

# Alternative Medicine 2017: Adopting Cost Accounting Model to Facilitate Decision Making in African Complementary and Alternative Medicines Practice in South Africa- Makomane L Taba- University of Limpopo.

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## Abstract:

The African Complementary and Alternative Medicines (ACAM) industry in South Africa is complex. The main objective of the research is to develop and demonstrate the adoption of a costing model by ACAM health practitioners to influence and improve decision-making process. In achieving the main research objective the three sub-objectives were created. First, identify the current approaches used by the ACAM practitioners to cost their products and services and how it supports their decision-making. Secondly, to develop and adopt a cost model for ACAM practitioners to effectively capture products and services cost information for improved health care service delivery. The third is to understand the challenges of adopting the proposed costing model for further improvement. No apparent studies so far provide a clear picture of how strategic cost accounting is implemented in ACAM facilities; therefore, a contingency theory and production theory of value were used. The main data was gathered through face-to-face semi-structured interviews and documentation and direct observation were also used as other sources of evidence to enhance the research validity and reliability. Consistent with action research principles, data was analysed after two research cycle in the field study. The research started by gathering the contingency factors and production value factors of the costing system through addressing and analysing the literature. The interpretivism philosophy was selected for this research. The data were collected and analysed systematically by using thematic analysis. The results of the study show that cost accounting system can be adopted in ACAM facilities in South African due to the existence of the costing factors required for the adoption of the cost accounting system in the South African ACAM facilities.

## Economic importance of traditional medicine around the world:

Cost accounting is regarded as a process of accounting for cost, income and expenditure relating to the production of goods and services rendered (Alex, 2012:3). Kayne (2009:16) found that the traditional medicine trade in South Africa is a large and growing industry. African traditional healing has been institutionalised globally. Muela, Mushi and Ribera (2000:298) found that in Tanzania, modern treatment of malaria costs around \$1.70, consisting of consultation of \$0.50, lab services of \$0.85 and drugs for \$0.35, while an Ngoma costs about \$10.70. The fees for a traditional healer's basic therapy cost about \$1 for divination and between \$5 and \$15 for treatment. Furthermore, depending on the wealth or financial situation of the client, such treatment goes up to \$50 or more. On the other hand, Pesek, Helton and Nair (2006:6) contend that the world market for traditional medicine, based on traditional healing knowledge, has been estimated at \$60 billion in 2009 (Johnson, 2015; Robinson

and Zhang, 2011 and WHO, 2013). Furthermore, Endashaw (2007:34) reports that the traditional medicine industry in Ethiopia has remained an informal industry with no official trade industries while the global value of herbal plants is estimated to be US\$ 500 billion with USA, Germany, China, India, Chile and Egypt playing the major role. In addition, Kayne (2009:16) estimates that there are about 27 million consumers of traditional medicines in South Africa and that the African healing trade contributes an estimated ZAR 2.9 billion to the national economy with 771 plant species used for traditional medicine with a cost of about R4.800 per kilogram.

## Cost accounting in private and public sectors:

In this section the literature explores the existing state of knowledge relating to the implementation of cost accounting in the private and public sectors.

Menke and Wray (1999:45) conducted a survey of six mobile clinics to assess how costs per unit vary among these clinics. In addition, Kludacz (2012:3) conducted a survey of hospitals to ascertain the characteristics of a cost accounting system which should be applied in hospitals and the methodologies that should be used to calculate unit costs of individual patients. Furthermore, Webster and Hogue (2005:2) conducted a survey of hospitals' staff to ascertain the issues of accountability in relation to costing information at a government teaching and research hospital. Boyd and Cox III (2010:1881) conducted a study to determine whether managers use cost accounting information for decision-making and to show the consequences of using such information incorrectly. Gurses (1999:4) conducted a study to develop and demonstrate a mathematical model that uses cost accounting information to determine the optimal product-mix and the bottlenecks in the organisation. Gill (2008:165) conducted a study for development of a costing model in order to identify under-utilised resources. Berwick and Farooq (2003:2) conducted a study to develop a software model that provides truck cost information reflecting differences in equipment, products and trip characteristics of an individual organisation and to provide additional performance measures for decision-makers who use truck cost information.

For the purpose of clarity in this study it is necessary to discuss successful implementation of cost accounting in the private and public sectors to show the possibility that cost accounting can also be applied successfully in African traditional healing. The next section discusses cost accounting in African traditional healing.

**Cost accounting in African traditional healing:**

In exploring cost accounting in African traditional healing, this section discusses cost accounting, African traditional healing in context, the negative aspects of traditional healers and the challenges of the supply of medicinal plants.