



A STUDY OF VARIANCE ANALYSIS FOR A BIG PROJECT AT
CTRM SDN BHD

NOR SHARIDA BTE AB SHARIF

2008279848

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UITM, MELAKA

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ABSTRACT

The purposes of doing this research are to know what is variance analysis is all about. What are the types of variance analysis that the company applied and how they calculated on it. Also I want to identify what are the factors that can give effect to the results of variance analysis. There's must be problem that occurred when analyze the variance, not only this company but also to other company. I want to identify what are the problems that arise in the analysis, the reason why they doing variance analysis, the implication if the analysis results to unfavorable variance and what are the action taken by them if this matter happened.

The basic concept of variance analysis is difference between cost that was planned and actual level of cost achieved. From this research, I found that this company only focuses on material variance analysis rather than other types of variance analysis. They used the formula of (actual cost – estimated cost). There are many factors involved that reflect the results of variance analysis which are raw material used different from original material specification quoted, recent changes in purchase price of material and also employee efficiency in doing their job. The problems that arise when doing this analysis are probability that they might ignore the quality of the product in order to reduce cost of producing the product and the second problem is unfavorable price variance. When unfavorable price variance occurred, they will investigate why it was happened, normally it involved production line and also make revision to identify really quantity needed to produce the product. They have to take action because if not, it will decrease the profit of the company. Variance analysis is important because it provide a base against which actual performance can be measured and improve the business.

1.0 INTRODUCTION

1.1 Background of the company

CTRM Sdn Bhd which is stand for Composite Technology Research Malaysia was incorporated in 20 November 1990. The idea to establish this company is from our former Prime Minister, Tun Dr Mahathir Mohammad with the aim to develop high technology based industry, namely the aerospace and composites industries. CTRM can be divided into 3 which are **CTRM Aero Composites (located at Batu Berendam, Melaka)**. CTRM AC make composites for aircraft. It was incorporated on 16 August 1994 as the manufacturing unit of CTRM, focusing on the manufacturing of composites components for both aerospace and non-aerospace segments. CTRM AC is set to bring the local aerospace industry to a greater height amidst the stiff competition in the global aerospace industry.

The second one is **CTRM Aviation (located at Batu Berendam just besides CTRM Aero Composites)**. CTRM AV builds aircraft. It was incorporated in 26 February 1990. The aircraft that are used by Malaysian Flying Academy which located just beside CTRM AV were build by CTRM AV. One of its goals is to provide full fledge Maintenance, Repair and Overhaul (MRO) service centre for light aircrafts in the industry, The Malaysian Department of Civil Aviation (DCA) awarded CTRM AV with the Approved Maintenance Organization Certification in August 2007. CTRM AV now performs maintenance on 37 light aircrafts such as the Eagle 150B, Cessna 300, Cessna 400, Diamond 42 and Cirrus SR20G3.

The last one is **CTRM Engineering Composites (located at Bukit Rambai)**. CTRM EC also make composites but not for aircraft. It makes it different from CTRM AC in terms of their product. It was incorporated in 2005. Its main objective at the time of its incorporation was to introduce composites application into the local automotive industry. True to its objective, CTRM CE had successfully