



# Cost Analysis and Preparation of Cost of Production at UD. Umega Bean Bread Hj. Eliya Lubis”High Club City

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## ABSTRACT

Currently, the Tebing Tinggi area sells a wide variety of foods, one of which is the peanut bread. Peanut bread is one of the typical Tebing Tinggi souvenirs. The ever increasing demand has made peanut bread business owners compete in attracting consumers. Such as Rajawali Peanut Bread, Raja Beo Peanut Bread, Raja Peanut Bread and Hj Elya Lubis Peanut Bread. Hj Eliya Lubis peanut bakery, this bakery business is a household industry for Mrs. Hj's family. Eliya Lubis with her husband Hayul Amin Nasution, this business has been running for six years. Currently Hj Elya Lubis's peanut bread has various flavors of the peanut bread products it produces.

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## 1. INTRODUCTION

At present, increasingly fierce business competition and unstable economic conditions have caused a number of raw material prices to become erratic, thus affecting the productivity of companies in making a product. For this reason, thought and creativity are needed in the business activities that will be carried out so that they remain competitive with other products. The more the current unemployment rate, then an effort is very helpful to reduce the unemployment rate. However, in managing sales data in a business, it is often difficult to calculate and record data because of the large amount of data that must be processed.

Costproduction can be considered effective and efficient if the resulting production has quantity and quality standards compared to the appropriate price, so that the costs incurred can be said to be appropriate and do not contain any indication of waste. So the management needs to evaluate the various factors of production costs so that efficiency can be created and reduce standard costs which of course affects the company's profitability.

A company needs a variety of products for the production process, each of which has values that are quite competitive with one another, and can also be used as an alternative for companies and services. According to (Mulyadi, 2016) costs are referred to as price costs. cost or cost of production. To determine the amount of these costs must be precise and accurate so that the cost of goods that occur will also show the actual cost of goods. In calculating the cost elements into the cost of production, there are two approaches, namely full costing and variable costing. Full costing is a method of determining the cost of production which takes into account all elements of production costs into the cost of production which consists of raw material costs, direct labor costs, and factory overhead costs, both variable and fixed. Meanwhile, variable costing is a method of determining the cost of production which consists of raw material costs, direct labor

costs, and variable factory overhead costs. (Martani, 2012) "Depreciation/depreciation of fixed assets begins when the fixed assets are ready for use, namely they are in the location and conditions needed to operate in accordance with management's objectives

Cost of production (HPP) according to (Hansen, DR and Mowen, 2011b) "cost of production reflects the total cost of goods completed during the current period. The only costs assigned to goods completed are direct materials, labor, and overhead. A company needs a variety of products for the production process, each of which has values that are quite competitive with one another, and can also be used as an alternative for companies and services. According to (Mulyadi, 2016) costs are referred to as price costs. cost or cost of production. To determine the amount of these costs must be precise and accurate so that the cost of goods that occur will also show the actual cost of goods. In calculating the cost elements into the cost of production, There are two approaches, namely full costing and variable costing. Full costing is a method of determining the cost of production that takes into account all elements of production costs into the cost of production which consists of raw material costs, direct labor costs, and factory overhead costs, both variable and fixed. Meanwhile, variable costing is a method of determining the cost of production which consists of raw material costs, direct labor costs, and variable factory overhead costs.

A company needs a variety of products for the production process, where each product has values that are quite competitive with one another, and can also be used as an alternative for companies to earn bigger profits. The calculation can be seen from the price of raw materials with the quantity produced without reducing the quality. In addition to raw material costs, labor costs are also required. Examples of wastage of labor costs, for example using excessive labor, can also use overtime rates which are of course more expensive than direct labor costs. And the various costs incurred from raw materials to finished goods are the information needed in decision making.

Costs and cost of production are also the basis that provides protection for the company from possible losses. Losses will result in a business not being able to grow and can result in the company having to stop its business activities. To avoid losses, one way is to try to obtain revenue that can at least cover production costs. Thus, it is very important to calculate production costs and determine product selling prices appropriately to provide protection for companies from losses.

In general, every company has a goal to gain profits where these profits can ultimately be used to maintain business continuity. Production activities are increasingly important along with the speed of business being carried out so that this requires basic ideas for operational activities, processing as a guideline for implementing company activities so that they can run effectively and efficiently. In order to achieve these objectives, proper planning is required. Planning is used as a reference for carrying out activities that must be carried out so that the implementation of activities is achieved in accordance with what was planned, it is necessary to have a cost analysis and preparation of the cost of production of a company.

Currently, the Tebing Tinggi area sells a wide variety of foods, one of which is the peanut bread. Peanut bread is one of the typical Tebing Tinggi souvenirs. The ever increasing demand has made peanut bread business owners compete in attracting consumers. Such as Rajawali Peanut Bread, Raja Beo Peanut Bread, Raja Peanut Bread and Hj Elya Lubis Peanut Bread. Hj Eliya Lubis peanut bakery, this bakery business is a household industry for Mrs. Hj's family. Eliya Lubis with her husband Hayul Amin Nasution, this business has been running for six years.

At the Hj Eliya Lubis peanut bakery, in calculating the cost of production, the costs that have been taken into account in the peanut bread production process are raw material costs such as green bean costs, direct labor costs, and factory overhead costs. But there are also some costs that are not included in the production process, such as in calculating factory overhead costs, there are costs that the peanut bread industry has not yet calculated in the production process, such as equipment depreciation costs which should also be estimated to be calculated in order to find out how old the equipment is. so far in the production process in compiling reports on the cost of production which should be in the factory overhead costs. Likewise with other overhead costs that have not been taken into account so far such as advertising costs which have also not been included in the calculation of the cost of production. To minimize errors that occur in the calculation of the cost of production and to produce a precise and accurate selling price, a good method is

needed, namely the full costing method and the variable costing method. By applying one of these methods, it is hoped that it will help the business, especially the Hj Eliya Lubis peanut bakery, to operate optimally as a company that is the object of research. a good method is needed, namely the full costing method and the variable costing method. By applying one of these methods, it is hoped that it will help the business, especially the Hj Eliya Lubis peanut bakery, to operate optimally as a company that is the object of research. a good method is needed, namely the full costing method and the variable costing method. By applying one of these methods, it is hoped that it will help the business, especially the Hj Eliya Lubis peanut bakery, to operate optimally as a company that is the object of research.

## **2. METHOD**

After data collected, so researcher will process data with Muse some of the following methods:

### **2.1 Descriptive Method**

(Sugiyono, 2014) said that descriptive research is research conducted to determine the existence of independent variables, either one variable or more variables (stand-alone variables) without making comparisons or looking for relationships between variables.

### **2.2 Comparative Method**

According to (Sugiyono, 2014) comparative research is research that compares the state of one or more variables in two or more different samples, or two different times. This study compares the calculation of the cost of production according to the theory with the calculation of the cost of production that is practiced in the home industry UD.Umega Nut Bread HJ.Eliya Lubis.

## **3. RESEARCH RESULTS AND DISCUSSION**

### **3.1 Production process For the manufacture of green bean stuffed buns**

The production process at the Hj Eliya Lubis home industry starts with washing or sterilizing the materials to be processed into finished products. Then mix all the raw materials that have been provided and have gone through the sterilization or washing stages. The raw materials used in making peanut bread include wheat flour, granulated sugar, eggs, butter, green beans, cooking oil, and several types of food flavourings. Then it is made into a dough shape. The dough that has been formed from a mixture of raw materials as mentioned above is divided into 3 parts to then enter into the flavoring process. Furthermore, the dough will be printed according to the size of the mold that has been determined and then put into the oven. And then the dough that has been printed will be baked using the oven with a baking time ranging from 5 to 7 minutes with the amount of fire power in the oven ranging from 450 C to 500 C. After the baking or baking process is complete, the cooked dough is removed from the oven for further sorting or selected for feasibility into finished products and ready for sale. After the sorting process is complete, then the packaging process or the finished product is put into the packages that have been prepared based on size. After this last process is complete, the product is ready to be marketed. after the baking or baking process is complete, the cooked dough is removed from the oven to be further sorted or selected for its feasibility into finished products and ready to be sold. After the sorting process is complete, then the packaging process or the finished product is put into the packages that have been prepared based on size. After this last process is complete, the product is ready to be marketed. after the baking or baking process is complete, the cooked dough is removed from the oven to be further sorted or selected for its feasibility into finished products and ready to be sold. After the sorting process is complete, then the packaging process or the finished product is put into the packages that have been prepared based on size. After this last process is complete, the product is ready to be marketed.

The production process for making black bean stuffed bread is by sterilizing the raw materials to be processed and then boiling for approximately 30 minutes while stirring so that they are evenly cooked and then pulverized manually and using a mixer then the ingredients are mixed a little with chocolate to add flavor and put into the kneading flour that has been formed and baked for 15 minutes then remove and ready to be drained. The production process for making cappuccino sandwiches is by directly incorporating cappuccino powder into the flour mixture that

has been provided based on its size and then baking it for 10 minutes then remove and drain. The production process for making pineapple and durian stuffed buns is by boiling each raw material and then pulverizing it manually and settling it for 30 minutes and then pouring it into the prepared flour dough based on each size.

### 3.2 Cost Analysis and Preparation of Cost of Production in Home Industry Hj Eliya Lubis.

In this case, the industry, while determining production costs, is only limited to calculating the total costs incurred when the production process is in progress and has not yet calculated all the costs that were also incurred by the industry in terms of helping expedite the running of industrial business. indeed, so far the Hj Eliya Lubis peanut bread industry has not taken into account the following production cost reports that have been made by the industry based on the results of interviews with researchers of the Hj Eliya Lubis peanut bread industry business owners:

**Table 1.** Calculation of Production Costs for Home Industry Hj Eliya Lubis

No	Production cost	The amount	Amount
1	Flour	1,820 kg	IDR 20,020,000
2	Mung beans	1,680 kg	IDR 20,160,000
3	Black Beans	560 Kgs	IDR 7,840,000
4	Cappuccino	182 Kg	IDR 9,100,000
5	Pineapple	56 Pieces	Rp 280,000
6	Strawberries	28 Kg	IDR 1,680,000
7	Chocolate	126 Kg	IDR 2,520,000
8	Durian	28 Pieces	Rp 560,000
9	Edible oil	420 Kgs	IDR 5,040,000
10	White sugar	700 Kgs	IDR 9,100,000
11	Chicken eggs	11,200 Items	IDR 16,800,000
12	Butter	532 Kgs	IDR 10,640,000
13	Salt	28 Kg	Rp 28,000
14	Sesame	224 Kgs	Rp 8,960,000
15	Fried onions	196 Kg	Rp 5,880,000
16	Member Salary		IDR 27,720,000
17	Electricity Payment		Rp 950,000
18	Purchase of Fuel		Rp 750,000
19	Box/Plastic Purchase		IDR 28,000,000
	<b>Total Cost of Production</b>		IDR 176,028,000
	<b>Total Production</b>		Rp 11,200
	<b>Cost of Production/Pcs</b>		Rp 15,716

From the data table above it can be seen that the calculation of the cost of production calculated by Home Industry Hj Eliya Lubis is a calculation on the basis of costs incurred directly during the production process alone and has not yet calculated the entire amount of the actual costs so that in this case the researcher tries to make calculations cost of production using the full costing method to further detail what costs are incurred during the production process.

#### a. Direct labor costs

Cost Direct labor is the cost incurred by the industry for workers who directly carry out the peanut bread production process starting from whole raw materials to finished products. And the total cost of labor and the number of workers directly involved in the industrial production process can be seen as follows:

**Table 2.** Direct Labor Costs

No	Part	Amount Labor	Day Work	Wages/Day	Amount
1	Processing	5	28 Days	IDR 45,000	IDR 6,300,000
2	Bread Printing	8	28 Day	IDR 45,000	IDR 10,080,000
3	Baking	2	28 Days	IDR 45,000	IDR 2,520,000
4	Packaging	4	28 Days	IDR 45,000	IDR 5,040,000
	Amount	19			IDR 23,940,000

Source: Home Industry Hj Eliya Lubis

From the data table above it can be seen that the direct labor costs incurred by the industry in carrying out the production process directly are Rp. 1,260,000 for one worker whose wages are received by employees in the form of daily wages, which are Rp. 45,000 multiplied by 28 working

days and the total direct labor cost incurred by the industry for direct labor within 28 working days of 19 employees is IDR 23,940,000.

b. **Factory Overhead Cost**

Factory overhead costs are costs incurred apart from direct material costs and direct labor costs, in this case the researcher distinguishes overhead costs into two parts, namely variable overhead costs and fixed overhead costs.

a) **Costoverheadsvariables**

Variable factory overhead costs are factory overhead costs that change in proportion to changes in the volume of activity in this case which become variable overhead costs in the Hj Eliya Lubis Home Industry, namely

b) **CostElectricity**

Electricity costs are costs incurred by the industry for production process activities in making bread and within one month the average electricity costs incurred by Hj Eliya Lubis Home Industry are IDR 950,000

c) **CostFuel**

Fuel costs are costs incurred by the industry for the purpose of boiling the core ingredients for making bread such as green beans, black beans etc. and also for frying onions which later the onion oil will be used for a mixture of bread making so that the savory aroma is found in the bread and fuel costs issued within one month of Rp. 750,000

d) **Bread packaging/box**

Packaging costs are costs incurred by the industry for the purchase of bread containers to be used such as boxes and plastic for peanut bread containers to be purchased by customers. And the average packaging costs incurred by the industry for 11,260 boxes of bread in a month is IDR 28,000,000.

e) **Promotion**

Promotion is an industry tool to develop its business so that it is more widely known by many people so that it can boost the income received by the business. In this case, the costs incurred during promotions at culinary events that have been attended and the installation of banners for shops are IDR 200,000 in total, the costs that have been incurred.

#### 4. CONCLUSIONS

Based on the results of the review in the previous chapter the researcher can draw the following conclusions: From the results of the study it can be seen that the calculation of the cost of production that has been carried out by Home Industry Hj Eliya lubis is only tangible in the sense that only costs incurred during the production process are taken into account so that other costs included as part of the business are not taken into account so far, such as promotion costs and depreciation costs. From the results of the discussions that have been discussed, it is known that there are differences that arise from financing reviews that have been calculated by Home Industry Hj Eliya Lubis with the calculation method developed by researchers using the full costing method and the difference obtained is Rp. 105, this is due to some costs incurred by the industry but not taken into account. From the research results it is known that the cost calculations carried out by the industry are still simple, this can be seen from what costs are calculated by the industry and not taken into account by the industry.

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