After studying and discussing the material in this chapter, the student should develop some insights and understanding of the following issues:

1. The importance and different uses of unit costs.

2. The nature of traditional costing methods.

3. The underlying reasons why traditional costing methods often produce distorted or very misleading cost figures.

4. The nature and design of an activity-based costing system.

5. The determination of costs in an activity-based costing system.

6. The underlying reasons why an activity-based costing system often produces cost figures which more accurately reflect the related consumption of resources.

7. The advantages and disadvantages of an activity-based costing system.

8. The use of ABC systems in making pricing decisions and in profitability analysis.

9. The application of ABC systems in service industries.