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1. January 2013

Online at <http://mpra.ub.uni-muenchen.de/46605/>

MPRA Paper No. 46605, posted 9. May 2013 10:51 UTC

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Abstract

Background: Logistics cost is an important factor affecting the competitiveness on both macro (national) and micro level (firms). Logistics cost indicates the performance of logistics industry, efficiency level and its competitiveness.

Research Problem: Despite of its significance, current state of logistics cost accounting and management in Malaysia has not properly addressed and the issues surround logistics cost measurement remains incoherent.

Aim of research: The purpose of this study is to give an overview of the current state and issues of logistics cost accounting and management in Malaysia.

Research Method: This study used content analysis as a qualitative research tool, and supported by literature material with regards the concerned research tool.

Findings: This study has found the importance of having standard logistics cost accounting measurement, which plays a vital role in determining the accuracy of the logistics cost and ascertain the efficiency level of logistics industry in Malaysia.

Implication: This study leads to trigger the awareness of current state and issues of logistics cost accounting and management in Malaysia.

Keywords: - *logistics cost; logistics cost accounting; cost management*

1 INTRODUCTION

Logistics industry in Malaysia continues to evolve and develop tremendously during the last two decades. Rather than being a merely supporting industry in the last two decade, logistics industry has become a strategic industry on its own. As a result, both scope and strategic importance of logistics industry have grown and revolutionized. Meanwhile, logistics cost has been used as an indicator to determine the effectiveness of the logistics industry. Several studies such as Havenga (2010) and Zhao and Tang (2009) have also identified logistics cost as a major driver which affects both firms and national competitiveness.

Unfortunately, current logistics cost accounting and management neither has aligned with the changing role and scope of logistics nor have been thoroughly examined and evaluated. Thus, letting the logistics cost measurement in isolation. As Rantasila and Ojala (2012) indicates:

“The treatment of logistics costs tends to lack coherent terminology and methodology in the data collection and analysis. Existing national accounts-based models are still

mostly “black boxes”, making replication and the adoption of best practices difficult in other settings, let alone in developing countries.” (p. 5)

These issues had been further elaborated and discussed in the other studies by Jane (2011); Hua and Lan (2009); Baykasoglu and Kaplanoglu (2007); Botes, Jacobs, and Pienaar (2006); Bartels (2006); and Wallace (1993). They discover that, there is a need for a new, more precise, more integrated system for logistics costing. Nevertheless, barriers to fully implementing an integrated logistics costing are due to lack of accurate information, inappropriate measurement as well as less capacity in terms of valid cost accounting model for logistics costs.

The situation become more complicated when there is limited information that could be obtained from previous studies whether through literatures or academic discussion with regards to logistics cost (Rantasila & Ojala, 2012). In a view of limited researches conducted in relation to logistics cost especially in Malaysia, it is crucial to initially focused on analyzing the current state and practices on logistics cost accounting and management in the real business environment. Thus, this paper aims to provide information on the current state and practices of the logistics cost accounting and management in Malaysia.

2 THE CONCEPT OF LOGISTICS COST

In order to understand the concept of logistics cost, it is crucial to know the overall perspective of logistics in general. Logistics include all of the activities required for the transportation, storage and handling of production inputs until the distribution of finished products from producer to consumer. Logistics represent the connection point between production of good and delivery of finished goods to the customer locations, which are separated by time and space (Confessore, Corini, & Stecca, 2008).

Logistics cost can be defined as the costs involved in the acquisition and transportation of materials required for production, and for the storage, handling, and shipment of finished goods to customers (Kivinen & Lukka, 2004). It is also become an indicator for logistics performance and efficiency level. Thus, it is important to measure logistics cost in order to enable measurement of logistics performance and pave the way for corrective actions.

3 THE CURRENT STATE OF LOGISTICS COST ACCOUNTING AND MANAGEMENT IN MALAYSIA

Although logistics industry in Malaysia has improved significantly in recent years, however the improvement in the issue of logistics cost accounting and management is still relatively small in practice. Most of the discussion relating to logistics cost is not based on reliable statistics. The government relies heavily on the findings from Logistics Performance Index (LPI) and consultants' reports in determining its goals to improve logistics competitiveness by reducing the logistics cost as mentioned in the Industrial Master Plan 3 (IMP3) and Malaysia Logistics Roadmap. However, this goal seems to be difficult to achieve without a proper logistics cost measurement.

At present, there is no specific indicator to measure competitiveness with regards logistics system in Malaysia since logistics cost has not being included as one of the economic indicator. There is no specific standard in terms of accounting systems in Malaysia that can be used to effectively regulate the methods or approaches in documenting as well as reporting all transactions related to logistics cost. The difficulties in establishing the specific standard for accounting systems in Malaysia for logistics cost is mainly due to the complexities in calculating the logistics cost even on the micro level. The method to measure the logistics cost is different in each firms, which lead to the difficulties to make a comparison and benchmarking.

The logistics cost accounting and management has become more complicated due to limited availability and reliability of the data. There is lack of sufficient information on micro level that

can support the measurement of logistics cost on macro level. The only available information that can be assessed on micro level is through published annual reports, which primarily produce to serve the accounting need such as financial analysis, bookkeeping and taxation.

Currently, there are two organizations in Malaysia that officially published the data relating to logistics namely Ministry of Finance (MOF) and Department of Statistics (DOS). DOS publishes the logistics data in the Report on Transport Service Statistic Malaysia, Transport and Communications Services Statistics Report, and the latest is Transport and Storage Services Statistics in Malaysia. While, MOF provides the logistics data and information in the Economic Report under the 'Transport and Storage' heading. The accuracy and reliability of the published data by both sources is not doubtful.

However, the data is not sufficient for the purpose of logistics cost calculation since transport and storage data published by both DOS and MOF is based on total gross income of primary service companies (logistics provider). This means that the transport and storage data from in-house logistics activities are excluded from the published figures, whereas it accounted for a large percentage of the total logistics costs. Furthermore, the 'transport' term used in the report published by DOS and MOF include public transport, whereas public transportation does not being a part of logistics system.

Apart from the fact that there is no specific indicator and accounting system that can accommodate logistics cost measurement on macro and even on micro level, there is also a shortage in logistics professional. Although at present there are several numbers of higher educations in Malaysia is producing the logistics professional, it is still lack of logistics professional especially who is expert in both finance and logistics. Therefore, government and higher education institutions should provide resources and offer more logistics courses in order to foster the logistics industry in Malaysia.

4 ISSUES CONCERNING LOGISTICS COST ACCOUNTING AND MANAGEMENT IN MALAYSIA

4.1 Definition of logistics cost is not unified

One major issue arise in the logistics cost accounting and management in Malaysia is lack of uniformity in the definition of logistics cost or the method used in the calculation of logistics cost. Thus, the definition of logistics cost and method to calculate logistics cost remain incoherent. Therefore, it is difficult to compare the findings. Besides, it also leads to more complexities in logistics cost measurement and benchmarking process.

4.2 Cost components are not standardized

Other issue concerning logistics cost accounting and management in Malaysia is that there is a limited standardization in term of cost components that should be included in the total logistics cost. This issue has become a significant matter that frequently being discussed in both academic and the real business environment. As indicated by Havenga (2010), it is macroeconomic imperative to track the cost components in total logistics cost measurement. Hence, it is crucial to formulate generally acceptable logistics accounting system and standardize what cost components that should be included in total logistics cost, and the process of calculating the cost (Hua & Lan, 2009).

4.3 Difficulties in collecting transparent information

Another issues relating to the logistics cost accounting and management in Malaysia includes the difficulties in gathering data and collecting transparent information. On the micro level, most of the firms publish the cost information to serve its accounting need and external requirement such as taxation. These create the inhibitor to cost transparency during the data collection process. As described by Pohlen, Klammer, and Cokins (2009):

“The firm’s accounting needs create inhibitor to cost transparency, which then leads to deficient information, too narrow view of cost management, or differences in cost allocation of overhead costs, for example.” [cited in Rantasila and Ojala (2012)]

Furthermore, the cost information that published by the Malaysian firm in its annual report is divided into operation cost and cost of sales. The operation cost includes administration cost, finance cost and marketing cost. There is no specific logistics cost items can be figured out directly from the annual report. Apart from the difficulties in gathering information from annual report, it is also difficult to get cooperation from the firms to disclose their financial data.

5 CONCLUSION

As a conclusion, it is important to have a standard logistics cost accounting measurement in order to determine, understand and appreciate full extent of the logistics cost in Malaysia. The government should to pay more attention to the issues arise and develop an action plan to address current problem in the logistics cost accounting and management. This is important since the logistics cost has become an indicator for the efficiency level of overall logistics system and its competitiveness. Additionally, logistics cost is also functioned as a vital role in promoting Malaysia as the best place for investment.

ACKNOWLEDGMENT

This research work has been fully funded by Malaysia Logistics Council (MLC) through Ministry of Higher Education (MOHE) who then awarded the grant to the researcher through Malaysia Institute of Transport (MITRANS), Universiti Teknologi MARA.

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