costing system and the firm performance effectively					
9	Does organizational structure increase in					

	the marketing share of your company					
10	Do you have standard grievance procedures					
11	Since you have been working in this bank, do you have any regret or complaint about how the bank has been treating you and other worker					
12	Is there any prospect of employment for disable applicants					
13	Is there any positive effect derived from the staff welfare policies of the banks					