



**COSTING ANALYSIS OF ALAM MIMPI  
SENDIRIAN BERHAD**

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# DECLARATION

We, the undersigned hereby declare that this Applied Business Project (MBA 795) has been successfully completed as the result of our own effort and research. Other sources are acknowledged by indicating explicit references and appendices attached.

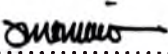
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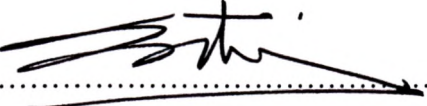
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## **ABSTRACT**

This report is a detailed costing analysis on the production and costing processes of Alam Mimpi Sendirian Berhad (AMSB). This company has been producing polyurethane mattresses, pillows and cushions for sale. The management finds that their prices are not competitive enough in the market and has attributed their high prices to their high costs.

The company's current production processes and costing scenario will be analysed using the activity based costing (ABC) method. From the analysis, the group will make suggestions and recommendations for the company to consider lowering their costs and improving their competitiveness in the market.

Chapter one explains the background and purpose of this study as well as the overview of the company. This chapter also includes the problem statement, objectives, and scopes and limitations of the study. Chapter two discusses the literature review on the history of mattress and the polyurethane industry, and the concept of the costing method used to analyse the data. Chapter three explains the methodology used to obtain the relevant data and discusses the various steps on how the data are analysed. The analysis and findings are presented in chapter four where it is found that there are great cost differences between the costing method currently used by the company and the ABC method. Chapter five discusses the conclusion and recommendations where it is concluded and recommended that the ABC method is more appropriate in allocating overheads for the company's products.

## GLOSSARY

1. ABC – Acronym for Activity-Based Costing
2. ASMB - Acronym for Alam Mimpi Sendirian Berhad
3. Activity – A unit of work performed within an organisation. A description of the work that goes on in the organisation and consumes resources. Testing materials is an example of an activity.
4. Activity-Based Costing – A method of measuring the cost and performance of activities and cost objects. Assigns cost to activities based on their use of resources, and assigns cost to cost objects based on their use of activities. ABC recognises the causal relationship of cost drivers to activities.
5. ABOR – Activity Based Overhead Rate
6. Activity cost pool – Total cost assigned to an activity
7. Activity driver – A factor used to assign cost from an activity to a cost object. A measure of the frequency and intensity of use of an activity by a cost object.
8. Allocation – Indirect assignment of costs, usually in a manner that spreads costs arbitrarily across multiple benefiting activities.
9. Conventional cost system – Any of the older, traditional cost system that uses direct materials and labour consumed as primary means of apportioning overhead.
10. Cost driver – Any factor or activity that has a direct cause-effect relationship with the resources consumed.
11. EPF – Employees Provident Fund
12. ISO – International Standard Organisation.
13. 141B – A kind of blowing agent to allow the mixture to expand.
14. MDI – An abbreviation for 4,4- diphenylmethane diisocyanate, it is often mixed with toluene diisocyanate in the production of molded flexible polyurethane foam cushion.
15. MOLPA – Malaysian Ozone Layer Protection Award