

## **Abstract:**

Nowadays the competition among the Pharmaceutical Manufactures becomes more and more intensive, resulting from the continuous improvement of science and technology, improved suppressing rules on national drug, innovations on medical system and standardization on medicine market management with each passing day. Under such a circumstance, the administrators of pharmaceutical manufactures pay more and more attention to the cost management by adopting the modern management tools which improves the management efficiency. But at present, the traditional way of cost accounting is also used by most of the pharmaceutical manufactures which leads to the inaccurate of the cost data and the inefficient for the cost management. It came in the time of activity-based cost management when Professor Robin Cooper from Havard raised a full set of activity-based costing in 1984. Because of the innovation on cost accounting method, the activity-based cost management makes the cost data accurate, meanwhile the administrators can clearly understand the cause and effect before the cost coming into being so that it makes the good method for the efficient cost management available. It is a great trend that the cost accounting method, which is traditionally based on the numbers, will turn to be a new one that based on the activity at present days. Therefore, it is of great significance both on theory and practice in our country to carry out the study and spreading of activity cost. Although the theory of activity-based costing being improved day by day in China, it is still a pity that activity-based costing is used in few of our enterprises, so that I would like to try to implement a practical study of activity-based costing in a pharmaceutical manufacture.

The thesis makes a deep analysis to the current situation on medicine industry in China and to find that our medicine industry is under the great pressure which results from the continual decrease of medicine price while great increase of the price for energy sources, water & electricity and raw material. In detail: Firstly, The corresponding rise for both the medicine industries and their subsidiary industries while the increasingly decline of the profit margin of cost expense. Secondly, the improved standardization for the management tool in pharmaceutical manufactures is along with the stronger consciousness to the cost management, inaccurate on cost data,

inefficient on cost management.

To know the feasibility of implementation of activity-based cost management by analyzing from the two ways of application feasibility to activity-based costing and activity-based cost management. During the study, a pharmaceutical manufacture will be taken as an example to be analyzed by having it implement the activity-based cost management. Through intercepting some original data of this manufacture to confirm the activity assignment and partition of activity center according to the basic principle of activity consuming resource、 product consuming activity, then in accordance with the resource motivation to converge various resource to the activity center in order to form an cost database. Finally according to the activity motivation to distribute the cost of cost database to the products cost. To compare the results of activity-based costing and the traditional cost method that both used in this manufacture, you will find a big difference between them that a high accuracy will be found by using the activity-based costing, I would like to raise a suggestion to improve it. It indicates by this trial that 1. The implementation of activity-based costing will be propitious to the pharmaceutical manufactures to get the competition advantage; 2. It will be good for the pharmaceutical manufacture to make an efficient decision by adopting the activity-based costing. 3. Take the CH Company as an example; the advanced pharmaceutical manufactures are gradually suitable for the condition of implementing activity-based costing and activity-based cost management. 4. When the concrete work of building a framework of activity-based costing which should be combined with the self producing flow and the operation environment features to definitude such a goal by understanding the way you will use, consequently a effective activity center will be built and define the cost motivation.

Through the practical study to activity-based cost management in a pharmaceutical manufacture, it will be acquainted by the pharmaceutical manufacture to the activity-based cost management and on this basis there will be a trial by this cost management way in some pharmaceutical manufacture. Through the activity-based costing and activity-based cost management to the pharmaceutical manufacture, it will improve the pharmaceutical manufactures on its scope and

profundity of the cost management, and then finally pharmaceutical manufactures will realize an objective cost accounting, performance evaluation and management decision.

**Keyword: Activity—based costing, Activity Based Costing Management,  
Pharmaceutical Manufactures**