



Calculation of the Cost of Production in Determining the Selling Price of Kelle Soap Products Sari Amertha Aan

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Abstract. Determining the selling price of a product based on the cost of production can help find out what the right product selling price is to cover all production costs. This study aims to determine the calculation of the cost of production using the full costing method and to determine the calculation of the selling price set by the Soap Kelle Sari Amertha Business and the selling price based on the calculation of the cost of production according to the full costing method. This research was conducted at the Soap Kelle Sari Amertha Business located in Banjar Petapan, Aan Village, Banjarangkan, Klungkung. The type of research used is qualitative research through interview and observation data collection techniques with data sources using primary data. The data analysis technique in this study is the full costing method. The results of this study indicate that the cost of production according to the Soap Kelle Sari Amertha Business and the cost of production according to the full costing method obtain different results so that there is a difference of Rp 5,825. The comparison of selling prices also shows that there is a difference in results between the selling price according to the Soap Kelle Sari Amertha Business and the selling price according to the calculation of the cost of production based on the full costing method.

Keywords: *Cost of Production, Full Costing Method, Selling Price*

1. Introduction

Until now, there are still many MSMEs (Micro, Small and Medium Enterprises) that have not implemented accounting rules in running their business. This condition occurs because of an inadequate educational background and have not attended training in accounting [1]. Accounting has a role in the success of an MSME because the information in accounting helps MSME actors to find out the total costs incurred during the production process [2]

The selling price is the price of a product or service that has the ability to cover the full costs associated with the product or service and at the same time earn a profit [3]. The determination of the selling price of the product should be based on the report on the cost of production. This is done so that a business actor knows what the right product selling price is to cover all production costs [4].

The Soap Kelle Sari Amertha Business located in Banjar Petapan, Aan Village, Banjarangkan, Klungkung is a manufacturing business engaged in the production of soap based on trigona kelle bee nest dregs. The Kelle Sari Amertha Soap business was established at the end of 2017. The products

produced are divided into four variants which are determined based on the essential oil used, namely the lavender variant of kelle soap, sandat variant, rosemary variant, and daun tin variant.

So far, Soap Kelle Sari Amertha Business has calculated the cost of production by simply adding up the costs incurred throughout the production process. Then, the effort is in determining the selling price by estimating from the calculation of the costs incurred in the kelle soap production process which is recorded in a modest manner. This causes factory overhead costs such as water costs, depreciation costs for production equipment, and repair and maintenance costs for production equipment that have not been included when calculating the selling price. Although the value of these costs is relatively small, the lack of charging these costs will cause the cost of production obtained to be inaccurate and will affect the determination of the selling price of the product. If this continues, the Soap Kelle Sari Amertha Business will find it difficult to calculate the cost of production as the basis for determining the selling price so that it can affect the sustainability of the business.

There are two methods of determining the cost of production, namely full costing and variable costing [3]. Based on the above problems, the full costing method can be a solution that can be applied by the company in calculating the cost of production as the basis for determining the selling price of the product. This is because the full costing method imposes all fixed and variable factory overhead costs on products produced on the basis of actual factory overhead costs or on the basis of predetermined rates at normal capacity [3].

2. Literature Review

2.1. Cost of Production

The cost of production is all costs that have been incurred in managing raw materials to obtain finished goods that are ready to be sold [3]. These production costs can be classified into three parts, namely the cost of raw materials, factory overhead costs, and direct labor costs [5]. The calculation of the cost of goods manufactured has two methods of determination, namely: 1) Full costing is a method of determining the cost of production that imposes all production costs, both fixed and variable on the product, 2) Variable costing is a method of determining the cost of production which only assigning variable manufacturing costs to the cost of the product.

2.2. Selling Price

The selling price is the price of a product or service that has the ability to cover the full costs associated with the product or service and at the same time generate profits [3]. Determining the selling price is one of the important decisions for management. This is because the price that will be set on a product or service must be able to cover all costs and at the same time earn the profit expected by a company. In this case the cost is the main factor in setting a selling price because the cost can show things that must be met by a company to avoid a loss [6]. Determination of the selling price in this study using the method of cost plus pricing or the method of determining the normal selling price. This is because the cost plus pricing method is a method that is often used by a company in determining the selling price and is considered a method that is easy to understand [7]. The cost plus pricing method is a method of determining the selling price which is determined at the cost of production plus the desired markup [8]. The formula used in calculating the selling price according to the cost plus pricing method is: Selling price = production cost + percentage mark up.

3. Research Methods

In this research, the type of research used is qualitative research. The source of data in this study is primary data. Primary data sources are data sources that are given directly to the data collector [9]. Primary data collected in the form of quantitative and qualitative data. Qualitative data includes a list of materials and tools used in the production process of Kelle soap and an overview of the Soap Kelle Sari Amertha Business. Meanwhile, quantitative data includes data on costs used in producing kelle soap products. Data collection techniques used in this study were interviews and observation. In this study, the data analysis used is the full costing method. The data obtained from the production cost of kelle

soap is calculated into the cost of production according to the full costing method as the basis for determining the selling price of kelle soap.

4. Results and Discussion

4.1. Cost of Production and Selling Price by Soap Kelle Sari Amertha Business

Production costs calculated by the company into the cost of production include:

- a. The cost of raw materials in the form of kelle bee propolis is Rp 30.000,00, olive oil is worth Rp 75.000,00, VCO is worth Rp 75.000,00, palm oil is worth Rp 14.000,00, NaOH is worth Rp 8.000,00, and aqua is worth Rp 1.000,00.
- b. Labor cost of Rp 2.000.000,00.
- c. Electricity costs Rp 100.000,00.
- d. Fibrous paper packaging costs Rp 4.050,00.
- e. Logo sticker fee of Rp 900,00.
- f. The cost of essential oil which consists of a lavender variant is Rp 45.000,00, sandat is worth Rp 45.000,00, rosemary is worth Rp 37.500,00, and daun tin are worth Rp 37.500,00.

Then for shared costs such as electricity costs and labor costs, the company estimates that these costs are charged to each kelle soap product by 25%. The cost of production according to the Soap Kelle Sari Amertha Business for each variant of Kelle soap per month in 2020 can be seen in the following table.

Table 1. Cost of Kelle Soap Production by Company

No	Description	Production Unit	Cost of Production (Rp)	Cost of Production per Unit (Rp)
1	Lavender Variant	27	777.950	28.813
2	Sandat Variant	27	777.950	28.813
3	Rosemary Variant	27	770.450	28.535
4	Daun Tin Variant	27	770.450	28.535

Furthermore, the selling price of the product is calculated by calculating all costs that are considered to have an impact on the kelle soap production process and the results of this calculation are added to a profit of 25% then divided by the total product production for a month. The selling price of Kelle soap in 2020 according to the Soap Kelle Sari Amertha Business can be seen in the following table.

Table 2. Selling Price of Kelle Soap by Company

No	Description	Quantity	Selling price (Rp)	Selling Price per Unit (Rp)
1	Lavender Variant	27	933.540	34.576
2	Sandat Variant	27	933.540	34.576
3	Rosemary Variant	27	924.540	34.242
4	Daun Tin Variant	27	924.540	34.242

4.2. Cost of Production and Selling Price according to the Full Costing Method

Production costs that are calculated into the cost of production based on the full costing method include:

- a. Raw Material Costs. The four kelle soap variants have the same raw materials. The raw materials used in the production of kelle soap include Kelle Bee Propolis, Olive Oil, VCO, Palm Oil, NaOH, and Aqua. The total cost of raw materials for kelle soap for the lavender variant is Rp 203.000,00, the sandat variant is Rp 203.000,00, the rosemary variant is Rp 203.000,00, and the daun tin variant is worth Rp 203.000,00.

- b. Labor costs. The Soap Kelle Sari Amertha Business provides a salary of Rp 200.000,00 for one employee, so that every month it costs Rp 2.000.000,00 for 10 employees.
- c. Factory Overhead Cost. Shared factory overhead costs such as electricity costs, water costs, repair and maintenance costs for production equipment, and depreciation costs for production equipment are accumulated by 25% for each product. The factory overhead costs include: electricity costs of Rp 100.000.000,00, water costs of Rp 50.000,00, fibrous paper packaging costs of Rp 4.050,00, logo sticker costs of Rp 900,00, repair and maintenance costs of production equipment of Rp 100.000,00, the cost of depreciation of production equipment is Rp 119.776,00, and the cost of essential oil which consists of the lavender variant is Rp 45.000,00, sandat is Rp 45.000,00, rosemary is Rp 37.500,00, and daun tin are worth Rp 37.500,00.

The cost of production of kelle soap according to the full costing method per month in 2020 can be seen in the following table.

Table 3. Cost of Production by Full Costing Method

No	Description	Production Unit	Cost of Production (Rp)	Cost of Production per Unit (Rp)
1	Lavender Variant	27	935.226	34.638
2	Sandat Variant	27	935.226	34.638
3	Rosemary Variant	27	927.726	34.360
4	Daun Tin Variant	27	927.726	34.360

Furthermore, the selling price of the product is calculated using the cost plus pricing method with a markup of 20%. The selling price of kelle soap in 2020 according to the cost of production based on the full costing method can be seen in the following table.

Table 4. Selling Price by Cost of Production Based on Full Costing Method

No	Description	Quantity	Selling Price (Rp)	Selling Price per Unit (Rp)
1	Lavender Variant	27	1.122.271	41.566
2	Sandat Variant	27	1.122.271	41.566
3	Rosemary Variant	27	1.113.271	41.232
4	Daun Tin Variant	27	1.113.271	41.232

4.3. Cost of Production Comparison

Table 5. Comparison of Cost of Production

No	Description	Company Method (Rp)	Full Costing Method (Rp)	Difference (Rp)
1	Lavender Variant	28.813	34.638	5.825
2	Sandat Variant	28.813	34.638	5.825
3	Rosemary Variant	28.535	34.360	5.825
4	Daun Tin Variant	28.535	34.360	5.825

Table 5 shows that the cost of production according to the Soap Kelle Sari Amertha Business and the cost of production according to the full costing method obtained different results so that there was a difference of Rp 5.825. This difference occurs because the calculation of the cost of production of the Soap Kelle Sari Amertha Business so far is still simple and does not specify the costs incurred during the Kelle soap production process. This causes costs that are not calculated in the calculation of the cost

of production. The costs that are not taken into account in calculating the cost of production are factory overhead costs which include water costs of Rp 50.000,00, repair and maintenance costs of production equipment of Rp 100.000,00, and depreciation costs of production equipment of Rp 479.104,00. Meanwhile, the cost of production based on the full costing method takes into account all fixed and variable costs that occur during the kelle soap production process.

4.4. Selling Price Comparison

Table 6. Comparison of Kelle Soap Selling Prices

No	Description	Company Method (Rp)	Full Costing Method (Rp)	Difference (Rp)
1	Lavender Variant	35.000	41.566	6.566
2	Sandat Variant	35.000	41.566	6.566
3	Rosemary Variant	35.000	41.232	6.232
4	Daun Tin Variant	35.000	41.232	6.232

Table 6 shows that the selling price according to the Soap Kelle Sari Amertha Business and the selling price according to the calculation of the cost of production based on the full costing method obtained different results, causing a difference in the selling price. This difference is caused by differences in the results obtained when calculating the cost of goods manufactured.

5. Conclusion

Based on the results of research and discussion conducted at the Soap Kelle Sari Amertha Business, it can be concluded that the cost of production according to the Soap Kelle Sari Amertha Business and the cost of production according to the full costing method obtained different results. This difference causes a difference of Rp 5.825 in the two calculation methods. The selling price determined by the Soap Kelle Sari Amertha Business and the selling price based on the cost of production according to the full costing method also obtained different results. This difference causes a difference in the two calculation methods of Rp 6.566 for the lavender and sandat variants, while for the rosemary and daun tin variants it is Rp 6.232.

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