

Production Cost Analysis Using Target Costing Method In Order To Increase Profit In Ud. Crackers Bagong

Stevanus Gatot Supriyadi¹ and Nanda Nikmaturohma²

¹University of Kahuripan, Kediri, Indonesia
stevan.gatot@gmail.com

²University of Kahuripan, Kediri, Indonesia
nandarohma@gmail.com

Abstract: This research has the aim of explaining what the application of the target costing method is like as a form of business in minimizing production costs in order to get maximum business profits at UD. Bagong crackers. The target costing method is used in an effort to reduce the cost of production costs set by the company in obtaining the desired profit calculation. Goal costing is a method of costing and profit planning that focuses on products that take into account the manufacturing process, design before starting the product process and design in order to achieve the goal of increasing business to reduce operating expenses in the future. This research method uses qualitative research and a descriptive analysis approach. Data collection techniques used in this study are observation techniques, interview techniques and documentary techniques. From the results obtained, target costing is considered to help UD. Bagong crackers because they achieved the desired profit target, which was up from the previous result of 4% of sales and from the comparison results using the previous method, namely the value engineering process, the target costing method could help UD. Bagong crackers save as much as IDR 513,000 per production.

Keywords: target costing; production cost; profit

1. INTRODUCTION

Increasingly high business competition requires entrepreneurs to be able to manage company management and take appropriate actions so that their business runs well. A well-run business is reflected in the company's goals that can be realized. then in order to achieve these goals, the company is expected to be able to produce products that can compete, such as by creating good product innovations and paying attention to the cost of production and the selling price of the product (Caroline and Wokas 2016).

One way to maximize profits is to plan production costs efficiently and effectively which can reduce production costs. According to Sumakul, Manossoh and Mawikere (2018)

Production costs are costs that are directly connected to the production process and will be met with income in the period the product will be sold. The calculation of production costs is carried out from the beginning of processing to finished or semi-finished products. Production costs consist of 3 components, namely direct materials, direct labor, and factory overhead costs.

In this case, the ways that can be applied to help business owners do things to make a profit are to apply the target costing method. According to Mahsunah and Hariyati (2021), target costing is the process of determining the cost that is maximized in the manufacture of new products, then continuing to make product development plans that provide benefits at a predetermined maximum cost. The target costing method is used as an effort to reduce production costs as determined by the company to obtain the desired profit calculation. Profit is the money earned from running a business after taking into account all expenses. As according to Pusung (2019), stating that profit is obtained by subtracting operating costs from gross

profit. So it can be concluded that target costing is a method with a process profit planning and process forms manage costs that focus on the main product itself by considering production processing, which allows the target costing method to be applied by the company before designing the product and the initial design of the product to achieve the goal of business improvement to reduce the number of operational costs of the product in the future.

UD. Kerupuk Bagong is a privately owned business of Mr. Suhada which is engaged in the cracker industry in which it processes semi-finished crackers which are then fried and packaged to be ready to be marketed. In this study, we try to apply the target costing method, if later in the research it produces good results, of course in the future it will be able to help UD management. Bagong crackers to optimize profit by streamlining production costs. The hope is that by using this method you want to determine the selling price appropriately so that the costs incurred in producing the product are controlled, so that it can be seen the amount of costs incurred to earn a profit.

2. METHOD

This type of research uses qualitative research with a descriptive analysis approach. Data collection techniques in this study include: Observation, Interview, Documentary. The types of data consist of: Quantitative data, in the form of data relating to the determination of the cost of the product in this case the cost of production. Qualitative data, consisting of factory description, business structure, and other available information.

The analysis techniques in this study are: Collecting data that has a relationship with the target costing, proceeding to obtain data from the company about company information, production and non-production costs and other supporting

data, then the process of evaluating and carrying out steps in the application of cost stages objectives, as well as draw results and then submit suggestions that can be used as input for company management.

3. RESULT

In the process of implementing target costing, the company first describes the costs calculated by the company in the production process, namely collecting manufacturing expenditures such as labor, direct raw materials & factory overhead including auxiliary materials (oil, wood and LPG), expenses electricity, water & telephone, transportation fees and expenses for packaging materials in one day for the period of 6 April 2022. as in the following data

Table 1 List of Raw Materials UD. Bagong crackers April 6, 2022

Cracker name	Amount	Price	Total price
Crackers with small onions	150Kg	Rp 15.000 ,-	Rp 2.250.000 ,-
Crackers with big onions	150Kg	Rp 15.000 ,-	Rp 2.250.000 ,-
Iris Rambak crackers	50Kg	Rp 13.000 ,-	Rp 650.000,-
Colored plompong crackers	50Kg	Rp 10.600,-	Rp 530.000,-
Total	400Kg		Rp 5.680.000 ,-

Table 2 Direct Labor Costs Period 6 April 2022

Tenaga kerja	Jumlah	gaji	Jumlah gaji
frying	3 people	Rp 130.000,-	Rp 390.000,-
packaging	10 people	Rp 45.000,-	Rp 450.000,-
Total			Rp 840.000,-

Table 3 List of factory overhead costs April 6, 2022

Fee Type	Amount
B. Auxiliary Material	Rp 3.276.000,-
B. Electricity, Water Telephone	Rp 5.000,-
B. Transport	Rp 50.000,-
B. Packaging	Rp 517.225,-
Total	Rp 3.848.225,-

In the period of April 6, 2022, which produces 400 kg of crackers with sales proceeds in the form of 2 methods, namely sales of packaged crackers and kilos, as in the following data

Table 4 UD Crackers Sales Results. Bagong crackers April 6, 2022

Types of products	Sales results	
	Packaging	PerKg
Small onion crackers	Rp 2.520.000	Rp 1.950.000
Big onion crackers	Rp 2.500.000	Rp 2.025.000
Iris Rambak Crackers	Rp 2.499.600	Rp 640.000
Plompong crackers	Rp 1.050.000	Rp 637.500
TOTAL	Rp 8.569.500	Rp 5.252.500
	Rp 13.822.100	

From the data obtained, it will be processed to find out the production costs for the cracker production process using simple theoretical calculations in one day for the period of 6 April 2022 which produces 400 kg of crackers.

Table 5 Production Cost UD. Bagong crackers with a simple calculation method according to theory

BBL	Rp 5.680.000,-
TKL	Rp 840.000,-
BOP	Rp 3.798.225,-
Total	Rp 10.318.225,-

Then after obtaining data related to production costs, the next step is to make details of the profit and loss so that it will be known how much profit UD has achieved. Bagong crackers.

Table 6 Income Statement Before Target Costing

UD. Bagong crackers Income statement April 6, 2022	
Sale	Rp 13.822.100,-
HPP	Rp 10.318.225,-
	_____ -

Gross profit	Rp 3.503.875,-
B. transport	Rp 50.000,-
Net profit	Rp 3.453.875,-

The results of processing from profit and loss data can be seen that the profit that has been achieved is Rp. 3,453,875 and from the results of net income, the company's presentation that is realized is 25%.

After knowing the calculation of production costs using simple theoretical calculations, the next step is the application of the target costing method in calculating the production costs of UD. bagong crackers. According to Rudianto (2019), the process of implementing target costing is divided into 5 stages. These phases include:

- a. Determining Market Prices, According to (Tambunan, Ilat, & Pusung, 2021) Several market analysis techniques, namely determining competitors who are competitors, making price lists of other competitors' products, and determining what the selling price of market products is based on the selling price of products from competitors .

Table 7 Prices of Competitors' Products From UD. Bagong crackers

Joyoboyo crackers	Rp 1.200,-
Blessing crackers	Rp 1.250,-

- b. Determining the Expected Profit, at this stage from the results of the data obtained by the author of UD Kerupuk Bagong in selling their products, they expect profits to increase by 3% or more from the previous profit.
- c. Calculating Target Cost (Target Cost), According to Azmi and Hambali (2021) Target cost calculation is a cost calculation that must be used by a business or company. The calculation of the target costing itself is a reduction from the total sales price of the product with the desired profit target. The following is the calculation of the target cost based on the previously explained formula

$$TC = P - M$$

Description =

TC (Target Costing) P (Selling Price)

M (Profit)

Then obtained:

$$TC = P - M$$

$$TC = IDR 13,822,100 - (28\% \times IDR$$

$$13,822,100)$$

$$= IDR 13,822,100 - IDR 3,870,188$$

$$= IDR 9,951,912$$

- d. Using Value Engineering (Value Engineering). According to Ayu, Suhendro and Wijayanti (2022) in order to meet the target costing in accordance with the amount of profit desired by the company, at this stage it provides other alternative ways as a form of consideration for business owners in determining the right decision, namely value engineering. Engineering carried out on the cost of main raw materials, auxiliary materials and factory overhead as an alternative is carried out by purchasing raw materials from more affordable suppliers, so as to reduce the cost of the production process.

Table 8 List of Production Costs UD. Bagong Crackers After Value Engineering

BBL	IDR 5,320,000,-
TKL	IDR 840,000,-
BOP	IDR 3,695,225,-
Total	IDR 9,855,225,-

The results of the detailed table above after value engineering is based on the method of target costing theory can be seen if to produce 400 kg of crackers, you have to spend Rp. 9,855,225, -. This amount is certainly different from the results using the previous traditional method, which is Rp. 10,318,225,-. From these results, the researcher will compare the calculation results after the implementation of the target costing method in increasing UD's production profit. Bagong crackers with the previous process in the following report:

UD. crackers bagong Income statement April 6, 2022		
	Before	After
Sale	Rp 13.822.100,-	Rp13.822.100,-
HPP	Rp10.368.225,-	Rp 9.855.225,-
Profit	-	-
dirty	Rp 3.453.875,-	Rp 3.966.875,-
B. transport	Rp 50.000,-	Rp 50.000,-
Net profit	Rp 3.403.875,-	Rp 3.916.875,-

The results of the comparison of profits after doing value engineering show that the business owner of UD. Bagong

crackers can make production cost efficiency of Rp 513,000, - in the production of 400 kg And it can be said that it can also achieve the company's target profit of 29% from the previous 25%, which is known from the following profit percentage comparison

% profit before target costing	% profit before target costing
$= \frac{\text{net profit}}{\text{sale}} \times 100\%$	$= \frac{\text{net profit}}{\text{sale}} \times 100\%$
$= \frac{\text{Rp } 3.453.875}{\text{Rp } 13.822.100} \times 100\%$	$= \frac{\text{Rp } 3.966.875}{\text{Rp } 13.822.100} \times 100\%$
<p style="text-align: center;">= 25%</p>	<p style="text-align: center;">= 29%</p>

4. CONCLUSION

From the results of the research conducted, it can be concluded that the theory of applying the cost of this goal can be applied to UD.Kerupuk Bagong for discourse in determining production costs so that they can be streamlined. This can be seen from the total production expenditure issued by UD Kerupuk Bagong before and after implementing the target costing method using the value engineering process. UD. Bagong crackers are targeting to increase profits by 4% or more from sales, which is known from calculations before using target costing the company earns a profit of 25% as long as there will be cracker sales. but after applying the target costing method through the value engineering process, the company can achieve the profit as targeted, which is increased to 29% from the comparison result from the previous method, using the value engineering process the target costing method can help save Rp 513,000 on a single production cost.

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