

ABSTRACT

The development of today's business world is rapidly increasing, every company has a challenge that must be faced in order to meet the needs of its customers by creating good quality products. Although the company always strives to produce a good quality products. However, in fact there are still defective products are produced. Defective product is a product that does not meet quality standards but can be improved technically and economically into finished products by cost of rework, so that the products can be sold.

This study aims to identify and explain the effect of prevention costs and appraisal cost on number of defective products at PT. Berdikari Metal Engineering.

This study uses a quantitative method with descriptive analysis and verification, while data used are secondary data obtained from prevention costs statements, appraisal costs statements and defects report recorded in the company for 24 months for 2014-2015 period. In this study the authors used non probability sampling with sampling saturated kind, because all the data is used as the sample population. The analysis used in this research is multiple linear regression analysis and correlation analysis.

The results of this study showed that partially cost of prevention has negative influence on the number of defective products amounted to 36.6%, the cost of assessment negatively affect the number of defective products by 6.2%. Simultaneously prevention costs and appraisal fees affect the number of defective products with a total contribution of 42.8%.

Keywords: Prevention Cost, Appraisal Cost, and Defective Product