



**The Application of Activity Analysis Method to Achieve
Cost Reduction
Case Study in CV Setia Budi Padang**

Thesis

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ABSTRACT

This research is intends to know how the activity analysis is applied to the company to minimize the production cost by knowing which non value added activity factors that could be reduced or eliminated.

The researcher's source are the result of interview and observation. To fulfill the research's goal, questioners are delivered in order to know which activity has the value added or non value-added activity that has related to the production cost.

Keywords: the application of activity analysis, the cost reduction

CHAPTER 1

INTRODUCTION

1.1 Background

In this era of globalization, development of business has increased rapidly. The companies clash their strategy each others in effort to attract consumers.

In the face this competition, companies must have and maintain long-term advantage. This condition forced management to seek new strategies that make the company able to survive and thrive in global competition.

One way to improve the competitiveness of companies is by reducing the production costs, so the company can compete in setting the sales price without sacrificing quality. One of the tools used in product efficiency in order to produce the optimal output is by using the activity analysis method. By applying the activity analysis method, we can distinguish the value-added activities and non value added activities. The value-added activities will not be analyzed whether it could be eliminated or reduced. Companies are required to improve its production process by minimizing non-value added activities, such as the example is inspection time, move time, etc.

Application of activity analysis method by minimizing non value added activities is very beneficial for the company. Thus, repairing process followed by improving the efficiency and quality of the production process. If the efficiency of production processes has increased, there will be cost reduction, among others, at the cost of direct labor and overhead costs.

Author would like to apply activity analysis method CV Setia Budi, in order to know whether there are non value-added activities, so that activities can be reduced or even eliminated. There are no value-added activities, resulting in a huge production costs and the benefits only slightly. Large production costs affect the prices of goods; it was also influential in the company's ability to compete with other similar companies. With activity analysis done, it will be the impact on production cost reduction.

1.2 Problem Definition

How to apply the method of activity analysis in effort to achieve cost reduction?

1.3 Research Purposes

Purpose of this study is to determine how the application of activity analysis method used in effort to achieve cost reduction.

1.4 Research Benefits

Benefits of this research is to provide information on the importance of the application of activity analysis, making the company more interested in activities that are value-added activities and reducing non-value added which greatly affect the cost of production. By utilizing the analysis activity is intended for business entities to make cost reduction.

CHAPTER V

CONCLUSION AND RECOMMENDATION

The preceding chapters have presented the analysis and result and this chapter provides conclusion from the finding and discussion in previous chapter. Some recommendation for the further study is also present in this chapter.

5.1 Conclusion

Based on the discussion that has been present in the previous chapter, it can be concluded:

1. activity method of analysis can be applied to the CV Setia Budi, and was informed that there are some activities that do not give value added, and 11% of total production costs are costs that are not value added, amounting to Rp. 35.890.000,00
2. In non value added activities, there are some activities that can be removed and cannot be eliminated. Production cost difference before and after the cost reduction amounted to Rp 282.758.247,00

5.2 Recommendation

Based on the conclusion, the author gives some advice to companies, namely:

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