

ABSTRACT

Improving quality continuously is an important thing for a company. When a product is disappointing, the consumer will make a complaint, the product is withdrawn or switched from the product. This can affect sales which results in lower profitability. Emphasis on quality will increase profitability. By increasing the cost of prevention and valuation, the cost of failure will decrease, prevention costs appear to prevent the occurrence of poor quality in products or services produced while the cost of valuation is used to avoid sending goods that are not of quality to the customer. The smaller the failure cost the better quality of the product.

This study aims to determine the application made by the company in terms of quality costs to know the profitability obtained from these companies by using the ROA proxy in manufacturing companies in various industrial sectors in 2013 - 2017.

Researchers used a sampling technique that is purposive sampling. Purposive Sampling is a technique used to determine samples under certain considerations. The sample consisted of 13 manufacturing companies in various industry sectors in 2013 - 2017. The method used was a regression analysis using SPSS version 23.

Based on the results of data processing, simultaneously prevention costs, valuation costs, internal failure costs and external failure costs have a significant effect on the dependent variable on the profitability of manufacturing companies in various industry sectors in 2013 - 2017.

The partial effect of this study shows that prevention costs and valuation costs have a significant positive effect, while internal failure costs and external failure costs have a significant negative effect on the profitability of manufacturing companies in various industry sectors in 2013-2017.

Keywords: Profitability, quality costs, prevention costs, valuation costs, internal failure costs, external failure costs.