
CALCULATION OF PRODUCTION COSTS USING JOB ORDER COSTING METHOD TO IMPROVE PROFIT ACCURACY AT LIDYA FURNITURE

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Keywords:
job order costing, cost of production

Article History:

Received:

Revised:

Accepted:

Abstract: *This study aims to compare production costs at Lidya Furniture SMEs by calculating the principle of production costs using the Order Cost Method. Data was collected through observation, interviews, and documentation. Furthermore, the data were analyzed using qualitative methods. While the calculation method used in this study is the job order costing method or the cost of goods ordered. Based on the results of the analysis, the difference in the calculation of the cost of production is due to Lidya Furniture not identifying and detailing the elements of the cost of production, so that the cost of production calculated by Lidya Furniture is lower than using the job order costing method. We recommend that Lidya Furniture should correct the calculation of the cost of production according to the Order Cost Method, namely costing by calculating and identifying raw material costs, direct labor costs, and overhead costs so that the selling price determined can be accurate so as to increase profits.*

INTRODUCTION

MSMEs are micro, small and medium enterprises. Based on Law number 20 of 2008, micro-enterprises are productive businesses owned by individuals or individual business entities with a maximum total asset of 0 to IDR 50 million and a total turnover of 0 to 300 million. Small business is a productive economic business that stands alone carried out by individuals or business entities but is not a subsidiary with total assets of more than IDR 50 million to IDR 500 million and a total turnover of IDR 300 million to IDR 2.5 billion. A medium-sized business is a stand-alone productive economic business carried out by a branch of an individual or a business entity that is not a subsidiary with a net worth of more than Rp 500 million to Rp 10 billion and a total turnover of Rp 2.5 billion to Rp 50 billion. MSMEs have a major contribution in growing the economic growth of the community, especially in developing countries. MSMEs have a positive impact,

namely being able to move the wheels of the nation's economy and reduce the number of unemployed. MSMEs are one of the potential employment expansions to overcome unemployment and poverty. Development in terms of creating direct employment opportunities in the form of independent work, micro-enterprises, or small businesses.

One example of MSMEs around the community is the furniture business. Furniture is a handicraft product that plays a role in meeting the needs of the community, one of which is to meet the needs of household furniture. The furniture industry has an important role in empowering Micro, Small and Medium Enterprises. The furniture industry itself can be categorized as a micro-enterprise, seen from the total assets and turnover. Furniture entrepreneurs run their business with the aim of earning as much income as possible to meet their daily needs. The amount of income earned by the furniture entrepreneur is influenced by several factors. The factors that influence the level of income of the furniture industry include the amount of production, the cost of production, and the length of time a business has been established.

The cost of production is a number of costs incurred in purchasing goods to be processed to completion, both before and during the current accounting period. (Mulyadi, 2015). Meanwhile, according to (Daljono, 2005) production costs are costs incurred in producing a product, so that the cost of production is obtained from the costs absorbed by the product concerned. So it can be concluded that the cost of production is all costs used and absorbed by a product, these costs include direct labor costs, raw material costs, and factory overhead costs. The benefits of calculating the cost of production according to (Mulyadi, 2015), namely, determining the selling price of the product, monitoring the realization of production costs, calculating the gross profit and loss for a certain period, and determining the cost of inventory of finished products and products in process presented on the balance sheet.

Lidya Furniture, which is located in Pakis District, Malang Regency, was founded in 2005 by Mr. Samli. It started with Mr. Samli who worked as an employee in a furniture company. He worked and studied the technique of making furniture items at the company. Then, Mr. Samli founded his own furniture business with the abilities he already had. The name "Lidya" itself is the name of her daughter. Until now, his business has 3 employees, whose wages are paid per week. This business has a vision that is to be useful for others and also its mission is to get as much profit as possible. This MSME produces wood and tables which are included in 1 package. In the production process is done based on consumer demand. However, Lidya Furniture also provides some stock of chairs and tables for consumers who want to buy directly without waiting for finished goods, and of course the design is also made attractive.

Lidya Furniture continues to innovate to create works of motifs and designs that are adapted to the times or according to the wishes of consumers. The production process uses semi-modern technology, which combines machines with manual production. So far, Lidya Furniture in determining the cost of production there is no clear separation between raw material costs, direct labor costs and overhead costs. This can lead to less

accurate calculation of production costs. So, it can also influence in determining the selling price of the product produced.

There are 2 methods of determining the cost of production, namely the order costing method and the process costing method. (Mulyadi, 2015). The cost-of-order method is a method of collecting product costs in which production costs are collected for a particular order and the production cost per unit of product produced to fulfill the order is calculated by dividing the total production cost for the order by the number of product units in the order concerned. While the process costing method is a method of collecting product costs where production costs are collected for a certain period, and the production cost per unit of product produced in a certain period is calculated by dividing the total cost of production for that period by the number of units of product produced in the period. concerned.

To overcome inaccuracies in the calculation of the cost of goods manufactured at Lidya Furniture, the method of cost of goods ordered can be used. Job Order Costing Method (Cost Calculation Method Based on Order), is one method in determining the selling price of the product. The job order costing method is a method of collecting production costs to determine the cost of production at the company on an order basis (Enita, 2015). Order-based costing accumulates direct material costs, direct labor, and factory overhead costs that are assigned to each order (Warrant, 2000). According to (Dewi and Kristanto, 2015) the cost of raw materials is the cost or costs incurred for materials to be processed and become cost objects from goods in process to finished goods, and these costs can be traced to cost objects in an economical way. Labor costs are costs incurred in connection with the use of labor in the production activities of a company. Meanwhile, overhead costs are also often referred to as indirect production costs, which are costs incurred to finance a product but cannot be directly traced to a cost object. Job Order Costing has the aim of determining the product cost of each order, both the overall product cost per order and per unit. Job Order Costing has the characteristics of the production process including, Production activities are carried out on an order basis, so that the form of goods/products depends on the specifications of the order and Production costs are collected for each order so that the total production cost is calculated when the order is completed.

Based on the observations made by the author on the calculation of the cost of production at Lidya Furniture, there is no clear separation between the cost of raw materials, direct labor costs, and overhead costs. All these costs are involved during the production process, so the calculation of the cost of production must be taken into account as a whole. Because, if the calculation is not accurate, then the cost of goods manufactured will not be accurate and will have an impact on the selling price of the product later. Based on cost accounting theory, companies that operate on an order basis accumulate factory overhead costs in determining the cost of production so that the selling price given will provide positive feedback for the buyer and the business concerned. The calculation of indirect costs or factory overhead uses the job order costing method.

Based on the background above, the authors formulate the problem as the main discussion that will be discussed in the next discussion. The formulation of the problem is, how to calculate the cost of production using the Job Order Costing method on Lidya Furniture and compare the results with the method used by Lidya Furniture, and analyze the causes of the differences.

METHOD

In this study, the researcher used a qualitative research type with descriptive analysis. Qualitative research emphasizes more on the process and analysis. While descriptive analysis, presents facts systematically so that they are easy to understand and conclude in the form of written or spoken words from people or behaviors observed by researchers. According to Sugiyono (2015) qualitative research methods are describing or providing an overview of the research object being studied through samples or data that have been collected and making generally accepted conclusions. The location of this research is Lidya Furniture, which is located in Pakis District, Malang Regency. During the research period, data collection, data processing and data analysis activities were carried out.

The type of data used in this study is primary data, namely research data obtained directly from the original source (not through intermediaries). The primary data source is information obtained from the owner of Lidya Furniture. Sources of data were obtained through observation, interviews, and studying various literatures and reference books that were used as guidelines for calculating the cost of goods manufactured. The data collection method was carried out by direct passive observation on Lidya Furniture and taking data and information by means of interviews and direct discussions with related parties, namely the owner, regarding the calculation of the cost of production.

FINDINGS AND DISCUSSION

Production Process and Marketing Methods Used at Lidya Furniture:

a. Materialization

In this process the wooden planks are measured as needed and then cut to size and shape. This process has a high risk of using the board in vain (rendemen/waste). Therefore, good experience is needed in this process, in order to avoid losses.

b. Molding and Forming

In this process, furniture components that are still raw from materials are processed to become components with actual shapes and sizes. This process also includes the wood carving process.

c. Assembling and Assembly

In this process the components of the molding process are assembled into the desired product. Experienced carpenters are needed in this case to produce products that meet consumer demands.

The marketing method used by Lidya Furniture's business owner is word of mouth. Business owners offer their products to the people around them. In addition, it also waits for consumers to come by itself, because the business location is located on the side of the highway and is easy to find.

Comparison of Calculation of Product Selling Prices Used in Lidya Furniture with the Job Order Costing Method

The following are the costs of raw materials and tools for the production process of chairs and tables at Lidya Furniture:

Table 1. Ingredient for Chairs and Tables

No	Description	Unit Price
1	Solid Wood	Rp. 1.100.000/ spindle
2	Poxy	Rp. 50.000/ 0,5 liter
3	Wood Glue	Rp. 12.000/ 1 kg
4	Melamine	Rp. 150.000/ chip

Table 2. Tools for producing chairs and tables

No	Description	Unit Price
1	Grinding	Rp. 135.000
2	Compressor	Rp. 1.250.000
3	Saw	Rp. 35.000
4	Sandpaper	Rp. 15.000/ rol
5	Planer	Rp. 245.000
6	Wood Chisel	Rp. 30.000/ 4 pcs
7	Hammer	Rp. 17.500
8	Wood Meter	Rp. 25.000
9	Electric Drill	Rp. 115.000

Table 3. Calculation of Cost of Production of Standard Quality Chairs and Tables

Cost Element	Effort Calculation (Rp)	Calculation of Job Order Costing (Rp)	Difference
Raw Material Cost	Rp 1.900.000	Rp 1.839.000	The business calculation is higher than the Job Order Costing calculation, because the business calculation imposes auxiliary costs, namely Poxo on raw materials.
Labor costs	Rp 240.000	Rp 300.000	The labor cost in the Job Order Costing calculation is higher, because in the business calculation there is no calculation of working time and the level of difficulty with the salary given.
Overhead/Support Cost	212.000	273.000	the Business calculation is not precise in charging overhead costs and has not charged electricity and depreciation costs
Electricity cost		20.900	
Machine Depreciation Cost		55.900	
Production cost	2.352.000	2.488.400	
Profit	548.000	548.000	
selling price	2.900.000	3.036.400	The difference in the calculation of the selling price with the Job Order Costing method is greater than business calculations, with the same profit.

Based on the table above, the cost for making wooden chairs and tables with standard quality shows that there is a difference in the calculation of the cost of production which is determined using the business calculation method with the Job Order Costing method. The cost of production according to business is Rp. 2,352,000, while according to the calculation of the Job Order Costing method, it is Rp. 2,488,400. So that it produces a difference in the selling price of the product with a profit that has been determined by the business of Rp. 548,000. According to the business calculation, the selling price is Rp. 2,900,000 while according to the Job Order Costing method, it is Rp. 3,036,400.

Table 4. Calculation of Cost of Production of Good Quality Chairs and Tables

Cost Element	Effort Calculation (Rp)	Calculation of Job Order Costing (Rp)	Difference
Raw Material Cost	2.550.000	2.400.000	The business calculation is higher than the Job Order Costing calculation, because the business calculation imposes auxiliary costs, namely Poxy on raw materials.
Labor costs	350.000	450.000	The labor cost in the Job Order Costing calculation is higher, because in the business calculation there is no calculation of working time and the level of difficulty with the salary given.
Overhead/Support Cost	251.000	357.000	the Business calculation is not precise in charging overhead costs and has not charged electricity and depreciation costs
Electricity cost		30.400	
Machine Depreciation Cost		60.890	
Production cost	3.157.000	3.298.290	
Profit	643.000	643.000	
Selling Price	3.800.000	3.941.290	The difference in the calculation of the selling price with the Job Order Costing method is greater than business calculations, with the same profit.

Based on the table above, wooden chairs and tables with good quality indicate that there is a difference in the calculation of the cost of production which is determined by the business calculation method with the Job Order Costing method. The cost of production according to business is Rp. 3,157,000, while according to the calculation of the Job Order Costing method, it is Rp. 3,298,290. So that it produces a difference in the selling price of the product with a profit that has been determined by the business of Rp. 643,000. According to the business calculation, the selling price is Rp. 3,800,000 while according to the Job Order Costing method, it is Rp. 3,941,290.

Table 5. Calculation of Cost of Production of Jepara's Wooden Chairs and Tables

Cost Element	Effort Calculation (Rp)	Calculation of Job Order Costing (Rp)	Difference
Raw Material Cost	3.100.000	2.900.000	The business calculation is higher than the Job Order Costing calculation, because the business calculation imposes auxiliary costs, namely Poxy on raw materials
Labor costs	300.000	360.000	The labor cost in the Job Order Costing calculation is higher, because in the business calculation there is no calculation of working time and the level of difficulty with the salary given.
Overhead/Support Cost	212.000	412.000	the Business calculation is not precise in charging overhead costs and has not charged electricity and depreciation costs
Electricity cost		21.700	
Machine Depreciation Cost		56.500	
Production cost	3.612.000	3.750.000	
Profit	888.000	888.000	
Selling Price	4.500.000	4.638.200	The difference in the calculation of the selling price with the Job Order Costing method is greater than business calculations, with the same profit.

Based on the table above, wooden chairs and tables using Jepara wood species indicate that there is a difference in the calculation of the cost of production which is determined by the business calculation method with the Job Order Costing method. The cost of production according to business is Rp. 3,612,000, while according to the calculation of the Job Order Costing method, it is Rp. 3,750,200. So that it produces a difference in the selling price of the product with a profit that has been determined by the business of Rp. 888,000. According to the business calculation, the selling price is Rp. 4,500,000 while according to the Job Order Costing method of Rp. 4,638,200.

Conclusion

Job Order Costing (cost calculation system) is a calculation method in which the collected production costs will later be charged and become costs to the production unit. This fee can be said to be a cost based on an order. In addition, Job Order Costing can also be used to determine the selling price, as a consideration for accepting or rejecting orders

and monitoring production costs so that it can make business activities more practical and efficient. The application of cost accounting and job order costing is an important factor in the success of Lidya's MSMEs in running a business that has been pioneered since 2005. This factor can help MSMEs develop into a more professional business and be able to compete with similar businesses in a certain area. until it became what it is today.

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