

# Analysis of Calculation of Cost of Production Based on Orders by the Full Costing Method on the CV. Citra Karya Media

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## ABSTRACT

This study aims to analyze the calculation of production costs in determining product prices by CV. Citra Karya Media with the full costing method. The problem in this study is "What is the cost of production in determining the price of goods sold in refrigerator products that meet all elements using the full costing method in CV Citra Karya Media? This calculation aims to determine the cost of goods manufactured Cabinets calculation calculated by CV Citra Karya Media by using the full costing method Types of data used are quantitative and qualitative data Data sources used are primary data and secondary data data collection techniques using interviews, documentation, and observation. The analysis method used is descriptive analysis. This results indicate that the costs are not calculated by the company in accordance with the full cost theory, some costs that are not calculated by the company such as indirect labor costs, electricity costs, property taxes, and building depreciation. Therefore it is important for the management of CV. make the right decision.

**Keywords :** Production Costs, Full Costing Method, Selling Products.

## INTRODUCTION

As we know that the main purpose of the company is profit, because of that marketing aspects are absolutely necessary to maintain the survival of the company. In an attempt to dominate the market, the company must increase its efficiency and productivity so that the ability to get profits from investments made will increase. One of the most important functions of a company and needs special attention in managing a business is the production function. In this function, the production activities are carried out, namely processing raw materials into semi-finished products or finished products which raises a number of elements of production costs that make up the cost of production (Lastianti et al., 2018).

Determination of the appropriate cost of production is very important, because the selling price of products determined by the company depends on the size and small of the cost of production. Companies must be more careful and detailed in the preparation of financial statements, especially those relating to production costs to avoid deviations and waste of costs in the production process.

In determining the cost of production there are two approaches, namely the method *full costing* and the approach *variable costing*. approach *Full costing* is an approach that takes into account all

elements of production costs both those that behave in a fixed manner and those that behave in a variable manner. While the approach *variable costing* is that only takes into account the elements of production costs that behave in variable variables in determining the cost of goods sold.

During this time, the business of reski source furniture has not yet applied the method analysis *full costing*. This business is usually done in calculating the cost of goods and the selling price of its products is done by a method that is relatively very simple and has not applied the calculation of the cost of production in accordance with the rules of cost accounting. This plant has not included all the elements of the costs incurred in detail in the production process. In addition, it has not calculated all the costs *overhead* factory in detail and has not fully paid attention to the costs *overhead* factory. Then, using this method in calculating and determining the selling price of a factory product will produce inaccurate and accurate information in determining the cost of production and the selling price.

### **Cost Definition The**

term cost is generally used to sacrifice economic benefits to obtain services that are not capitalized in value. Expenses represent costs that cannot provide future benefits, or are identical to costs or acquisition costs that have expired. With regard to the latter limitation where there are costs that are directly treated as expenses in conventional financial reporting, the term cost is often used interchangeably with the term expense (Samryn, 2012).

Amin (1993: 7) The cost or *cost* is the value of the sacrifices made (a benefit that is given) to obtain goods and services. Can be measured in rupiah by reducing assets or creating debt. Lukman (2013: 4) "divided in two broad and narrow terms, in the broad sense, Cost is the sacrifice of economic resources (scarcity) measured in units of currency that have occurred or are likely to occur in achieving certain goals (*to secure benefit*). In a narrow sense, cost is the portion of the base price that is sacrificed in an effort to earn income. According to Usry (1997: 19) Costs are costs that have been used up (*Expired costs*) that can be deducted from income or expenses, which is the outflow of goods or services that will be dibeben / compared (*matching*) with revenue to determine profit.

Mulyadi (2000: 8-10) classifies the notion of cost into a broad and narrow sense. Cost in a broad sense is the sacrifice of economic resources measured in units of money that have occurred or are likely to occur for a particular purpose. While the cost in the narrow sense is the sacrifice of economic resources to obtain assets.

### **Cost Classification**

According to Mulyadi (2000: 14-17) uses costs in five categories of cost according to:

1. Expenditures

Objects Expenditures are the basis for classifying costs. For example the name of the object of expenditure is fuel, so everything related to fuel is called the cost of fuel.

#### 1. Main Functions in Companies

The main functions in the company generally consist of production functions, marketing functions, administrative functions and general. Based on the company's functions, the costs incurred are grouped as follows:

- a. Production costs are all related to the production function or the classification of raw materials into finished products. Production costs are classified into raw material costs (BBB), direct labor costs (BTKL), costs *overhead* factory (BOP)
- b. Marketing costs, namely costs in the context of the sale of finished production up to the collection of receivables into cash, these costs include costs to carry out functions.
- c. Administrative and general costs are all costs associated with administrative and general functions. These costs are incurred by determining policies and carrying out company management activities including salaries for the president director, secretary personnel and so on.
- d. Financial costs are costs incurred in carrying out financial functions such as interest costs.

#### 2. The relationship of costs with a financed is divided into:

##### a. The direct costs (*direct costs*)

is the cost incurred and identifiable benefits to the cost of the central object.

##### b. Indirect (*costs indirect costs*)

Namely costs incurred / benefits can not be identified on the object or cost. Direct costs and indirect costs can be linked or can be associated with products, parts of the company, which is in the form of an income center. To expand production costs, the departments in the company are divided into production departments, and supporting departments. Associated with the classification of departmental direct costs and departmental indirect costs.

#### 3. Behavioral costs associated with the volume of activities in a company are distinguished on:

##### a. Fixed costs

##### b. Variable costs

The criteria for fixed cost types are as follows:

The total amount remains constant, not renewed by activities or activities to a certain degree.

- b. The number of units will vary inversely with changes in the volume of activities, the higher the volume of activities the greater the unit costs.

#### 4. Benefits period

The classification of these costs is in line with the type of expenditure charged for expenses. Capital expenditure is a person who has a benefit of more than one accounting period, these expenses when incurred are charged as the cost of assets and charged to years enjoyed by depreciation, depletion

and amortization. Accounting periods that enjoy benefits are burdened with depreciation costs, depletion costs and amortization.

### **c. Definition of Cost of Production**

According to Supriono (1995: 20) the cost of goods sold or acquisition price is the amount exact measured in units of money in the form of:

- Cash paid
- Value of other assets submitted / in a relationship
- Value of the service delivered or in a correlation
- capital

Adding Mulyadi (2002 in Nur Lena 2013) said that the basic price is the sacrifice of an economic source that will be measured by the money that has occurred to obtain assets or indirectly to obtain income.

Mardiasmo (2000: 20) defines the cost of production which is a combination of three cost elements, including raw materials, direct labor costs and costs *overhad* factory in shaping production.

According to Bastiandan Nurlala (2009: 49) the cost of production is a collection of production costs consisting of direct raw materials, direct labor and costs *overhead* factory plus inventory of products in the initial process and less inventory of products in the final process. The cost of production is related to a certain time period.

### **The Elements of Cost of Production**

According to Supriono (1995: 20) in the outline of the elements of the cost of production can be classified in 3 (three) categories:

#### 1. Raw material

costs 2. Direct labor and costs 3. *overhead* Factory

costs Costs Raw material is material that will be processed into finished product material and its use can be identified to be an internal part of a particular product or raw material cost is the price of raw material used in the classification of products.

Direct labor is all employees directly involved in the production process to produce finished products, whose services can be directly investigated on the product.

cost *overhead* Factory is the cost of production in addition to the cost of materials and direct labor costs.

### **a. The Purpose of Determining Cost of Products**

According to Mulyadi (2001: 173) the purpose of determining the cost of goods is:

#### a. To Determine the Sales Price

If an item is first brought to the market for the first time, the cost of production as the main basis for determining the sale price, the producer will not produce if only the sale is lower than the base

price. Conversely, producers will produce goods if the selling price is higher than the price of the product.

b. To determine the efficiency of a company

by comparing the historical cost of goods can be known whether or not a company is efficient. If the historical cost of goods is higher than the standard cost of goods, then this means that the company works inefficiently.

c. To Determine the policy in Sales

Determination of cost of goods is also a tool to find out whether a policy in sales must find a particular marketing channel that has the lowest possible selling price.

#### **b. method *Full costing***

According to Mulyadi (2000: 18) says that the method *full costing* is a method of determining the cost of production that takes into account all elements of production costs, which consist of raw material costs, direct labor costs, costs *overhead* variable factory or fixed behavior.

#### **c. Method *Variable Costing***

According to Mulyadi (2000: 20) *Variable Costing* is a method of determining the cost of production which only takes into account variable production costs into the cost of production, which consists of raw materials, direct labor costs and costs *overhead* variable factory.

## **RESEARCH METHOD**

### **1. Types of Data**

Quantitative Data is data in the form of figures obtained directly from the Furniture Business CV. Citra Karya Media such as costs associated with activities within the company.

Qualitative Data is data that is not numbers but is information obtained from employees or company leaders about the state of the business furniture CV. Citra Karya Media such as a brief history of the company, company structure.

### **2. Data Sources**

Primary data, data directly obtained from research objects which can be in the form of interviews that provide information both written and oral, regarding the calculation of production costs in determining the selling price of production.

Secondary data, i.e. data obtained from literature and other places which can be in the form of document data referred to in it quantitative data.

### **3. Data collection techniques**

In the preparation of this study, the data collection methods used by the study are:

a. Interview, namely conducting question and answer directly to the parties authorized to provide data and explanations relating to the problem being discussed.

- b. Documentation which includes recording and collecting data by taking documents or data that have been archived by the company for later analysis.
- c. Observation is a way to collect data using eyes without the help of other standard tools for this purpose.

## RESULTS AND DISCUSSION

### ProductionThe production

Processprocess includes the activity of changing raw materials or semi-finished materials into finished materials, through transformation using resources. Resources used include half-processed materials, machinery and other equipment, as well as skilled and quality human resources.

#### a. Company Data, Mini 2 Door Wardrobe and 3 Door Decorative Wardrobe Products in 2016

Riski source furniture business is a company that manufactures various forms of cabinets with teak wood raw materials. Because teak is the type of wood most in interest because of the most beautiful fiber and testure, resistant to mold and termites.

#### b. Calculation of Cost of Production According to the Company In the Mini 2 Door Wardrobe and 3 Door Decorative Cabinets in the Year, 2016

Calculation of the two types of cabinets namely wardrobe and three-door decorative cabinets, the material used for making cabinets is teak wood, and labor salary is directly adjusted how many days the processing takes place. For more details can be seen in appendix 1 and 2. The cost of production can be known the amount of the total production costs incurred production to produce a product. *Full costing* is one method of calculating cost of goods that takes into account all elements of production costs into the cost of production, which consists of the cost of raw materials, direct labor costs, and factory overhead costs, both those that behave fixed or variable.

##### a. Cost of Raw

Materials The main raw material used to make cabinets at reski source furniture, Konawe Selatan Regency is teak wood, in this case semi-finished products. Cabinets produced consist of various types of cabinets, the cost of raw materials for 1 unit of 2-door mini wardrobe and 3-door decorative cabinet issued by reski source furniture reski konawe south can be seen as follows:

##### 1. Purchase of raw materials for mini wardrobe 2 door

The raw material used by the furniture business CV. Citra Karya Media for the manufacture of two-door mini wardrobe is teak wood with a cash purchase of Rp. 2,000,000 / cubicRp

Journal:.

Raw Materials	2,000,000, -
Cash	Rp. 2,000,000, -

(journal to record material purchases raw 2-door mini wardrobe in cash)

2. Purchase of raw materials for 3-door decorative cabinets

The raw materials used in furniture business furniture CV. Citra Karya Media for the manufacture of one unit of the three-door dresser is teak with a cash purchase of Rp.2.000.000, -

Journal:

Raw materials Rp.2.000.000, -

Cash Rp.2.000.000, -

1. Journal for purchase raw materials for 3-door cabinets in cash) Journal for the use of raw materials for 2-door mini cabinets for Rp.666,666

Goods in process Rp.666,666

Raw materials Rp.666,666

2. Journal for the use of raw materials for 3-door cabinets for Rp. 1,000,000

Work in progress Rp. 1,000,000

Raw materials Rp1,000,000

.b. Direct Labor

Direct labor costs are calculated based on the actual costs incurred used to produce the product. The wage system implemented by the CV furniture. Citra Karya Media is a daily wage system that is received by the production department workers every day. The long working hours imposed by the furniture CV. Citra Karya Media starts from 07.30, 11.45 hours and 13.00 starts working until 17.00 WITA. With the number of employees 2 people with a daily salary of Rp. 80,000 / person. Direct labor costs that must be incurred by the company each day are (2 people x Rp. 80,000) = Rp. 160,000. for three-door wardrobe and decorative cabinets for direct labor costs are as follows:

1. Direct labor costs for 2-door mini

wardrobe The wardrobe is done by 2 workers within 3 days, with a salary of Rp. 80,000 / day = Rp. 480,000 for two

journals:

Salary expenses Salary Rp.480,000

expenses to be paid Rp.480,000 (For payment of salaries per unit of wardrobe)

2. Direct labor costs for 3-door decorative cabinets 3-door

decorative cabinets worked by 2 workers with time 4 days, with a salary of Rp. 80,000 / day = Rp. 640,000 for 2 people.

Journal:

Salary expense of Rp. 640,000

Salary costs to be paid Rp. 640,000 (for payment of salaries per unit of three-door wardrobe)

c. Use of Costs *Overhead* Factory

overhead costs are costs that indirectly affect the production process. Factory overhead costs are the entire costs in addition to direct raw material costs and direct labor costs

**c. Calculation of Cost of Production Using Method *Full Costing* the Actual in 2 Door Mini Cabinets and 3 Door Decorative Cabinets in Year, 2016**

In February the furniture business sold 5 units of 2 door mini cabinets with the basic price of the unit at Rp.1,741,034 at a price selling the unit for Rp. 1,800,000. To produce a mini 2-door wardrobe requires direct raw material costs Rp.3,333,330, direct labor costs Rp.2,400,000, factory overhead costs Rp. 2,738,440, non-production costs Rp.233,400 resulting in a basic price of Rp.8,705,170, while the total selling price of the 5-door mini cabinet of 5 units was Rp.1,800,000 x 5 = Rp.9,000,000 so the sale experienced a profit of Rp.9,000,000 - Rp.8,705,170 = Rp. 294,830 / month: 5 = 58,966 (per unit)

Inventory of finished products	Rp. 8,705,170
Goods in process- Direct raw material costs	Rp. 3,333,330 Work
in process - Direct labor costs	Work 2,400,000
in process -costs <i>overhead</i> Factory	2,738,440 Work
in process - Non-production costs	233,400

(for the use of production costs for 2-door mini wardrobe / February)

Cost of goods sold	Rp. 8,705,170
Finished product inventory	Rp. 8,705,170
Cash	Rp. 9,000,000
Sales proceeds	Rp. 9,000,000

**d. Analysis of Results of Calculation of Cost of Production between the method *full costing* Company's *full costing* and the actual**

Based on table 4.25, it can be seen that in January the furniture business sold 8 units of 3-door decorative cabinets with the base price of Rp.2,202,700 with the selling price the unit is 2,700,000. To produce a 3-door cabinet requires the cost of raw materials Rp. 8,000,000, direct labor costs Rp. 5,120,000, factory overhead costs Rp. 4,304,080 non-production costs Rp.175,920, resulting in a basic price of Rp. 17,621,600, while the total selling price of the 3-door cabinet of 8 units is Rp. 2,700,000 x 8 = 21,600,000 so the sale experienced a profit of Rp. 21,600,000 - Rp.17,621,600 = Rp.3,978,400

Finished product inventory	Rp. 17,621,600,
Goods in process- Direct raw material costs	Rp. 8,000,000,
Goods in the process - Direct labor costs	5.120,000,
Goods in the process -costs <i>overhead</i> Factory	4,304,080,
Goods in the process - Non-production costs	197,520,

(for the use of the cost of producing 3-door decorative cabinets / january)

Cost of goods sales of	Rp. 4.304.08
Finished product inventory	Rp. 4,304.08
Cash	Rp. 21,600,000
Proceeds from sales of	Rp. 21,600,000

## CONCLUSIONS

The costs calculated by the company are not in accordance with theory *full costing* actual, there are some costs that are not calculated by the company such as electricity costs, land and building taxes, and depreciation costs of buildings where the company incurred but not burden the product. The calculation of the cost of production using the method *full costing* calculated by the company is lower than the calculation using *full costing* the actual. The selling price of a 2 door mini wardrobe applied by the furniture business CV. Citra Karya Media resulted in a relatively small profit of 3.74% per quarter while the selling price applied to the 3-door decorative cabinet in the furniture business of CV. Citra Karya Media gets a profit of 18.41% per quarter.

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