http://ejournal.seaninstitute.or.id/index.php/Ekonomi
Jurnal Ekonomi, Volume 11, No 03 Desember 2022
ISSN: 2301-6280 (print) ISSN: 2721-9879 (online)

THE EFFECT OF PRODUCTION COSTS AND SELLING PRICES ON NET PROFIT (CASE STUDY ON HARUM MANIS DIO HOUSEHOLD INDUSTRY, CIGADUNG VILLAGE, BREBES REGENCY)

Roni[1], **Hidayati Cahyani Eka Putri**[2]
[12]Program Studi Akuntansi, Universitas Muhadi Setiabudi, Brebes, Indonesia

ARTICLE INFO

Keywords:
Production Cost,
Selling Price,
Net Profit

E-mail:
roni18@gmail.com,
hidayatiekaputri98@gmail.com

ABSTRACT

The purpose of this study is to analyze the effect of production costs and selling prices on increasing sales profits in the Harum Manis Dio business. The population in this study is the bookkeeping per month of Harum Manis Dio business including production costs, selling prices and net profit. The object of this study is the financial statements of the Harum Manis Dio business in 2020-2021. The method of research approach is used quantitatively, which is based on the philosophy of positivism. This study used purposive sampling technique. The hypothesis testing used is multiple linear regression analysis. The results of this study show that production costs do not have a significant effect on net profit, selling prices have a significant effect on net profit, production costs and selling prices simultaneously have a significant effect on net profit. .

1. INTRODUCTION

Cigadung Village as a small village located in the Banjarharjo District, Regency, Brebes. Because this village is located on the border between Central Java and West Java, so there are two languages spoken, namely Sundanese and Javanese. In the beginning, Cigadung Village was a very lush forest area called Leweng Luhur. According to the parents of the predecessor, in the 2000s the population of the village was less than 45 households and as many as 135 inhabitants. The population is very small with a small annual rate of population growth. Until now, the population is 1,700 people by working on a land area of 1,040 Ha2. The produce produced includes rice and bananas.

This type of processed sweet fragrant food or gulali is a food that is familiar to the community. Food derived from sugar raw materials can be easily found on the outskirts of the street or in night markets, or other recreational places. The color contained in this sweet fragrant is very attractive and the taste of this food is very sweet, so it is liked from the level of children to adults. This sweet fragrant product is not only marketed at tourist attractions or night markets, but has developed and become one of the modern business opportunities, such as offering a sweet fragrant warabala business. Consumers for this sweet fragrant food are basically for children. However, this sweet fragrant food is also loved by adults, to commemorate the good times when they were young.

Processing of the proceeds is the activity of processing basic ingredients into semi-finished goods (such as wheat, flour, noodles, crackers, etc.) or finished goods (such as chips, syrups, sweets, sauces, etc.). This production process is an important process in the business process (Slamet Bambang Riono, 2022). Without this process, customers or consumers cannot take advantage of the value of the goods or services offered (Subagia et al., 2022). With the diversification of the form of goods, it prolongs the shelf life and increases the value of these processed products to increase family income. The business of making sweet fragrant has a profitable business opportunity. The product does not get stale easily and the risk of failure is relatively small. One of the sweet fragrant business actors in Cigadung Village is Harum Manis Dio. The business that has been running for 3 years is not many obstacles that are faced. One of

their weaknesses is in financial analysis which is still a lot of traditional, conventional marketing strategies, and is carried out as a side business (Anisa Sains Kharisma, 2021). Cost accounting is needed for recording activities, classification, summary, and presentation of costs, product/service marketing processes, and others. The sales area is still revolving around the production site and is peddled from one location to another on foot. This sweet fragrant venture is quite promising. With a white sugar raw material of 1 kg can get 25 to 30 large platic bags. The price offered by the relaatif varies from Rp. 3,000 to Rp. 10,000.

LITERATURE REVIEW

1. Production Cost

Cost as sacrificed or forgnone in order to achieve the goal. Costs are usually seen from the amount of money that must be given when processing goods/services (Shella Silvianti, 2021). Production costs are production process costs consisting of direct raw material costs, direct labor and factory overhead costs (Farah Meinda Sari & Aris Munandar, 2022; Shella Silvianti, 2021). Production costs are the costs that process raw materials to make finished products ready for sale (Farah Meinda Sari & Aris Munandar, 2022). Production costs affect profits, when production costs are increased, production volumes will increase, which will affect the level of profit or profit generated (Diana, 2020). The ability of business actors to increase marketing is very important, because by increasing the value of sales, the profits or profits obtained also increase by themselves (Ariyani et al., 2022). Poorly documented management of production costs can result in a decrease in income earned (Hidayat & Halim, 2013). Production costs as costs associated with the production of goods and the availability of services.

In the short term, total costs include fixed costs and variable costs. Fixed costs are costs incurred to obtain a fixed production factor whose use is not exhausted in one production process. Variable costs are costs used to obtain variable production factors that are used up in one production process (Hidayat, 2013). The objectives of controlling production costs include cost control, planning and measuring work performance, costing, and inventory assessment. Indicators of production costs according to Mulyadi are raw material costs, direct labor costs, and factory overhead costs (Widyawati et al., 2020).

2. Selling Price

Price is an amount of money given by consumers to process a product or service (Nirma, 2019). The selling price is the value given to the buyer or customer. The selling price is the amount of money charged by a unit (Amilia, 2011). The high low of a price is the main thing for consumers / customers when they want to buy a product. Product quality is the condition of an item to perform its function, which consists in durability, overall reliability of the product. If the price is obtained by consumers, able to provide a satisfactory value, then the sales value will be satisfactory, if assessed in rupiah value, to be able to condition customers.

Pricing based on profit and sales aims to a) achieve the amount of investment return or net profit, b) maximize profit, and c) increase the number of sales (Batubara & Hidayat, 2016). To facilitate sales, every business actor must determine the price accurately. Pricing is symbolized by the percentage of increase in sales volume in a period (Saragih, 2015). To increase the volume of sales, a profitable marketing concept is needed. Business actors increased sales volume but while maintaining profit levels. It is necessary to manage an aggressive pricing strategy with a loss value. price determination is not used on the basis of forecasting, but is full of precise and meticulous calculations (Moray et al., 2014).

If the price is a result of profit for business actors, then in terms of customers, price is a cost incurred by buyers to get the desired product. Factors that influence the formation of the selling price of goods/services in the market such as consumer tastes, the number of competitors, who enter the market and the selling price determined by competitors. The main factors influencing pricing are a) demand, b) cost data, c) revenue objectives, d) competitor

actions, e) government regulation, f) type of competition, g) economic situation, and h) product image (Saragih, 2015).

3. Net Profit

Profit is a concept that links the income or income obtained by business actors with the costs that must be incurred by other parties (Himawan & Andayani, 2020). Profit is what business actors expect in carrying out business activities (Farah Meinda Sari & Aris Munandar, 2022). Profit is the difference in the difference in income from costs over a certain period of time. The size of the profit obtained indicates the success and failure of a business. Net profit is the profit from a running business after interest and taxes. Net income is the difference between all income and profit against all loss costs (Kristanti, 2021). The elements of profit include income, expenses, costs, profit and loss, and income (Masril, 2017). The concept of accounting profit is intended for: a) it can be constantly traced and tested, b) the calculation is based on the reality that occurs (fact) and objectively, the calculation of profit can be checked (verifiability), c) meets the principle of conservatism, and does not pay attention to changes in value, and d) as a control in the implementation of management functions.

4. Home Industry

Home industry or household industry is a home business of goods products or also a small business that is done at home. The home industry is engaged in a small scale, from a non-professional workforce, small capital, and only seasonal production (Ananda & Jallil, 2016). The home industry does not require a high level of education. This activity focuses on practical skills that are easy to learn and apply in everyday life (Farah Meinda Sari & Aris Munandar, 2022). According to Law No. 3 of 2014 concerning industry, generally the home industry is classified as an informal sector that produces uniquely, related to local wisdom, local resources (Diana, 2020). This economic activity plays a role in empowering the surrounding community by providing jobs for relatives or neighbors around them. That way, this household industry can automatically help government programs in an effort to reduce unemployment (Roni, Andi Yulianto, 2021). The household industry has an important position in the economic and social sectors. These benefits include a) being able to create broad business opportunities but with relatively cheap financing, b) taking a role in increasing and mobilizing domestic savings, c) as complementary to large and medium-sized industries (Ananda & Jallil, 2016).

2. METHODS

This research method belongs to the type of descriptive-quantitative method and associative method. Analytical tools are statistical and econometric methods, which are based on the simultaneous development of theory and observation with the appropriate inference method. The use of descriptive analysis is intended to determine the effect of production costs and selling prices on net profit. The descriptive method is a method that provides a systematic, factual and accurate picture of the facts, properties and relationships between the phenomena of the object under study and then draw conclusions. While the associative method is correlational, namely research to determine the existence of intervariable relationships (Seftianty & Nugroho, 2020).

The object of this study is the bookkeeping records on business actors and the financial statements of the Harum Manis Dio business. The population in this study is the financial report of Harum Manis Dio for the period 2020-2021. The samples in this study are total net income, cost of revenue, total gross profit and total operating profit in Harum Manis Dio for the 2020-2021 period. To find out the comparison of financial performance from each period, steps are needed: a) formulate research problems and objectives, b) collect data and information, and c) analyze financial statements (profit / loss) to evaluate financial performance. The tool used is this classic assumption test intended for free variables to be estimators or non-free variables unbiased. If there are no symptoms of classical assumptions, namely multicholinearity,

heteroskedatsticity, autocorrelation and normality in hypthesis testing with the model used, it is expected to produce a good model. Hypothesis testing using regression analysis.

3. RESULTS AND DISCUSSION

1. Descriptive Statistical Analysis

Descriptive statistical analysis is obtained through the following SPSS calculations:

Table 1. Descriptive Statistical Test Results

Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
Production Cost	12	2705500	2905555	2755970,00	79475,528
Selling Price	12	4350000	6000000	4837500,00	479168,314
Net Profit	12	1444500	3294500	2081530,00	500957,670
Valid N (Listwise)	12				

Based on the results of the descriptive satatistic test in table 1, it can be explained that: Production costs have a min value. 2,705,500 max value. 2,905,555 with a mean value of 2,755,970.00 and a standard deviation of 79,475,528. The selling price has a value of 4,350,000 max value. 4,837,500.00 with a mean value of 4,837,500.00 and a standard deviation of 479,168,314. Net profit has a min value. 1,444,500 max value. 3,294,500 with a mean value of 2,081,530.00 and a standard deviation of 500,957,670.

2. Test Classical Assumptions

Data normality testing in this study used Kolmogorov- Smirnov's Test of Normality in the SPSS program.

Table 2. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		12
Parameters[a,b]	Std. Deviation	0E-8
Most Extreme Differences	Absolute	,176
	Positive	,154
	Negative	-,176
Kolmogorov-Smirnov Z		,609
Asymp. Sig. (2-tailed)		,852

The results of table 2 show that the value of Asyimp Sig. (2-tailed) 0.825 is greater than the probability value (p) of 0.05, so it can be said that the research data is normally distributed. The results of the multicholinearity test can be seen briefly in table 3, as follows:

Tabel 3. Hasil Uji Multikolinearitas

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Production Cost	,961	1,041
	Selling Price	,961	1,041

Table 3. has a VIF value below 10 and a tolerance value greater than 0.1. The production cost has a Tolerance of 0.961 and a VIF value of 1.041. The selling price has a Tolerance of 0.961

and a VIF value of 1.041. It can be interpreted that there is no multicollinearity or independent intervariable relationships in the regression model.
The heteroskedasticity test was obtained as follows.

Table 4. Glejser Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
	(Constant)	-7,594	,000		-265,902	,000
1	Production Cost	1,129	,000	,001	1,194	,263
2	Selling Price	2,220	,000	1,000	1415,171	,000

Table 4 that the significant value of the production cost variable is 0.263, meaning that this regression model has only one of the variables that does not experience symptoms of heteroskedasticity due to the sig value. > 5%. The results of the multiple linear regression test are as follows.

Table 5. Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
	(Constant)	-7,594	,000		-265,902	,000
1	Production Cost	1,129	,000	,001	1,194	,263
2	Selling Price	2,220	,000	1,000	1415,171	,000

Based on table 5, the regression equation Y = (-7.594) + X1 is obtained. 1,129 + X2. 2,220. That the value of the constant of -7.594 means that if the cost of production (X1), the selling price (X2) is 0, then the sales volume is -7.594. Thus there is a negative correlation between the price variable and the net profit variable.

3. T-test

The results of the t test are processed as follows.

Table 6. t Test Results

Model		t	Sig.
	(Constant)	-265,902	,000
1	Production Cost	1,194	,263
2	Selling Price	1415,171	,000

Based on Table 6 it can be said that:

a. The production cost has a significant value of 0.263 > 0.05, and t count 1.194 < 2.075. The first hypothesis that Ha was rejected and Ho was accepted, meaning that the cost of production had no significant effect on the net profit of the Harum Manis Dio household industry.
b. The selling price has a significant value of 0.000 > 0.05, and t count 1415.171 < 2.075. The second hypothesis that Ho was rejected and Ha was accepted, meaning that the selling price had a significant effect on the net profit of the Harum Manis Dio household industry.

4. Test F

The results of the F test are processed as follows.

Table 7. F Test Results

	Sum of Squares	dsf	Mean Square	F	Sig.
Regression	12,000	8	1,500	11969,992	,000
Residual	,000	3	,000		
Total	12,000	11			

Based on table 7 it can be known df1 = k-l or 3-1 = 2 and df2 = n-k or 12-3 = 9. From the results of the above output, a calculated F value of 11969.992 > F of table 4.26 and a significant value of 0.000 < 0.05 were obtained. It can be concluded that production costs and selling prices simultaneously have a significant effect on the net profit of the Harum Manis Dio household industry.

4. CONCLUSION

The conclusion of this research is that production costs do not have a significant effect on net profit in the Harum Manis Dio household industry. The selling price has a significant effect on the net profit of the Harum Manis Dio household industry. Production costs and selling prices simultaneously have a significant effect on net profit in the Harum Manis Dio household industry, Cigadung Village, Banjarharjo District, Brebes Regency.

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