

TARGET COSTING CAN BE USED TO DESIGN A PRODUCT FOR BETTER MARGIN IN THE HIGHLY COMPETITIVE BUYER'S MARKET – A CASE STUDY ON TEXTILE SPINNING MILL

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ABSTRACT

Costing systems helps organizations to compare cost and profit of a product. It also helps to evaluate what revenue it generates. Two common costing systems used in business are Absorption Costing and Activity-Based Costing. Absorption Costing assigns manufacturing overhead to the product based on direct labour charges or direct labour hours needed to produce an item. Whereas in Activity-based costing the cost is first assigned to the activity cost pool, then assigned to products based on activity cost drivers. Time Driven Activity Based Costing captures the different characteristic of an activity by time equations in which the time consumed by an activity is a function of different characteristics. In this method the time and the cost of the activity allocated to the cost object based on features of each object. The unit cost of used resources and time required to perform an activity are two restrictions for this method. In this paper researcher used Target costing model to design and develop a new product with TDABC cost information with a better profit to replace the loss making products and to Re-Design an existing product to improve margin (Kaizen Costing). An attempt was made to improve the profitability of spinning mills by utilising the strategic cost management techniques.

KEY WORDS: Absorption Costing, Activity-Based Costing, Time Driven Activity Based Costing, Target costing, Spinning mills, Profitability