

# COST REDUCTION SERVICE

Megat Faizal Musa & Co | Chartered Accountants | A Member Firm of Malaysian Institute of Accountants (MIA) | megat.faizal@mfmco.my | mfmco.my

Economic slowdown, coupled with inflationary pressure require immediate response to cost structure to ensure a low-cost base. Early warning indicators and adequate mitigating actions are necessary to be in place to minimize wastage, rework, defects, and excess manpower capacity to ensure sustainability of the business in challenging times. Cost composition between variable and fixed also needs to be addressed and realigned immediately. A solid budget with the best estimates is necessary. Finally, a concise, clear, and accurate presentation with key ratios on production and finance are required for strategic decision making.

## THE CHALLENGES BY CLIENTS – KEY POINTS

- Headcounts are growing faster than profits.
- High production rework and defects causing rising cost and over budget.
- Delay in production work causing delay in payment and over budget.
- Excess manpower capacity not strictly monitored for productivity.
- Out of budget due to inaccurate estimates and overspending.
- Inaccurate production man hour costing and allocation of other direct costs causing underpricing issue.
- Fixed cost is higher than variable costs causing a high cash burn rate.
- Losing clients or inability to get new clients due to overpricing or inadequate pricing benchmarking with competitors.
- Heavily relying on a single source for material supply causing supply issue and delay in completing work.
- Variable cost not recovered immediately causing cashflow mismatches.

## OUR SPECIALITY

## THE SERVICES WE OFFER

- Operational constraints elimination to meet customer demand.
- Lean engineering, lean manufacturing, and lean administration (SG&A).
- Agile organisation redesign to shorten response and time to market.
- Business process redesign for end-end flow of goods and information.
- Greenfield designs and Brownfield conversions for Industry 4.0
- Integration and reconciliation of costing books with financial books

## BENEFITS FOR CLIENTS

- Significant and sustainable gains in speed, quality, and cost.
- Rationalized processes, value chain and operational footprint.
- A competitive advantage from world-class agility and efficiency.
- Turnaround underperforming business unit with clear and defined strategies.

## OUR CREDENTIALS

Two (2) Chartered Accountants and one (1) Lean Manufacturing Engineer with combined professional and commercial working experience of more than 78 years in total at reputable organisations in Malaysia and abroad to be assigned as a team for each engagement.

We upheld confidentiality, public trust and competency.

Vast knowledge support with regards to best practice from MIA on cost and management accounting.