

Analysis of The Determination of the Cost of Production of Msmes in The Business Unit Beranda Café

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Abstract

This research analyzes the determination of the cost of production (HPP) at Beranda Café, a culinary MSME by comparing the simple method used by the café with the full costing method. Using a qualitative descriptive approach, this research reveals that Beranda Café calculates COGS simply without including all cost components, especially equipment depreciation costs. The research results show that there is a difference of Rp. 176 per unit between the café calculation (Rp. 18,264) and the full costing method (Rp. 18,440) for production of 5000 portions per month. This difference is caused by the full costing method which includes all overhead costs, both variable and fixed. Even though it produces higher COGS, the full costing method is considered more in line with generally accepted accounting principles and provides more complete information for determining selling prices and increasing profits. This research highlights the importance of better understanding the determination of COGS for MSMEs to optimize financial performance and business competitiveness.

Key words: Cost of Production, Full Costing, MSME

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Introduction

The competition that occurs in the industrial world, especially the culinary industry, is getting tighter, as evidenced by many culinary businesses, both micro and macro, that have interesting and unique types of culinary businesses. Many culinary businesses continue to emerge which require entrepreneurs to be better at processing their business, besides that consumers are very selective in choosing the culinary business place they want in terms of relatively cheap prices with high quality must also be considered by entrepreneurs. In this condition, the company must try to keep up with developments in order to maintain the company's survival by obtaining maximum profits or profits, (S. Hartatik, 2019) For this reason, entrepreneurs are required to have a good strategy in order to achieve the desired goal, which is to reap the maximum profit possible with the least possible cost burden. Every entrepreneur must strive to maximize profits and be able to compete with other entrepreneurs so that entrepreneurs must be right in setting prices to reap the maximum profits possible. Cost control can be done by controlling production costs as the basis for the selling price of the products produced. The selling price affects the income obtained by a business, if the selling price is set high, the profit obtained by the company is also high, but it will affect the purchasing power of consumers, on the contrary, if the selling price is low, the profit obtained will also decrease.

The cost of production is necessary in the business unit of the Beranda Cafe, the cost of production includes all direct materials, direct labor, and factory overhead incurred to produce a product. The cost of production consists of three main components, namely direct raw materials, direct labor, and factory overhead costs, (I. Wahyudi dan A. K. Henaulu, 2019). The calculation of the cost of production is very crucial considering that the advantage of the cost of production is to determine the selling price of the product as reported in the statement of financial position. The calculation of the cost of production is carried out by adding all elements of production costs, while the cost of production per unit is determined by dividing all total production costs by the production volume produced. This method of calculation must be used when it is related to accounting principles, affecting both the amount of the cost of production and the way it is presented in the income statement. In the calculation of the cost of production, it requires information about the cost of raw materials, labor costs, and factory overhead costs. In determining the cost of production, entrepreneurs must be able to make the right decisions to optimize the profits generated.

The purpose of calculating the cost of production in a business is not only to determine the actual selling price so that it can be more competitive with other small businesses to get the identification of production costs and the identification of which costs can be reduced to get a cheaper cost of production, (S. Fadillah, M. Maemunah, dan H. Hernawati, 2021). The calculation of the cost of production also provides convenience for entrepreneurs to control and optimize costs efficiently, provide accurate financial reports and facilitate inventory management and performance evaluation of each product to make decisions regarding product pricing is very crucial and not easy to do. Pricing must be set accurately, very small or very large price changes will have an impact and significant changes for sales in large quantities. So if there is an error in determining the selling price, the entrepreneur will lose or lose customers because the specified selling price is too low or too high, (R. Pagestu, 2022).

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Errors can also occur in the calculation of the cost of production which can have a significant negative impact such as financial losses, wrong business decisions, cash flow problems, loss of investor or creditor confidence and a decrease in product quality, If the cost of production is wrong in the calculation then the cost of goods sold will also be wrong when the cost of goods sold is wrong then the profit margin is wrong when the profit margin is wrong then the profit will also be wrong. This is what every entrepreneur must pay attention to, including the Beranda Cafe.

The café is a business unit located at Panca Budi University which has a strategic location and markets various kinds of culinary at affordable prices, the café website calculates the simple cost of production for the purpose of making it easier for employees who do not have a basis in accounting, which as a result of which the Beranda Cafe does not list several components of the cost of production so that it is not in accordance with financial accounting standards which causes less than optimal The profit obtained by the Beranda Cafe. The level of education of the business coach and previous managerial experience can also affect the accounting information listed in the accounting records. Lack of knowledge or lack of business management training can make it difficult for entrepreneurs to advance their business because they cannot know financial information accurately so that decision-making becomes ineffective and controlled (N. Faradela, I. Anggriani, dan R. Noviantoro, 2022). Given the importance of determining the cost of production, the researcher is interested in conducting this research with the aim of optimizing and assisting in the preparation of the cost of production by introducing and comparing the traditional method used by the Beranda Cafe with the full costing method so that the Beranda Cafe can determine the cost of production accurately and maximize the profit that can be obtained.

Research Methods

The qualitative descriptive method is used in this study because it allows for an in-depth exploration of the complexity and nuances of the HPP determination process in the Beranda Café. This approach allows the researcher to understand not only the technical aspects of the HPP determination, but also the contextual factors, managerial decision-making, and operational dynamics that affect the process. Through in-depth interviews with the owners, managers, and key staff of the Beranda Cafe, direct observation of the production process, and operational analysis, this study aims to uncover the complexity of determining the HPP in the real context of a café business. This approach also allows for the exploration of factors that may not be revealed in qualitative research.

The significance of this research lies in its contribution to a deeper understanding of the dynamics of HPP determination in the context of the café business. The results of the study are expected to provide valuable insights for Cafe Management in optimizing their cost structure, improving operational efficiency, and ultimately increasing business competitiveness, the findings of this study can also be a reference for similar business actors in the culinary industry, as well as contribute to academic literature related to cost management and cost accounting in the context of small and medium enterprises.

This study will consider how external factors such as consumer trends, changes in government regulations, and competition dynamics in the café industry affect the process of determining the HPP on the Beranda Café. Understanding these aspects will provide a broader context for the

decision-making process in determining the HPP. With a qualitative descriptive approach, this research is expected to produce a rich and in-depth narrative about the process of determining HPP in Beranda Cafe, which is not only beneficial to the café itself, but also provides valuable insights for the café industry as a whole and contributes to the development of cost management theory in the context of small and medium-sized enterprises.

Result

Overview of Research Objects

The background of the partners where the researcher carried out the research is a business unit in the culinary field headed by Mr. Sugiman as the Head of the Panca Budi Business Unit, which oversees various other business units, one of which is the Beranda Café business unit. has many employees regardless of the boundaries of education who can absorb human resources well and contribute to providing jobs that are very helpful to the community, with the target consumers of students and students who are studying under the auspices of the Panca Budi Development Foundation.

The Home business unit also has an Organizational Structure led by the Head of the Unit, then under the head of the unit, there is Putri Kumalasari Adinegoro as the human resource manager and Rina as the financial manager who oversees all business units in Panca Budi, the following is the Organizational Structure in the form of a Figure.

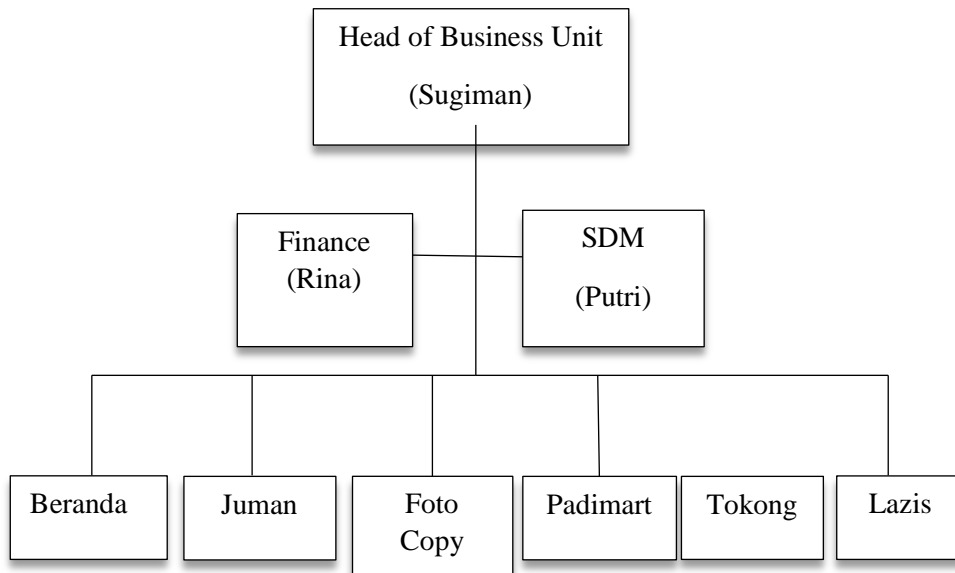


Figure 1. Organizational Structure

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Full Costing Method and Variable Costing

There are 2 approaches in taking into account the cost elements in the cost of production, namely:

Full Costing

Full costing is a method of determining the cost of production that takes into account all elements of production costs into the cost of production consisting of raw material costs, direct labor costs, and factory overhead costs both variable and fixed behavior, (A. Khaerunnisa dan R. P. Pardede, 2021).

Mulyadi (2016) stated in Fadli (I. Fadli dan Rizka Ramayanti, 2020) that, "Full costing is a method of determining production costs that takes into account all parts of production costs to a product manufacturing process, consisting of raw material costs, direct labor costs, and factory overhead costs, both fixed and variable.

Variable Costing

The variable costing method is a method of determining the cost of production that only takes into account the variable cost of production, the state of the cost of production consisting of the cost of raw materials, direct labor costs and variable factory overhead costs, (A. Ikhwana, 2017) .The variable costing method only calculates production costs which consist of variable production costs such as raw material costs, direct labor costs and production costs. Some decisions may involve non-production costs, such as marketing, administrative, and overhead costs, which are variable. Since it is considered a continuous period cost, fixed costs are not included in this method (G. Rizky, Marliyah, dan Kusmilawaty, 2023)

Conditions of Cost of Production on the Beranda Cafe

The Panca Budi Business Unit, namely the Beranda Café, determines the cost of production in a simple way by adding up the cost of raw materials, direct labor and overhead costs, but the calculation has not been determined completely and includes all costs. Beranda Café do not include depreciation costs in the Cost of Production Calculation.

Raw Material Cost

The cost of Raw Materials (Direct Material) is the cost of raw materials used to produce finished goods, but the use is relatively small, or the use is very complicated to recognize the finished product, for example: chicken in making food, fabric in making convection, etc., Anita (A. Anita, 2013)

Table 1. Raw Material Cost

Raw materials	Purchase price	Quantity per month (30 days)	Raw material cost
Chicken	IDR 28,000	720 kg	IDR 20,160,000
Oil	IDR 18,000	210 liters	IDR 3,780,000
Spices	IDR 80,000	150 kg	IDR 12,000,000
Fresh vegetables	IDR 20,000	15 kg	IDR 300,000
Chips	IDR 16,666.66	180 kg	IDR 3,000,000
Chili	IDR 70,000	180 kg	IDR 12,600,000
Total Raw Material Cost			IDR 51.840,000

Source: Data Processed 2024

Direct Labor Costs

Direct labor costs are the costs incurred by the company to pay all workers physically or mentally who contribute directly to the manufacture of products from raw materials into finished products that are ready to be marketed.

Direct labor costs include the salaries and wages of the entire workforce that can be practically identified by the processing of materials into finished products. The salary and wages of machine operators are examples of direct labor costs, Sihite (L. B. Sihite, 2012)

Table 2. Direct Labor Costs

Part	Number of direct workers	Wages per day	Total labor costs per month (24 days)
<i>Full time</i>	4	IDR 70,000	IDR 6.720,000
Total Direct Labor Costs			IDR 6.720,000

Source: Data Processed 2024

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Factory Overhead Costs

Factory overhead costs are elements of production costs in addition to direct raw material costs and direct labor costs incurred during the production process. Factory overhead costs are the most complex costs and cannot be defined in finished products, so the collection of factory overhead costs can be known after the order goods are finished Nofiani (S. Y. Nofiani, K. Komariah, dan A. Syamsudin, 2022).

Overhead Costs according to Beranda Cafe Calculation

MSMEs have not included depreciation or depreciation costs in their calculations, this shows the discrepancy of the Beranda Cafe in determining the cost of production which results in the non-optimal profit obtained by the Beranda Café, the following is the calculation table of the Beranda Cafe.

Table 3. Variable Overhead

Name	Quantity per day	Price /day	Total Per Month
Natural gas		IDR 125,000	IDR 3.000,000
Wifi		IDR 10,000	IDR 300,000
Spoon	2 pack	IDR 20,000	IDR 480,000
Plastic Straws	100 Pcs	IDR 20,000	IDR 600,000
Plastic Cup	100 pcs	IDR 50,000	IDR 1.500,000
<i>Part time</i>	16	IDR 70,000	IDR 26.880,000
Total Variable Overhead			IDR 32.760,000

Source: Data Processed 2024

Fixed Overhead Costs

1. Equipment Depreciation or Depreciation Costs

Depreciation costs are costs that arise due to the use of fixed assets owned by a company. The assumption of depreciation costs for a business without maintenance costs is as follows.

Table 4. Cost of Depreciation or Depreciation of Equipment

Name	Acquisition price per unit	Sum	Total acquisition price	Economical lifespan/month	Depreciation expenses/month
Wok	IDR 150,000	3	IDR 450,000	12	IDR 37,500
Boiler	IDR 350,000	2	IDR 620,000	12	IDR 51,000
Stove	IDR 250,000	4	IDR 1,000,000	12	IDR 83,000
Blender	IDR 500,000	2	IDR 700,000	12	IDR 58,000
Tableware	IDR 50,000	80	IDR 400,000	6	IDR 66,000
frezeer	IDR 4,000,000	1	IDR 4,000,000	24	IDR 166,000
Refrigerator	IDR 5,000,000	1	IDR 5,000,000	24	IDR 208,000
Total Depreciation Cost					IDR 581,000

Source: Data Processed 2024

2. Other Fixed Costs

Wifi costs are categorized as another fixed cost because MSMEs every month pay the same amount of wifi fees, which is IDR 300,000.

Name	Quantity per Month	Price/Day	Total per Month
Wifi		IDR 10,000	IDR 300,000

Source: Data Processed 2024

Analysis of Determining the Cost of Production in MSMEs Beranda Cafe

Determining the Cost of Production Using the Actual MSME Method

The determination of the cost of production of Beranda Cafe MSMEs is still incomplete and detailed. The costs calculated for production costs are raw material costs, direct labor costs, and factory overhead costs. However, in the calculation of factory overhead, it has not been done in detail, for example, the cost of depreciation and maintenance of equipment has not been included. The following is the determination of the cost of production according to the calculation of the MSMEs of the Beranda Café:

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Table 6. Determination of HPP according to MSME Calculation

It	Information	Total Cost
1	Raw Material Cost	IDR 51,840,000
2	Direct Labor Costs	IDR 6,720,000
3	Overhead Costs	IDR 32,760,000
	Production Cost	IDR 91,320,000
	Production Quantity	5000 servings
	Cost of Production	IDR 18,264

Source: Data Processed 2024

In the table, it can be seen that the production cost according to the calculation of the MSMEs of Beranda Café is Rp 91,320,000. The results were obtained from the sum of direct raw material costs, direct labor and factory overhead. Every month, 5000 portions are produced by Micro, Small, and Medium Enterprises (MSMEs) of Beranda Cafe. So the cost of production is obtained from the division between production costs and the amount of production, obtained Rp 18,264.

Determination of Cost of Production Using the Full Costing Method

Table 7. Determination of HPP using Full Costing

It	Information	Total Cost
1	Raw Material Cost	IDR 51,840,000
2	Direct Labor Costs	IDR 6,720,000
3	Variable Overhead Costs	IDR 32,760,000
4	Fixed Overhead Costs	IDR 881,000
	Project Costs	IDR 92,201,000

	Production Quantity	5000 Servings
	Cost of Production	IDR 18,440

Source: Data Processed 2024

In the table, it can be seen that the production cost according to the calculation of the Beranda Café MSMEs is Rp 92,201,000. The results are obtained from the sum of direct raw material costs, direct labor and variable factory overhead that have been separated from fixed overhead. Every month, 5000 portions are produced by Micro, Small, and Medium Enterprises (MSMEs) of Beranda Cafe. So the cost of production is obtained from the division between production costs and the amount of production, obtained Rp 18,440.

Comparison of Determining the Cost of Production According to MSMEs Beranda Cafe with the Full Costing Method

Table 8. Comparison of HPP Determination by MSMEs with Full Costing

Information	Determination of HPP According to MSMEs	Determination of HPP with Full Costing	Difference
5000 Servings	IDR 18,264	IDR 18,440	IDR 176

Source: Data Processed 2024

Based on the comparison table of determining the cost of production according to MSMEs Beranda Cafe and the full costing method, there is a difference of Rp 176/Pcs. This is because the full costing method of calculating the cost of production includes variable and fixed factory overhead costs. Meanwhile, according to the calculation of MSMEs, the Beranda Cafe does not include the overall cost.

MSMEs Beranda Café has difficulty calculating production costs and has not included all the elements of costs incurred in detail. Inaccuracies in the calculation of the cost of production are caused by the lack of knowledge of business people in determining production costs. MSMEs have not included depreciation or depreciation costs in their calculations, in the long run this will certainly be detrimental to MSMEs. This study confirms that MSMEs still carry out simple calculations without grouping costs related to the production process. The calculation of the production cost of MSMEs Beranda Cafe for 5000 portions per month using the MSME method which is actually Rp 91,320,000 and results in a cost of production of Rp18.264 Calculations based on the full costing method result in a production cost of Rp 92,201,000 and obtained a cost of production of Rp 18,440 according to MSMEs Beranda Cafe provides lower results than the full costing method. This happens because the full costing method includes all overhead costs, both

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variable and fixed. Although calculations using the full costing method produce higher results, the method is in accordance with generally accepted accounting principles. The full costing method also presents more complete and useful information in determining the selling price and can increase MSME profits.

Owners will also consider using the full costing method by factoring the depreciation cost of equipment into their calculations. Currently, each portion of Ayam Penyet is sold at a price of IDR 20,000 – IDR 30,000. The owner of MSMEs Beranda Cafe also stated that the difference of IDR 176 will not cause overcosting and will still get maximum profit. This is because MSMEs Beranda Café takes 40% of the HPP. Business owners will consider increasing the price by IDR 500 – IDR 1,000 per portion. This will be done when the New Year approaches, because there is usually an increase in the price of staples caused by the large demand in the market

Conclusion

Based on the results of the analysis of the determination of the cost of production in Micro, Small, and Medium Enterprises of Beranda Café, conclusions can be drawn. The calculation of the cost of production for Micro, Small, and Medium Enterprises still uses a simple method, namely by adding the cost of raw materials, direct labor costs, and overhead costs but not yet detailed. The calculation of the cost of production using the full costing method results in a higher cost of production of Rp176 compared to the calculation of the cost of production according to Micro, Small, and Medium Enterprises Beranda Cafe This is because, in the calculation with the full costing method, the overall cost is included, namely variable costs and fixed costs. Meanwhile, the calculation of the cost of production according to Micro, Small, and Medium Enterprises Conclusion Based on the results of the analysis of the determination of the cost of production in Micro, Small, and Medium Enterprises at the Beranda Cafe, conclusions can be drawn, the calculation of the cost of production of Micro, Small, and Medium Enterprises at the Beranda Cafe still uses a simple method, namely by adding the cost of raw materials, direct labor costs, and overhead costs but not yet detailed. The calculation of the cost of production using the full costing method results in a higher cost of production of Rp176 compared to the calculation of the cost of production according to the Beranda Cafe.

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