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Accounting

In chapter six, the authors showed how the ABC application was used in the construction industry, comparing three types of rebar used for specific construction projects. It was shown that the company had undercosted two of the types of rebar, while the third type of rebar was overcosted. With this example in mind, please give written answers to the following questions.

1. Why is the ABC described in the reading this week, unacceptable for external financial reports?
2. In what fundamental ways does ABC differ from traditional costing methods?
3. Why are top management support and cross-functional involvement crucial when attempting to implement an ABC system?

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