

Analysis of Determining The Cost of Goods Produced in Determining The Selling Price of Msmes Cita Sport

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Abstract : The main problem faced by MSME entrepreneurs is the determination of selling prices related to the cost of goods produced, this is the main problem in this study. With the aim of identifying and finding solutions in knowing the calculation of cost of goods produced, selling prices and cost of goods produced based on orders in determining selling prices at Cita Sport MSMEs. The method used in this study uses the company method and the job order costing method. The result of this study is that the calculation of cost of goods produced still uses a simple method that is changed to the job order costing method.

Keywords: Cost of Goods Produced, Micro, Small and Medium EntelDRises (MSMEs), Selling price

1. Introduction

Currently, Indonesia is facing the era of globalization, where technology is developing rapidly, as well as the development of the business world is currently very rapid. Likewise with the development of the business world today. Even businesses, including cottage industries, must be able to compete for survival, so businesses must have competitiveness both in the long and short term for the products they produce.¹ The rapid development of technology has become the basis for various industries and entrepreneurs to

increase their business and this has been noticed by entrepreneurs and several industries in the MSME sector. Micro, Small and Medium EntelDRises (MSMEs) are an important and influential sector to achieve national development goals such as economic growth, employment opportunities and regional economic development.²

The problems that are often faced by MSME entrepreneurs are multidimensional, meaning that these MSMEs are in a situation where there are many problems faced by these MSMEs. One of the

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problems and obstacles that are often done by MSME business actors is the determination of selling prices. This problem often occurs because of the determination in calculating the cost of goods produced.³ Determination of cost of goods produced is very important considering the benefits of cost of goods produced information is to determine the selling price of products and determine the cost of goods inventories of finished products and products in process that will be presented in the statement of financial position. Therefore, the determination of the cost of goods produced must be done carefully and thoroughly. Determination of the selling price is also a very important aspect. The selling price greatly affects financial position and performance, as well as significantly affects the perception and brand of buyers.⁴

Pricing actions that violate ethics can make business actors disliked by buyers, even buyers can take actions that can damage business reputation, resulting in fatal and detrimental to the company itself. To avoid errors in the calculation of production costs and in order to produce efficient costs, a good method is needed. The full costing method is a method that takes into account fixed costs, because these costs are considered attached to the cost of goods in stock,

³ Bahri, R., & Rahmawaty, R. (2019). Analisis Penentuan Harga Pokok Produksi Dalam Menentukan Harga Jual Produk (Studi Empiris Pada Umkm Dendeng Sapi Di Banda Aceh). *Jurnal Ilmiah Mahasiswa Ekonomi*

⁴ Thenu, G., Manossoh, H., & Runtu, T. (2021). Analisis Harga Pokok Produksi Dengan Metode Full Costing Dalam Penetapan Harga Jual Pada Usaha Kerupuk Rambak Ayu. *Jurnal EMBA: Jurnal Riset*

both finished goods and inventory of goods in process that have not been sold (Thenu et al., 2021).⁵

MSMEs Cita Sport previously used a simple method to calculate the cost of goods produced in determining selling prices. However, in order to increase the accuracy and relevance of the information obtained, the company plans to switch to calculation methods that correspond to accounting principles. By recording production costs in detail, companies can obtain more precise and accurate information in the process of calculating and determining product selling prices. Given the importance of determining the cost of goods produced for MSMEs, the author will conduct research to explore and apply more effective methods.

MSMEs Cita Sport has been operating since 1986 and is located in Cibatu Caringin, Cisaat District, Sukabumi Regency, West Java. This business specializes in selling various types of sports equipment and martial arts equipment, Target, Sand-Sack or known as samsak, then body protector and many more. During observations made at Cita Sport, it was found that management considers several factors in setting selling prices, including the supply chain and distribution of products, as well as the prices of similar products in the market. This approach allows the company to achieve adequate results. The same is true in determining production costs,

⁵ Thenu, G., Manossoh, H., & Runtu, T. (2021). Analisis Harga Pokok Produksi Dengan Metode Full Costing Dalam Penetapan Harga Jual Pada Usaha Kerupuk Rambak Ayu. *Jurnal EMBA: Jurnal Riset*

where management takes into account the cost component of the base price of production in order to achieve good results. However, there is no data or information that explains in detail the methods used in determining the production costs and selling prices mentioned.

This research is a development of a previous study conducted by (Helmarini, Ardila, 2022) entitled "Analysis of Cost of Goods Produced Based on Orders to Determine the Selling Price of Clothing Products in Ampera Manna, South Bengkulu." The research focused on the production of making suits in Raffi's store and used the selling price calculation method which involved steps such as adding up production costs and dividing by the number of products, as well as setting prices using the full costing method to achieve the desired selling price. In addition, Raffi's store also earned a profit or profit of 20% of the expected selling price.

Analysis of Cost of Goods Produced Based on Order To determine the Selling Price of Clothing Products in Ampera Manna, South Bengkulu. Where the results of the study are The production of making suits in Raffi's store uses stages in setting the selling price of its products by adding up production costs or divided by the number of products and pricing using full costing can determine the desired selling price of suit products. In taking the profit or profit that is desired, the Raffi store takes the expected profit of 20%.

The puIDRose of this study is to study how the calculation of cost of goods produced is carried out in MSMEs Cita Sport. In addition, this study also aims to reveal the method used in setting selling prices in Cita Sport MSMEs and to understand how the calculation of cost of goods produced based on orders is carried out to determine selling prices in Cita Sport MSMEs.

2. Research Methods

Qualitative research methodology according to Sugiyono (2017, p. 9) is a research method used for research in natural settings (as opposed to experiments), where researchers are key instruments, data collection techniques are triangulated (combined), data analysis is inductive / qualitative, and qualitative research findings emphasize meaning rather than generalization.

The research methodology of the Analysis of Determining the Cost of Goods Produced in Determining Selling Prices in MSMEs Cita Sport can use a descriptive qualitative approach. This approach allows researchers to obtain in-depth data about the subjective experiences and views of participants or informants involved in the research

a. Data Retrieval Methods

Primary Data : Observations, Interviews and Documentation

Secondary Data : Researchers collect information by recording information

obtained from these sources in documents related to accounting information systems related to problems raised by researchers

b. Data Analysis Methods

The analysis used by researchers is descriptive analysis with a qualitative approach. Descriptive analysis is an analysis that describes something or describes it to help a process in the field.

3. Results And Discussion

a. Company Production Process

The calculation of the cost of goods produced by the company is still in a simple way, the costs calculated to calculate the cost of goods produced include the cost of raw materials, labor costs, and other costs which are factory overhead costs calculated by the company. Until now, the company is still a job order costing system but not in accordance with the actual theory.

Various products in its business activities receive several orders from consumers, including body protectors for taekwondo, silat, and karate, dekker, and others. Based on the results of the interview, the most produced product is Hand Pro as many as 467 pairs in the last 1 month, namely in June 2023. Therefore, researchers focus on Hand Pro products for examples of calculating the cost of goods produced.

b. Determination of Cost of Goods Produced at MSMEs Cita Sport Hand Pro Raw Material Cost For 467 Orders By Company

In the production process of hand pro orders, the company uses raw materials in the form of faux leather fabrics, elastic materials, foam, adhesives, glue threads and plastics for packaging with a total

purchase price of raw materials of IDR 22,590,162

Direct Labor Costs

In the calculation of direct labor costs included by Cita Sport in the calculation of cost of goods produced, it applies a wage system calculated per day with a minimum target of making 10 to 20 products per day that have been made. In calculating the cost of goods produced for 10 days on Hand Pro orders of 467 pairs, the company incurred labor costs of IDR 6,750,000

Factory Overhead Costs

Factory overhead costs in the cost of goods ordered method shall be charged to each order based on the rate determined in advance. The determination of the estimated activity chosen depends on the policy to be selected and the most dominant component of overhead costs . Total Factory Overhead Costs in the June period using the company's method incurred costs of IDR. 567,299, so that if distributed for 10 days, it will get an amount of IDR. 189,100, while the unit overhead costs are IDR. 405 for all sizes as many as 467 pairs.

Determination of Cost of Goods Produced

The determination of the Cost of Goods Produced is the result of a recapitulation of raw material costs, direct labor costs and factory overhead costs with a total production price of IDR 29,529,262 and a total unit price of IDR 63,232

Determination of Product Selling Prices at MSMEs Cita Sport

MSMEs Cita Sport has a policy on selling prices that in every determined selling price must be able to achieve the expected profit level of 20% of the cost of production. The selling price obtained by adding up the cost of goods produced by billboards per meter with an estimated profit of 20% expected is IDR 76,000

Determination of Cost of Goods Produced Selling Price Based on Orders According to Job Order Costing

The calculation of the cost of goods produced by the Job Order Costing method is based on the amount of raw materials and labor used, while BOP (Factory Overhead Costs) generally uses predetermined rates. Based on data from the results of the study, it is known that the company's management does not set

tariffs determined in advance but only adjusts data from the use of BOP (Factory Overhead Costs). Therefore, researchers in conducting BOP (Factory Overhead Costs) research are only based on existing data.

The calculation of cost of goods produced on the Cita Sport for Hand Pro orders in June was 467 pairs. Based on job order costing can be done in several steps as follows:

1) Purchase Of Raw Materials And Auxiliary Materials

The raw materials purchased to make Hand Pro in June were 467 pairs of bimitation leather hand pro, elastic, adhesive and foam. While the auxiliary materials purchased are glue and plastic threads for packaging in the table as follows:

Table 1. Purchasing Raw Materials Job Order Costing

No	Information	Cost (IDR.)	Quantity	Sum (IDR.)	Units
1	Faux Leather	IDR. 30,000	156	IDR. 4,680,000	Meters
2	Elastic	IDR. 100,000	117	IDR. 11,700,000	Meters
3	Adhesive	IDR. 200,000	12	IDR. 2,400,000	Rolls
4	Foam	IDR. 30,000	94	IDR. 2,820,000	Meters
TOTAL COST OF RAW MATERIALS				IDR. 21,600,000	
5	Threads	IDR. 1,509	159	IDR. 240,000	Units
6	Glue	IDR. 3,818	159	IDR. 607,062	Units
7	Plastic	IDR. 900	159	IDR. 43,100	Units

2) Direct Labor Cost Job Order Costing method

In the calculation of direct labor costs using theory will reduce the total amount of direct labor costs that have been determined by the company because the odd part that was previously in the calculation of

direct labor costs will be transferred into factory overhead costs . Because it is based on the theory that odd costs fall into the category of factory overhead costs.

The calculation of direct labor costs for based on 467 pairs of Hand

Pro dekerlakan by people can be accumulated in the following table.

Table 2. Total Labor Cost Job Order Costing

No	Information	Number of employees	Salary/day (IDR)	Salary/10days (IDR)
1	Sewing Section	2	IDR. 150,000	IDR 3,000,000
2	Production Section	1	IDR. 150,000	IDR 1,500,000
3	Finishing Section	1	IDR. 150,000	IDR 1,500,000
Total Direct Labor Cost				IDR 6,000,000

3) Factory Overhead Cost Job Order Costing Method

Factory overhead costs in the job order costing method greatly determine the accuracy and efficiency of determining the overall amount of cost of production. In the calculation of factory overhead costs, the company has not included all elements of overhead costs. the company has not included all elements of overhead costs. The grouping of production costs that

should be part of the factory overhead costs is not included, however, Cita Sport allocates indirect labor costs, sewing machine depreciation costs, and other costs. This causes the number of factory overhead costs to be inaccurate.

Overhead costs that were not previously taken into account by the company will be described in the following table:

Table 3. Total Factory Overhead Cost Job Order Costing

No	Information	Total Cost/month (IDR)	10 Days
1	Electricity Cost	IDR. 567.299	IDR. 189.100
2	Indirect Labor Costs	IDR. 990,243	IDR. 330,081
3	Machine Maintenance Cost	IDR. 400,000	IDR. 133,333
4	Machine Depreciation Cost	IDR. 1,000,000	IDR. 333,333
5	Miscellaneous Fees	IDR. 500,000	IDR. 166,667
Total Cost Overhead Factory		IDR. 2,890,810	IDR. 963,603

Odd labor costs that were previously by the company in direct labor costs should be in the calculation of overhead costs as indirect labor costs as well as raw material costs, namely glue, yarn and plastic costs accumulated as auxiliary material costs in the calculation of overhead costs.

Meanwhile, factory overhead costs by companies that previously only contained electricity costs have been added with indirect labor costs, machine maintenance costs, machine depreciation costs and other costs. So as to get the amount of factory overhead costs as much as IDR 963,603.

4) Cost of Goods Produced with Job Order Costing Method

Based on these data, the cost of goods produced as many as 467

pairs can be calculated as in the table below.

Table 4. Cost of Goods Produced Job Order Costing

No	Information	Total Cost/month (IDR)	
1	Cost Of Raw Materials	IDR	21,600,000
2	Direct Labor Costs	IDR	6,000,000
3	Factory Overhead Costs	IDR	330,270
Total Production Price		IDR	27,930,270

From the table above, the cost of goods produced is equal to IDR 27,930,270. So that the cost of goods produced per unit for 467 pairs of Hand Pro can be calculated as follows:

$$\frac{27.939.270}{467} = 58.808$$

After describing the two calculation methods in determining the cost of goods produced which intends to achieve an accurate selling

price for the development of the company. Therefore, we can see a comparison between the total cost of goods produced by the company with the cost of goods produced using the job order costing method as follows.

The following is a comparison table of the calculation of cost of goods produced:

Table 5 Comparison of Company Method with Job Order Costing

Cost	Method		Difference	Information
	Company	Job Order Costing		
Cost of Raw Materials	IDR. 22,590,162	IDR. 21,600,000	IDR. 990,162	Glue, twine and plastic are calculated in the cost of raw materials.
Direct Labor Costs	IDR. 6,750,000	IDR. 6,000,000	IDR. 750,000	The salaries of odd employees are not included in factory overhead costs
Factory Overhead Costs	IDR. 189,100	IDR. 963,603	IDR. -774,503	Only include the cost of electricity in the cost of the factory overhead.
Total HPP	IDR.29,529,262	IDR.28,563,603	IDR. 965,659	
HPP Perunit	IDR. 63,232	IDR. 60,008	IDR. 3,224	

Based on the table, it can be seen that there is a difference in value resulting from the two methods of calculating the cost of goods produced by orders between the company's calculations and calculations based on theory. The calculation of the cost of goods produced by the company is based on the number of Hand pro 467 pairs of IDR. 29,529,262 while the order job costing method according to theory produces a cost of goods produced of IDR. 28,563,603. So that results in a price difference in orders of IDR. 965,659.

This difference occurs because companies do not group labor costs into direct labor costs and indirect labor costs. For labor costs, the company calculates globally by calculating all existing labor such as

sewing parts, production parts and finishing parts only. Meanwhile, odd employees are not responsible for the directly to the production process. Therefore, odd section employees are grouped into factory overhead costs, namely indirect labor. With the Job Order Costing method, the calculation is higher because many overhead costs should be in the calculation of cost of goods produced but are not included such as the cost of maintenance and maintenance costs of machines, and machine depreciation costs.

Comparison of Income Statement by Company Calculation and Job Order Costing Method Calculation

Tabel 6. Profit and Loss Comparison

Company			Method Job Order Costing		
Sales	IDR	35,492,000	Sales	IDR	35,492,999
Cost of Raw Materials	IDR	22,590,162	Cost of Raw Materials	IDR	21,600,000
Labor Cost	IDR	6,750,000	Labor Cost	IDR	6,000,000
Overhead Costs	IDR	1,179,343	Overhead Costs	IDR	963,603
Gross Profit	IDR	4,972,495	Gross Profit	IDR	6,929,3946

When viewed from the calculation of the income statement, it can be seen that the gross profit generated is much smaller than the company's calculation with the calculation of job order costing based on theory. This is because the company is not right to charge some elements of costs that occur in the production process which should be a burden borne by the company. Thus, Cita Sport does not present all

costs incurred in the production process and distribution of sales. Therefore, researchers can say that this company in its report not only looks more profitable but also occurs losses due to errors in the presentation of financial statements.

From the discussion about determining the cost of goods produced that the author has previously stated, it shows that the company in calculating the cost of

goods ordered is not right in the sense that it is too small or too low to determine the cost of goods produced so that it has the potential for losses in the long term time brackets, although in the short term there is no visible loss.

Furthermore, if it is related to profit and loss, if Cita Sport charges all costs in the production process, it will provide smaller results or losses in the company.

5. Conclusion

This study aims to find out how companies calculate the cost of goods produced determined by the company and how to calculate the cost of goods produced based on orders. Based on the results of the analysis of the calculation of cost of goods produced using the company method and the job order costing method, the researcher can draw the following conclusions:

a. The calculation of the cost of goods produced by MSMEs Cita Sport still uses a simple method, because it has not been detailed in including the existing cost elements. Where the costs included in the calculation of cost of goods produced are the cost of raw materials, labor costs and electricity costs. So it can be concluded that the calculation of the cost of goods produced by the company is incorrect. The total cost of goods produced from the company's method is IDR 29,529,262 with the job order costing method of IDR 28,563,603.

b. In determining the selling price, this Cita Sport MSME only adds the cost of goods produced plus the

expected profit of 20 %, where if the company takes too high or too low profit, this can result in the company's bankruptcy with the result that the selling price calculated by the company is IDR. 76,000, namely with a Cost of Goods Produced (COGS) of IDR. 63,232 and an expected profit of 20%.

c. The calculation of cost of goods produced by the method based on orders or Job Order Costing is lower even though many factory overhead costs such as machine maintenance and maintenance costs, machine depreciation costs, are not included in the calculation of the company's cost of goods produced so that the profit generated by the job order costing method is more optimal.

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