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Activity based cost is the costing process in which it depends on the number of activities involved in the production of the products in the company. According to the activity rate, overhead cost in a particular department by to the total number of activities in the process. Improvement process helps the company to analyze the cost in the process of production because process improvement cost less with great quality to the customers. Process improvement in the activities helps the company towards the profits in sales of the products. The company also analyze the non-productive materials in the production which cost more to the manufactures. Wastage in the production of the company is also analyzed by the manufactures in all activities of the production. Activity based is not used for decision making because the company can analyze the no of activities and problems in production of the product. It would be very tough for the companies to make changes at that stages of the production. To overcome such problems the company should gather all departments and analyze the problems which helps to discuss about the problems at each stage of the production. No of activities are calculated according to the work process in each department gives a clear vision about the improvement process in the production. If the company accepts to make changes according to the improvement process then change in organization takes place where company need to stop the production and restart with the necessary changes which takes lot of time and also cost more than actual cost of the production. The competition in the market also increases because the changes can delay the company production and the sales which would affect the sales of the company. The cost in each activity provides clear understanding about the performance and the quality of the product because the company’s main purpose is to provide good quality to the customers so there would be cost associate to it. Company tracks the wastage level in the production process and tries to avoid wastage. Company takes appropriate steps to reduce wastage which includes cost in it and it would be a huge loss to the company.

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