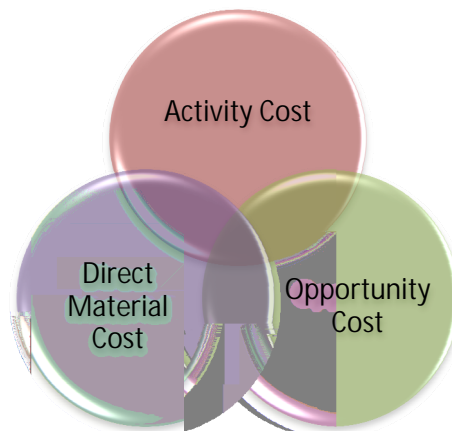




ABC MODEL

Getting the right results, quickly



Activity Based Costing (“ABC”) simultaneously strikes wonder and dread into the hearts of business analysts. Wonder at the thought of understanding how profits flow through a business and the important decisions that can be made to drive value. Dread at the implications of what has to be done. Management can become “bogged down” in the detail and complexity of data even when they limit the scope to analyzing portions of the business. Organizations that turn to enterprise solutions find themselves caught in the typical ERP traps of cost overruns, slow implementation, and limitations in the analytical architecture. And, as always, there are the raging battles over allocations to contend with.

If ABC analysis were more readily created and maintained, insights into profitability would routinely enrich the Strategic Planning process. Adopting ABC Platform (Patent Pending) allows the decision makers in an organization to bypass the difficulties of a typical implementation and focus on understanding the nuances of their organization and market niche in terms of profitability. The goal of the ABC Platform is to take ABC management away from the process of preparation and towards the decisions that need to be made from it.

Benefits of the ABC Platform compared to a typical ABC approach include:

- Faster track to generate ABC reports on the complete organization
- Greater flexibility in defining the organization and modifying the model as needs arise
- Complete data genealogy and cost tracking to the General Ledger
- Simpler and more responsive allocation management



These benefits are realized through 3 major features:

Levels of Granularity in Analysis is a Dynamic Data Input Not a Configured Setting

ABC is a journey of discovery and initially it is difficult to know how closely to define an organizations structure and activities. The strength of the ABC Platform is in its ability to vary levels of granularity during the analysis phase. The ABC Platform takes the complete set of GL and Sales data at its most finite levels and then lets the management team decide how detailed the model of the organization should be and the level at which activity analysis makes sense. Management is then able to focus on certain areas of interest and keep others general without losing overall accuracy. If an area warrants further concentration, it can be redefined to a finer level without having to reconfigure the model. A model may start at a very general level and evolve as more definition is required to satisfy emerging curiosity.

Beginning and Ending Reconciliation to the General Ledger

ABC models must be believable to the organization. Opponents of any ABC analysis—and there are always many—will focus on any unexplainable transmutation of costs to disprove the model, placing a premium on visibility. The ABC Platform “flows” the complete general ledger through to the final allocation so it can be rebuilt at any point of the process. Activities and revenue elements have a complete genealogy of their costs including their allocation path. This allows the P&L level detail down to the smallest revenue element and argument free reconciliation.

Combinational Logic Driven by Factor Based Allocations

Allocations are always the greatest battlefield of any costing process. Maintaining formulas for each allocation merely adds a systemic amount of pain in refining allocations. The ABC Platform allows analysts to use simple relationships and proportions to define what costs flow to what activities and how activities relate to what revenue elements. The interface is easy and intuitive—eliminating the need to write and maintain equations. The ABC Platform’s use of Factor Stacking is a unique and proprietary element of the Activity Based Costing Model allowing for not only rapid establishment of a model but for easy “what if” analysis