
Analysis of Selling Price in Profit Planning in Dishcaven Malang

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Abstract: *This research was conducted to find out whether setting selling prices at the Dishcaven Malang convection business is effective for profit planning. The data analysis method used is calculating profit determination using the full costing method. Based on the calculation results, it was found that the product selling price applied by Dishcaven turned out to have a difference with the selling price determined using a full costing approach with a mark up value of 24%. Apart from that, the calculation for determining the selling price at Dishcaven turns out to be lower than the total selling price calculated based on the formula for determining the selling price which is determined with a mark up value of 24%, so the profit obtained is not yet maximized. Through the results of this research, Dishcaven should be able to determine product selling prices based on factors that are directly related to the entire product purchase price, sales costs, expected profit amount so that the right selling price is obtained and Dishcaven should be more precise in its calculations. The selling price of the company's products with the correct mark up percentage includes operating costs and the desired profit amount using accounting approaches so that the profit obtained is maximized.*

INTRODUCTION

In the business world, competition is very common, tight business competition requires each company to compete with each other, so each company needs to pay attention to effectiveness and efficiency and must have its own strategy in marketing its production to achieve the goals set by the company.

For this reason, the company must have the right strategy to achieve these goals. Almost all companies in Indonesia, both manufacturing companies and service companies, have experienced the impact of the post-pandemic economic crisis. There are several things that pose a threat to the survival of the company. One of them is people's declining purchasing power.

Year after year there is a positive thing that there are so many new businesses emerging ranging from small to large scale with a variety of products and services offered. Every individual and group is currently trying to increase their income by opening a small business. However, there is a very unfortunate thing, namely along with the increase in the number of small businesses, the death rate of newborn small businesses is also quite high when compared to small businesses and large businesses.

In their production activities, there are also many MSME players who have not identified the production costs that arise. With the lack of all information related to production costs, the process of calculating the cost of goods produced cannot be applied correctly. Although some companies have calculated the cost of goods produced, the calculation of the cost of goods produced is inaccurate and will affect many policies, ranging from decision making, determination of selling prices to the level of profit expected by the company.

Since 2019, precisely in the city of Malang, there is one of the developing MSMEs, namely Dishcaven. This MSME is engaged in the production of plain clothes such as basic t-shirts and polo. This dishcaven also accepts orders with various designs and models desired by its customers. This plain clothing product from Dishcaven has high quality at prices that can be reached by all levels of society, with all the advantages possessed by Dishcaven, this one MSME has competitiveness with similar companies both in Malang City and in the National arena.

Dishcaven has been producing according to the amount of stock for stock in stores and producing according to incoming orders and has tried to calculate the cost of goods produced, but still not in accordance with the accounting theory that should be. Many of the costs that should be charged are not included in the calculation of cost of goods produced given the price competition that makes Dishcaven make competitors' prices as reference prices in order to continue to compete with Awesome and Y&S.

The price set by Dishcaven of thirty-eight thousand rupiah is the price for plain t-shirts that are stock and store displays, while the price of ordered t-shirts is different because it uses t-shirt materials and models according to consumer demand. In determining the price of t-shirts, Dishcaven calculates the purchase price of fabric materials with labor costs without taking into account the cost of electricity and other small materials, after getting the calculation of raw materials and labor, Dishcaven only takes profits based on additional nominal rupiah so that it can still compete with competitors in Malang City in particular.

Dishcaven often neglected the recording process according to the usual accounting system, especially in terms of grouping and recording production costs and other non-production costs. As a result, the actual costs incurred by the company are not calculated and do not become a component of the cost of goods produced that is determined even though it greatly affects the calculation of the cost of goods produced.

THEORETICAL BASIS

Definition of Budget

M. Munandar (2001), stated that the Budget is a plan that is prepared systematically, which includes all company activities expressed in monetary units and valid for a certain period of time (period) to come.

Mulyadi (2001) stated that the budget is a work plan expressed quantitatively, which is measured in standard monetary units and other units of measure covering a period of one year.

M Nafarin (2004), defines the budget as follows: Budget is a periodic financial plan prepared by programs that have been ratified. A budget is a written plan about an organization that is expressed quantitatively and is generally expressed in money over a period of time.

Uses and Benefits of Budget

According to M. Nafarin (2004), budgets can function or be useful as; planning function, execution function, and bidding function.

According to M. Munandar (2001), budgets can function or be useful as; Work guidelines, work coordination tools, and work supervision tools.

Understanding Price and Cost

According to Alma (2010) price is an attribute inherent in an item, which allows the item, can meet needs, *wants*, and satisfy consumers (*satisfaction*).

According to Alma (2011), price is a monetary unit or other measure (including other goods and services) that is exchanged in order to obtain ownership rights or use of goods and services so as to cause consumer satisfaction.

Purwanto (2020), explained that cost is a sacrifice of economic resources to achieve certain goals that are beneficial now or in the future.

Mulyadi (2001) Cost is a sacrifice of economic resources measured in units of money that has occurred or is likely to occur for a specific purpose.

Cost of Goods Produced

Permana (2020) with his opinion that the cost of goods produced is the cost used during the production process, where these costs include raw material costs, labor costs, and factory overhead costs.

Anggraeni et al (2020) expressed their opinion that the cost of goods produced is the total cost incurred to process raw materials into finished goods.

Minum, et al (2021), explained that the cost of goods produced is a sacrifice of economic resources measured by units of money that has occurred to earn income so that information about the cost of goods can be used as a basis for determining the selling price of products in addition to being the basis for determining policies in company management.

Cost of Goods Produced

Two approaches that can be used in calculating cost elements into the cost of goods produced according to Wijaya (2018), namely *the full costing method* and *the variable costing method*.

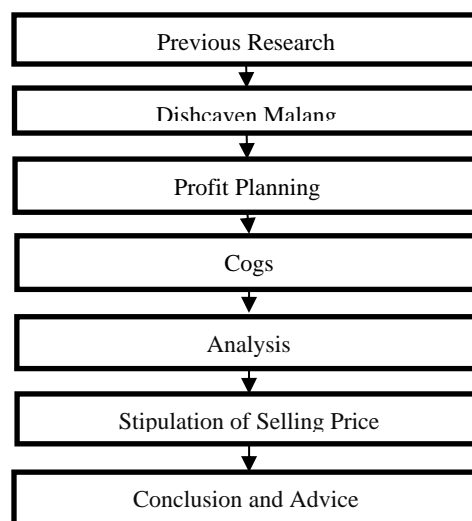


Figure 1. Conceptual Framework

RESEARCH METHODS

This research uses methodology quantitative descriptive approach, quantitative research analysis measured in numerical scale or numbers, quantitative analysis carried out by the author is to calculate the cost of goods produced in Dishcaven Malang. data that obtained in research this is source data internal where research obtained data from person in charge finance Malang.

RESULTS AND DISCUSSION

Determination of Selling Prices at Dishcaven Malang

The calculation of determining the selling price of t-shirts on Dishcaven is carried out in the following way:

Table 1. Determination of Selling Prices at Dishcaven Malang

Information	Unit	Unit price	Unit	Total cost
Cost of raw materials				
Cloth	1 roll (25kg)	IDR 2,737,500		IDR 2,737,500
Rib	1 kg	IDR 140,500		IDR 140,500
Postage	1 kg	IDR 40,000		IDR 1,000,000
Labor Fee				
Cut	1 T-shirt	IDR 1,500	120	IDR 180,000
Sew	1 T-shirt	IDR 3,500	120	IDR 420,000
Finishing	1 T-shirt	IDR 2,000	120	IDR 240,000
Total cost of raw material+labor				IDR 4,718,000
Overhead costs				
Thread	1 pack	IDR 300,000		
Depreciation		IDR 10,000		
Electricity		IDR 650,000		
Total biaya Overhead				IDR 960,000
Total cost of production				IDR 5,678,000
COGS				IDR 47,317

Source: Dishcaven (2023)

As for the determination of the selling price applied by Dishcaven, namely by adding the cost of goods produced with the desired profit (not a percentage), Dishcaven determines the cost of goods produced for each unit of plain t-shirts of Rp. 47,000, - then the profit is *marked up* of Rp. 3,000, - then the selling price for each unit of plain t-shirts is Rp. 50,000, -

Dishcaven Income Statement February 2023

In February 2023, Dishcaven produces *basic* plain t-shirts with a total production of 480 shirts. The selling price for 1 t-shirt is Rp. 50,000,-. In February 2023, the profit earned by Dishcaven in producing T-shirts is as follows:

Table 2. Dishcaven Income Statement February 2023

Dishcaven Income Statement		
Sales	480 t-shirts x IDR 50,000	IDR 24,000,000
Production Cost:		
Cost of Raw Materials	IDR 18,952,000	
Direct Labor Costs	IDR 3,360,000	
Overhead Costs	IDR 1,860,000	
Marketing Costs	IDR 150,000	
Cost of Goods Produced		(IDR 20,882,000)
Net Profit		IDR 3,118,000

Source: Dishcaven, Februari 2023

In February Dishcaven earned a net profit of Rp. 3,118,000 for the sale of 480 plain t-shirts for Rp. 50,000, with a cost of production of Rp. 20,882,000.

Calculation of Selling Price Using *Full Costing* Method

In calculations using full costing, cost elements are needed to determine the selling price, where the cost elements in question are production costs and non-production costs. Production costs in February 2023 are as follows:

Table 3. Production costs in February 2023

No	Information	Units produced	Unit cost	Sum
1	Cost of raw materials	480	IDR 32,317	IDR 15,512,000
2	Direct labor costs	480	IDR 7,000	IDR 3,360,000
3	Factory overhead costs			IDR 2,010,000
	Total cost of production			IDR 20,882,000

Source: Dishcaven, Februari 2023

The costs incurred by Dishcaven to produce 480 shirts include raw material costs, direct labor costs and factory overhead costs, where the total production cost in February 2023 is Rp.20,882,000.

The calculation of full cost elements using the *full costing* approach can be seen in the following table:

Tabel 4. The calculation of full cost elements using the full costing

Cost of Raw Materials	IDR 15,512,000	
Direct Labor Costs	IDR 3,360,000	
Overhead Costs	IDR 2,010,000	+
Total Cost	IDR 20,882,000	
Manufactured units	480pcs	:
Full cost per unit	IDR 43,504	

Source: Data prosesseed (2023)

After knowing the cost for each unit of t-shirt produced, the *markup* calculation will then be carried out where the expected profit is 10% with an investment value of Rp. 50,000,000, - namely:

$$\% \text{ mark up} = \frac{(\text{Target Investasi}) + (\text{Biaya pemasaran})}{(\text{Total unit produksi}) \times (\text{Biaya penuh per unit})}$$

$$\% \text{ mark up} = \frac{(10\% \times \text{Rp. } 50.000.000) + (\text{Rp. } 150.000)}{(480) \times (\text{Rp. } 43.504)}$$

$$\% \text{ mark up} = \frac{(\text{Rp. } 5.000.000) + (\text{Rp. } 150.000)}{\text{Rp. } 20.882.000}$$

$$\% \text{ mark up} = \frac{\text{Rp. } 5.150.000}{\text{Rp. } 20.882.000}$$

$$\% \text{ mark up} = 0,24 = 24\%$$

After obtaining a markup percentage of 24%, the selling price of plain t-shirts per unit is searched by calculating in the following table:

Table 5. Price of plain t-shirts per unit

Total Production Cost	IDR 20,882,000
Markup	24% x IDR 20,882,000
Total selling price	IDR 25,893,680
Manufactured units	480pcs
Selling price per unit	IDR 53,945

Source: Data prosesseed (2023)

With this selling price, the next step is to calculate profit and loss in the February 2023 period which can be seen in the following table:

Table 6. Calculate profit and loss in the February 2023

Sales	480 t-shirts x IDR 53,945	IDR 25,893,600
Production Cost:		
Cost of Raw Materials	IDR 15,512,000	
Direct Labor Costs	IDR 3,360,000	
Overhead Costs	IDR 1,010,000	
Marketing Costs	IDR 150,000	
Cost of Goods Produced		(IDR 20,882,000)
Net Profit		IDR 5,011,600

Source: Data prosesseed (2023)

Based on the calculations that the author did, the comparison of selling prices for the production of plain t-shirts in February 2023 set with a *full costing* approach on Dishcaven is as follows:

Table 7. The comparison of selling prices for the production of plain t-shirts in February 2023

Dishcaven T-shirt selling price	Rp. 50.000
The selling price of t-shirts based on the <i>full costing</i> approach	Rp. 53.945
Difference in selling price	Rp. 3.945

Source: Data prosesseed (2023)

CONCLUSION

The selling price set by Dishcaven is only based on the market price so that the profit obtained is not maximized. The calculation of the selling price based on the full costing approach found a mark up of 24%, where by using the selling price with this approach the profit obtained by Dishcaven can be maximized.

Based on the results of the study, data analysis and conclusions that have been obtained in this study, there are several suggestions, among others, for Dishcaven can determine the selling price of the product set based on factors that are directly related to the entire purchase price of the product, sales costs, the amount of profit expected so that the right selling price is obtained. Furthermore, researchers are expected to use other accounting approaches in determining the selling price of a company's products so that references in determining product selling prices in order to get maximum profit are more.

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