

**ESTIMATING PRODUCTION COST USING  
ACTIVITY BASED COSTING (ABC) SYSTEM  
METHOD**

**(Case Study: Biro Workshop PT Semen Padang)**

**FINAL PROJECT REPORT**

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2017**

## **ABSTRACT**

*Biro Workshop structurally is a part of Rancang Bangun Department in PT Semen Padang. Biro Workshop activity is provide manufacturing process to produce the components or products which are required by PT Semen Padang itself. The main problems found in Biro Workshop is related to the need to expand their order scale from internal order PT Semen Padang as well as orders from outside. In this case, the target of Biro Workshop could not met because lack of standard pricing and can not be justified to User/Customer. The cost of production at Biro Workshop calculated using traditional method by totalizing of direct material, consumable, and man hour for a year and then dividing them by the number of tonase. Meanwhile there are some cost factors wich is not included into calculation process. For example the maintenance cost, utility cost, tax and depreciation factor. In addition, Biro Workshop also uses raw materials and consumables, while pricing data has not been updated. So that, the production cost determined by Biro Workshop is less accurate.*

*This problem can being addressed with a new method to calculate the production cost, known as the Activity Based Costing (ABC) System. Activity Based Costing concept was designed as a method which eliminates the shortages of the traditionally costing methods. It based on all activities and functions that participate in a company. This method allows companies to assign all overhead cost (those that cannot be apportioned directly to the products) to the activities, and these activities with the help of activity-drivers are assigned to the products-services produced. The result is to have full information about the cost of products made. Subsequent empirical studies have confirmed a positive correlation between product diversity and benefits from ABC within a single firm or between product diversity and ABC usage across different industries and firms.*

*Based on the calculation result, the production cost for the three types of products that have been studied using ABC system Method. Support Cyclone had a cost of production Rp.35.395.395, for products Trolley Rawmill Area has a production cost of Rp.108.011.245 and while the product Swing Out Mobil Bracket has a production cost of Rp.355.367.519. The comparison of the cost of production by using activity-based costing method with the traditional method or methods used by the Biro Workshop. There is an overcosting in product Swing Out Mobil Bracket and undercosting in Support Cyclone and Trolley Rawmill Area. The difference obtained are caused by Cost components that are not included by the Biro Workshop (maintenance, depreciation and stationary and supporting production cost), and the mismatched estimation calculation by Workshop Biro with the actual cost in production process. The cost reduction strategies is to optimize procedures and Resources utilization in Biro Workshop.*

**Key Words:** Activity Based Costing (ABC), Activities, Production Cost