



**A STUDY ON FACTORS THAT AFFECT MATERIAL COSTS IN
SEMICONDUCTOR INDUSTRY**

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BANDARAYA MELAKA

APRIL 2011

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
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FACULTY BUSINESS ADMINISTRATION
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BANDARAYA MELAKA**

“DECLARATION OF ORIGINAL WORK”

I, Amiratul Nadiah binti Razarudin, (I/C No: 880620-05-5044)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledgement.

Signature: _____

Date: _____

LETTER OF SUBMISSION

3rd May, 2011

The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Administration
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Melaka.

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled **“A STUDY ON FACTORS THAT AFFECT MATERIAL COSTS IN SEMICONDUCTORS INDUSTRY”** to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You

Yours sincerely,

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ABSTRACT

Material costs are one of the important costs involved in determining the company's profit at NXP Semiconductors Seremban Sdn Bhd. Frankly speaking, material costs may give a big impact to the company if the company did not pay attention to the costs, as it can affect production costs, which will lead to the profit. To reduce the rises in material costs, every department involved in determining the material costs should take part and pay fully attention. The company's objective is to lower the costs, but at the same time increase their profit. And one of the costs that should be reduced is material cost. This research focus on the material costs at NXP Semiconductors Seremban Sdn Bhd. The study was on the factors that can affect material cost because there has no study undertaken to determine what is the most dominant factor that can affect their material costs. Three variables were developed which are oil price, gold price and exchange rates as the independent variables for this study. A few research objectives has been developed and achieved at the end of this study. The general objective is to study the most dominant factor that affects material costs at NXP Semiconductors Seremban Sdn Bhd. The specific objectives which are; (i) To identify whether oil price, gold price and exchange rates has relation with material costs, (ii) To clarify the other factors which can also affects material costs and (iii) To determine the implication of those factors that can affect material costs. The staffs at the company need to be aware and understand the importance of material costs to the company. Thus, the staffs need to be provided with appropriate information and to introduce the main factor that will affect their material costs. Data collected and evidences are being processed using the SPSS Computer program. The researcher also wants to test the hypothesis formulated earlier by using the multiple

regression analysis. Pearson's Correlation Coefficient was used in order to know the relationship between all independent variables and dependent variable. It also used to test the hypothesis whether it has the relationship or not. From the study undertaken, the independent variables (oil price, gold price and exchange rates) can affect material costs at NXP Semiconductors Malaysia. However, exchange rates are the most dominant factor that affects material costs. For recommendation, the researcher has come out with some suggestions that can be useful for the company. One of the suggestions is to be aware and understand the market price condition well, as the exchange rate is based on the market price condition. Other than that, the company should always cling to the existing suppliers of gold wire as the gold wire is very important materials for production activities. The rationale is, if the staffs are more aware about their costs, it will lead to succeed in the industry.