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**TITLE OF THE THESIS: ROLE OF CONTEMPORARY COST ACCOUNTING  
SYSTEM IN ACHIEVING THE COMPETITIVE ADVANTAGE AMONG  
HOSPITAL ADMINISTRATION**

### **ABSTRACT**

Nowadays, technological developments and modern techniques are used by various organizations in general and hospitals in particular. This has reflected its impact on the costs of services or products provided by these organizations, especially indirect costs. This has in turn led to pay a noticeable interest to adopt concept of cost accounting systems as strategic choice for the hospitals to achieve competitive advantage.

Generally, cost accounting systems are divided into traditional cost systems (TCS) and activity-based costing (ABC) system as a contemporary cost system. TCS assign overhead costs first to departments cost pools (cost centers) and then to products or services. This distorts product or service costs. It is true that the traditional cost systems use cost drivers such as direct labor-hours or output as department rates to assign overhead costs. That is because all products and services do not always consume overhead resources in a cost pool in proportion to the volume-based measure or measure the firm uses to assign overhead costs.

Activity-based costing (ABC) system can provide better costing information and help management manage efficiently and gain a better understanding of the firm's competitive advantage. The first source of competitive advantage is cost leadership

which is a strategy in a firm outperforms competitors in producing products or services at the lowest cost. Cost accounting techniques such as ABC (although named by a group interested in manufacturing costing) can be also applied to service sector situations, the health-care industry in particular used certain ABC techniques; health-care providers began paying hospitals based on diagnosis. ABC can hereby provide a competitive advantage to companies that understand and use its principles. Therefore becomes necessary for organizations to introduce newer cost accounting systems and more modern. ABC system is a recent development in cost management techniques which attempt to absorb overheads into product costs on a more realistic basis.

In this study the ABC system has been called as Activity-based Costing Contemporary System (ABCCS), because it is responding and keeping pace with the modern business environment and technology challenges. This demands organizations to develop a multifaceted and renewable cost concept.