

THESIS



**THE INTENTION TO USE THE QUALITY COST REPORT IN PADANG
MANUFACTURING FIRMS**

Proposed as a partial requirement to obtain Bachelor Degree

Accounting department

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2010

ABSTRAK

The aim of this research is to investigate the level of intention to use COQ report in manufacturing firms in Padang. This research also examines the relationship of the Cost of Quality elements with the intention to use COQ report. The COQ elements include prevention cost, appraisal cost, internal failure cost and external failure cost. This research employs the quantitative method using primary data obtained from questionnaire. The sample of this research is Padang manufacturing firms. Of 150 questionnaires distributed, 98 of them was returned and analyzed. The hypothesis are tested through multiple regressions model. The result indicates that there is a positive and significant relationship between those four elements in COQ report toward the intention to use COQ report in Padang manufacturing firms. From 98 questionnaires that suitable to process, there are 20.4% of the manufacturing firms in Padang adopt the COQ report and from the remaining respondents 79.6%, there are 57.69% willing to apply the COQ report in the future, and the rest 42.31% are not intending to implement the COQ report. This empirical result is consistent with previous research.

Keywords: COQ elements, COQ report

CHAPTER II

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Management Accounting Definition

According to Hansen & Mowen (1999 : 9) Most of the product costing and management accounting procedures used in the twentieth century were developed between 1880 and 1925. Interestingly, many of the early developments (until about 1914) concerned managerial product costing tracing a firm's profitability to individual products and using this information for strategic decision making. By 1925, however, most of this emphasis had been abandoned in favor of inventory costing assigning manufacturing costs to products so that the cost of inventories could be reported to external user of a firm's financial statements. Thus, the economic environment has required the development of innovated and relevant management accounting practices.

Hansen & Mowen state that:

"The management accounting information system is an information system that produces outputs using inputs and processes needed to satisfy specific management objectives."

According to L.M. Samryn (2000:1), in his book An Introduction to Accounting Managerial:

"Managerial Accounting is the accounting field that focuses on the provision including the development and interpretation of accounting information for managers to use as materials planning, operation and control in decision making."

According to Krismiaji (2002:1) in his book titled *The Basics of Accounting Management* :

“Accounting is a branch of management accounting specifically organized to produce a variety of information that will be consumed by the internal (management) to perform various management functions, ranging from the planning function, the function of direction and motivation of employees, coordination function, the function of controlling and monitoring, evaluation functions performance and decision-making functions.”

Accounting management has a flexible criteria and has three broad objectives:

1. To provide information for costing out services, products, and other objects of interest to management.
2. To provide information for planning, controlling, evaluation, and continuous improvement.
3. To provide information for decision making.

These three objectives reveal that managers and other users need management accounting information can help managers identify problems, solve problems, and evaluate the performance. Furthermore, the need for management accounting information is not limited to manufacturing organizations but is used in all organization: manufacturing, merchandising and services.

CHAPTER V

CONCLUSION

The preceding chapter has presented the empirical results and this chapter provides conclusions drawn from the findings and discussions presented in the previous chapter, followed by an assessment of the potential limitations include in this study and possible future directions for research.

5.1. Conclusions

The main objective of this study is to get empirical result that shows relationship between prevention cost, appraisal cost, internal failure cost, external failure cost and the intention to use the COQ report in Padang manufacturing firms, the results are:

1. There are only 20.4% the manufacturing firms in Padang that adopt the COQ report, the rest (79.6) is not implementing.
2. There is a positive and significant relationship between four element in COQ report toward the intention to use COQ report in Padang manufacturing firms.
3. The Prevention Cost (42.6%) is the strongest reason that make respondent to have intention to prepare a proper COQ report.
4. The are 57.69% intention of Padang manufacturing firms to use the cost of quality report.
5. This empirical result is not really different from previous research, since in fact the previous results that found by Ivonne (2002) argued that

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