

COST OF GOODS ANALYSIS WITH THE FULL COSTING METHOD (Case Study: Gancang Kaduella Crackers)

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ABSTRACT

This study aims to analyze the determination of cost of goods using the full costing method. This method takes into account all production costs, both direct and indirect costs, to determine the cost of the product. This research will discuss the basic concept of the full costing method, its implementation in the business environment, and its advantages and disadvantages. The research methods used are literature study and data analysis. The data will be analyzed using a qualitative approach to provide a comprehensive understanding of the full costing method and its impact on the determination of the cost of product. The results of this study are expected to contribute to the understanding of the importance of the full costing method in determining accurate and relevant cost costs in the context of modern business. In addition, this research is also expected to be able to provide recommendations for business practitioners in implementing the full costing method effectively and efficiently.

Keywords: : cost of goods, full costing, production costs, cost management, decision making.

INTRODUCTION

One of the factors that affect economic growth in Indonesia is the involvement of Micro, Small, and Medium Enterprises (MSMEs). MSMEs, which are part of many businesses that are growing in Indonesia, are supported by the government. According to data submitted by the Ministry of Cooperatives and SMEs, there are currently 64.2 million MSMEs that contribute 61.07% to GDP, with a value of 8,573.89 trillion rupiah. The involvement of MSMEs in the Indonesian economy reached 97%, including in terms of labor absorption and managed to collect 60.4% of total investment.

Article 33 Paragraph 4 of the 1945 Constitution emphasizes that MSMEs are an important part of the national economy which aims to maintain economic independence and have great potential to improve people's welfare. The establishment of MSMEs is also considered a step by the government to deal with the problem of poverty and unemployment in Indonesia.

Despite having high economic potential, most MSMEs face many problems due to limited resources, such as lack of skills in the fields of accounting, management, finance, and human resources. One of the main weaknesses of MSMEs is the limitations in calculating the cost of production. If MSMEs do not calculate the cost of production



correctly, they can sell products at prices that are too high or too low in the market. This can reduce profits or even cause losses for MSMEs. Therefore, the determination of the cost of production is an important policy to provide MSMEs with the opportunity to get maximum profits (Eku et al., 2021). The determination of the cost of production is a crucial aspect in determining the selling price of products and plays an important role in calculating profit and loss during a certain period (Horngren, 2018). Therefore, a company must calculate the cost of production accurately and precisely (Apriliani, 2018). In determining the cost of production, there are various methods that can be applied, including the full costing method. Horngren (2018) explained that the full costing method is an approach to calculating production costs that involves all necessary costs such as raw material costs, direct labor, variable overhead costs, and fixed overhead costs.

One of the MSMEs that faces challenges in calculating the cost of production is Gancang Kaduella Crackers. According to reports, in the calculation of the cost of production, Gancang Kaduella Crackers are experiencing difficulties and have not managed to record all costs with the details incurred. This results in uncertainty whether the determination of the selling price of crackers can cover the costs that have been incurred. Although business owners assume that they have made a considerable profit, they have no clarity on this because they have not thoroughly calculated the cost of production. Thus, the information produced is not accurate enough in determining the selling price of products and the profits they earn. From the context of this background, the problem faced in this study is that Gancang Kaduella Cracker MSMEs have difficulty in accurately calculating the cost of production.

METHODS

In this study, the analysis was carried out by; n using qualitative descriptive methods. This approach involves processing, classifying, and comparing the collected data to draw conclusions. This method focuses on describing data obtained from interviews and observations with an emphasis on numerical data analysis. This research focuses on MSMEs Gancang Kaduella Crackers. The type of research conducted is a descriptive approach that aims to collect relevant information and data to explain the condition of the object being studied. The purpose of collecting information and data is to analyze all costs incurred by Gancang Kaduella Cracker MSMEs in determining the cost of production. The method used is observation or field research, with primary data sources obtained from interviews with owners of Gancang Kaduella MSMEs regarding the process of determining the cost of production and secondary data sources from the list of costs of Gancang Kaduella MSMEs.

RESULTS AND DISCUSSION

1. Profile of Kaduella Gancang Cracker Factory)

Factory Name: Gancang Cracker Factory" Overview: Kaduella Gancang Crackers is a business in the culinary field that utilizes crackers as its main raw material to produce Crackers with various topping variants provided. Micro, Small, and Medium Enterprises (MSMEs) Gancang Kaduella Crackers have been established for approximately three years since September 17, 2021, which was founded by Mr. Oong Abdurrahman. Gancang Cracker MSMEs are located in Kaduella village, Pasawahan District, Kuningan Regency. There are 9 employees who work every day at Gancang Kaduella Cracker MSMEs. Fans of this kaduella cracker are spread across several sub-districts. The products produced include shrimp crackers, potatoes, jengkol, and yeye crackers.

2. Definition of Cost of Production

The cost of production is the total cost incurred to produce goods or services in a certain period of time, including direct and indirect costs, and includes all costs related to the production process until it becomes a finished product (Horngren, 2018). Components in the cost of production include raw material costs, labor costs, and factory overhead costs (Anggreani & Adnyana, 2020).

Raw material cost refers to the expenditure needed by the company to meet the needs of raw materials in the production process. Direct labor costs are the costs incurred to pay workers who are directly involved in the production process. Meanwhile, factory overhead costs include costs related to the production process, but do not include the cost of raw materials and direct labor.

The main purpose of the cost of production is to determine the profit or loss generated in a certain period for entrepreneurs (Wiralestari et al., 2018). In addition, the determination of the cost of production also has other benefits, such as as a basis for determining the selling price of products, monitoring production costs in real-time, and determining the cost of finished product inventory and products in the process that will be recorded in the balance sheet (Hetika & Sari, 2019).

3. Calculation of Cost of Production

The calculation of the cost of production is the process of calculating all costs related to production activities. Two commonly used methods in calculating the cost of production are full costing and variable costing (Hasyim, 2019). The full costing method is an approach to calculating production costs that includes all related costs, such as raw material costs, direct labor, variable overhead costs, and fixed overhead costs (Horngren, 2018) However, variable costing is a method of calculating production costs that only includes variable costs into production costs, such as the cost of raw materials, direct labor, and variable overhead costs (Horngren, 2018). The difference lies in the imposition of overhead costs, where the full costing method will include fixed overhead costs while the variable costing method does not. This study calculates HPP using the full costing method because this method is able to comprehensively identify all costs involved in the production process, such as raw material costs, direct labor, and also overhead fixed costs. MSMEs need to learn how to manage their finances in a simple way, especially when it comes to the cost of production. Usually, MSMEs determine the cost of production by only adding up the cost of raw materials and labor, without taking into account factory overhead costs (Lestari et al., 2019). This can result in inaccurate calculation of the cost of production. Therefore, MSMEs must be able to calculate the cost of production accurately and accurately in order to obtain maximum profits.

4. Conditions of Cost of Production in Gancang Cracker MSMEs

Gancang Kaduella Cracker MSMEs calculate production costs by including raw material costs, direct labor, and factory overhead costs. However, the calculation is not complete and does not cover all costs. Gancang Kaduella Crackers only include variable overhead costs in its calculations and have not separated between factory and household expenses. The following is a breakdown of the production costs of Gancang Kaduella MSMEs.

a. Raw Material Cost

Expenditure on raw materials is the cost incurred by the company to purchase all the materials needed in the production process. Based on the results of interviews with micro, small and medium enterprises (MSMEs) owners of Gancang Kaduella Crackers, the following is data on the cost of raw materials every month.

Table 1. Of Total Raw Material Costs

Raw Materials	Purchase Price	Quantity Per Month (30 days)	Raw Material Cost
Flour	IDR 16,666.66	180 kg	IDR 3,000,000
Oil	IDR 18,000	210 liters	IDR 3,780,000
Tapioca	IDR 80,000	150 kg	IDR 12,000,000
Food coloring	IDR 6,000	900 pack	IDR 5,400,000
Potato	IDR 20,000	120 kg	IDR 2,400,000
Kitchen spices	IDR 100,000	120 kg	IDR 12,000,000
Jengkol	IDR 95,000	120 kg	IDR 11,400,000
Product cap	IDR 16,666.66	720 sheets	IDR 12,000,000
Shrimp	IDR 70,000	180 kg	IDR 12,600,000
Miscellaneous ingredients	IDR 100,000	150 kg	IDR 15,000,000
Total Raw Material Cost			IDR 89,580,000

Source: Secondary Data processed 2023

a. Direct Labor Costs

Direct labor costs refer to the expenditure to pay wages to employees who are directly involved in the production process. Gancang Kaduella Cracker MSME has nine employees with working hours divided between full-time and part-time. The following is data on the monthly direct labor costs incurred by Gancang Kaduella Cracker MSMEs.

Table 2. Direct Labor Cost Table

Part	Number of Workers	Wages Per day	Total Labor Cost Per Month (24 Days)
Full Time	5	IDR 130,000	IDR 15,600,000
Part Time	4	IDR 70,000	IDR 6,720,000
Total Direct Labor Costs			IDR 22,320,000

Sumber: Data Sekunder diolah 2023

b. Factory Overhead Costs

Factory overhead costs are production costs that are not included in the cost of raw materials and direct labor costs, but are still considered expenses incurred by the company. Gancang Kaduella Cracker MSMEs have not calculated overhead costs in detail. MSMEs have not calculated the depreciation cost of equipment and have not distinguished between the costs incurred for factories and the costs for household needs, especially the cost of electricity and LPG gas. The following is data on monthly overhead costs incurred by Gancang Kaduella Cracker MSMEs.

Table 3. Factory Overhead Cost Table

Name	Quantity Per day	Price	Total Per Month
LPG Gas	4	IDR 70,000	IDR 2,100,000
Electricity		IDR 26,000	IDR 800,000
Wifi		IDR 10,000	IDR 300,000
Oil	3kg	IDR 40,000	IDR 1,200,000
Product Cap	1 pack	IDR 3,000	IDR 90,000
		IDR 7000	IDR 210,000
Plasticizer	2 pack	IDR 10,000	IDR 300,000
Total Overhead Costs			IDR 5,000,000

Source: Secondary Data processed 2023

c. Variable Overhead Costs

It is assumed that 90% of the electricity cost is used for business and 10% for households, as business owners live alone and do not use much household appliances.

Meanwhile, the assumption of LPG gas costs is 90% used for business and 10% for households, with the use of nine hours for production activities and one hour for households. Therefore, the cost of LPG gas of 90% of Rp 2,100,000 is Rp 1,890,000, while the cost of electricity of 90% of Rp 800,000 is Rp 720,000

Table 4. Of Variable Overhead Costs

Name	Quantity Per day	Price	Total Per Month
LPG Gas	4	IDR 70,000	IDR 1,890,000
Electricity		IDR 26,000	IDR 720,000
Oil	3kg	IDR 40,000	IDR 1,200,000
Product Cap	1 pack	IDR 3,000	IDR 90,000
		IDR 7000	IDR 210,000
Plasticizer	2 pack	IDR 10,000	IDR 300,000
Total Overhead Costs			IDR 4,410,000

Source: Secondary Data processed 2023

d. Fixed Overhead Costs

1) Equipment Depreciation or Depreciation Costs

Depreciation costs are costs that occur 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 5. Of Equipment Depreciation or Depreciation Costs

Name	ACQUISITION PRICE Per unit	Sum	Total Acquisition Price	Age/ Monthly Economy	Depreciation Material /Month
Wok	IDR 150,000	3	IDR 450,000	6	IDR 75,000
Boiler	IDR 310,000	2	IDR 620,000	6	IDR 103,333.33
Stove	IDR 250,000	4	IDR 1,000,000	6	IDR 166,666.67
Blender	IDR 500,000	2	IDR 1,000,000	6	IDR 166,666.67
Tableware	IDR 50,000	80	IDR 400,000	6	IDR 66,666.67
Freezer	IDR 4,000,000	1	IDR 4,000,000	24	Rp.166.666,67
Oil drum	IDR 5,000,000	1	IDR 5,000,000	24	Rp.208.333,33
AC	IDR 3,000,000	1	IDR 3,000,000	24	IDR 125,000
Total Depreciation Cost					IDR 1,078,333.33

Source: Secondary Data processed 2023

2) Other Fixed Costs

The wifi fee is considered another fixed cost because Gancang Kaduella Cracker MSMEs pay a wifi fee of Rp 300,000 every month.

Table 6. Other Fixed Fee Tables

Name	Sum	Price/ day	Total Per Month
Wifi		IDR 10,000	IDR 300,000

Source : Secondary Data processed 2023

Analysis of Determining the Cost of Production in Kaduella Gancang Cracker MSMEs

a. Determining Production Costs with the Actual MSME Method

The determination of the cost of production of Gancang Kaduella MSMEs is still incomplete and detailed. The calculated costs for production costs include raw materials costs, direct labor costs, and factory overhead costs. However, the calculation of factory overhead has not been carried out in detail, such as not including the cost of depreciation and maintenance of equipment. Although the cost of electricity and cylinder gas is recognized, it is still combined with household burdens in the calculation. Below is the determination of the cost of production according to the calculation of Kaduella Gancang Cracker MSMEs:

Table 7. Of Determination of HPP according to MSME Calculation

No.	Information	Total Cost
1.	Raw Material Cost	IDR 89,580,000
2.	Direct Labor Costs	IDR 22,320,000
3.	Overhead Costs	IDR 5,000,000
4.	Production Cost	IDR 116,900,000
5.	Production Quantity	6600 Bks
6.	Cost of Production	IDR 17,712.12

Source: Secondary Data processed 2023

In this table, the production cost according to the calculation of Gancang Kaduella Cracker MSMEs reaches IDR 116,900,000. This figure is obtained from the total cost of direct raw materials, direct labor, and factory overhead. By producing 6600 Bks of Crackers per month, Micro, Small, and Medium Enterprises (MSMEs) of Gancang Kaduella Crackers obtained a cost of production of Rp17,712.12 per Bks.

b. Determination of Cost of Production Using the Full Costing Method

Table 8. HPP Determination Table using Full Costing

No.	Information	Total Cost
1.	Raw Material Cost	IDR 89,580,000
2.	Direct Labor Costs	IDR 22,320,000
3.	Variable Overhead Costs	IDR 4,410,000
4.	Fixed Overhead Costs	Rp.2,008,333.33
5.	Production Cost	IDR 118,318,333.33
	Production Quantity	6600 Bks
	Cost of Production	IDR 17,927.02

Source: Secondary Data processed 2023

In the table, the production cost according to the calculation of the Kaduella Gancang Cracker MSME is IDR 118,318,333.33. This amount is calculated by adding up the cost of direct raw materials, direct labor costs, and variable factory overhead separated by household expenses and fixed overhead. With a production of 6600 Bks of Crackers every month, Micro, Small, and Medium Enterprises (MSMEs) of Gancang Kaduella Crackers obtained a cost of production of Rp17,927.02 per portion.

c. Comparison of Determination of Cost of Production According to Kaduella Gancang Cracker MSMEs with Full Costing Method Comparison Table of HPP

Table 9. Determination by MSMEs with Full Costing

Information	Determination of HPP According to MSMEs	Determination of HPP with Full Costing	Difference
6600 Bks	IDR 17,712.12	IDR 17,927.02	Rp.214.9

Source: Secondary Data processed 2023

From the comparison table of determining the cost of production according to the Gancang Kaduella Cracker MSME and the full costing method, there is a difference of Rp 214.9 per unit. This difference is due to the fact that in the full costing method the calculation of production costs includes both variable and fixed factory overhead costs. On the other hand, according to the calculations of Gancang Kaduella Cracker MSMEs, the cost is not included in the whole and has not separated the burden between households and factories.

DISCUSSION

Gancang Kaduella Cracker MSMEs face difficulties in calculating production costs, where not all elements of the costs incurred are documented in detail. The lack of accuracy in calculating the cost of production is caused by the lack of knowledge of business people in determining production costs. MSMEs have also not recorded the depreciation or depreciation costs of equipment in detail, and have not separated the burden of factories and households. Overall, this can be detrimental to MSMEs in the long run. This finding is in line with the research of Lestari et al. (2019) which states that MSMEs tend to use simple cost calculations without sorting out costs related to the production process.

Using the actual MSME method, the calculation of the production cost of Gancang Kaduella MSME for 6600 Bks every month totals Rp116,900,000, resulting in a cost of production of Rp17,712.12. Meanwhile, with the full costing method, the production cost is IDR 118,318,333.33 with a cost of production of IDR 17,927.02. The calculation according to the Kaduella Gancang Cracker MSME gives lower results than the full costing method because full costing includes all overhead costs, both variable and fixed. Although full costing calculations produce higher yields, the method adheres to generally accepted accounting principles. The full costing method also provides more complete and useful information in setting the selling price and can increase the company's profit. Therefore, the determination of production costs should use the full costing method so that the calculation is more accurate because all costs are classified in detail (Anggreani & Adnyana, 2020).

Owners will also consider using the full costing method which includes the separation between the factory and household loads as well as the addition of equipment depreciation costs in the calculation. Currently, each Bks Cracker is sold at a price of IDR 20,000 to IDR 30,000. The owner of Gancang Kaduella Cracker MSMEs also stated that the difference of IDR 214.9 will not cause overcosting and will still get maximum profit. This is because Kaduella Gancang Cracker MSMEs earn a profit of 40% of the HPP. Business owners will also consider price increases of IDR 500 to IDR 1,000 per portion, especially ahead of the holidays, when there is usually an increase in the price of staples due to high 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 (MSMEs) Gancang Kaduella Crackers, it can be concluded that this company still uses a simple method in calculating the cost of production, namely only by combining the cost of raw materials, direct labor costs, and overhead costs without adequate details. By using the full costing method, the calculation of the cost of production produces a higher figure, which is equal to the calculation of the

cost of production according to the standards of Micro, Small, and Medium Enterprises (MSMEs) of Gancang Kaduella Crackers. This is because in the full costing method, all costs, including variable costs and fixed costs, are included in the calculation. However, the calculation of the cost of production according to the standards of Micro, Small, and Medium Enterprises (MSMEs) of Kaduella Gancang Crackers does not include a complete breakdown of costs and has not differentiated between factory expenses and household expenses.

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