

Capacity Building Economic Empowerment of the Accuracy of Calculation of Cost of Products

(Study in MSME's Developed of BAZNAS West Java)

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Abstract—The accuracy of determining the cost of goods sold and selling prices is a strategic matter as a gateway for business revenues and profits. On the other hand, there are still many business people, especially MSMEs who do not make the determination of the cost of goods and selling prices a strategic matter. Inaccuracy in determining the cost of goods and selling prices for the short term such as profit, and for the long term will suffer losses. The research method used in this study is a case study method in SMEs under LPEM BAZNAS West Java, with a descriptive analysis approach. The results show that the accuracy of determining the cost of goods sold and selling price is very important and strategic to avoid losses and maximize revenues and profits.

Keywords—*cost of goods sold, selling price, UMKM*

I. INTRODUCTION

West Java BAZNAS as a zakat management organization, has an economic empowerment program for the people under the guidance of the Community Economic Empowerment Institute (LPEM). This program is part of the implementation of the zakat intermediation role. The economic empowerment target areas are spread across cities and regencies throughout West Java. The basis for empowering the target groups is derived from zakat funds. This target group has the potential to be empowered and developed, so that the goal of zakat, which is to transform from mustahik to muzakki, can be achieved effectively. Empowered economic sectors are food and beverage, souvenirs, basic necessities, services and others. LPEM BAZNAS West Java aims to: (1) Organize and develop the MSME Entrepreneurial Incubation program. (2) Fostering an entrepreneurial spirit, creating job opportunities, alleviating poverty, developing value-added local halal products & regional competitiveness so that they are able to contribute to the market economy system. (3) Improving MSME Human Resources Developing SMEs and (4) Potential become an independent business, so capable and successful local competition. In realizing this goal, LPEM BAZNAS West Java combed through various obstacles which were considered to be weaknesses for the SMEs it fostered.

It is known, there are still many MSMEs assisted by LPEM BAZNAS West Java which have not accurately determined the cost of production and cost of goods sold, so that in the long term it will be detrimental to MSMEs. The inaccuracy in determining the cost of goods is due to the lack of knowledge of MSME actors in calculating and determining it. In order to be able to calculate and determine the cost of production and cost of goods sold, MSME actors must be equipped with knowledge and skills in finance and cost accounting. For this reason, to contribute to the effectiveness of community economic empowerment and development programs, PKM activities need to be carried out in the form of training and assistance in determining the cost of production and cost of goods sold. Empowerment programs that are built are economy, health, education, social humanity, da'wah syiar Islam. This research is only related to one aspect of empowerment, namely the economy. In the community economic empowerment program in LPEM's target areas, namely MSMEs to develop the target areas that have the potential to develop MSMEs. Where, one of the results of research related to the constraints of community economic empowerment and development is the limited number of experts or assistants and the low capacity of MSME actors in empowerment programs. One of the things that are considered important in empowering and developing the economy, especially in the MSME sector, is the aspect of determining the cost of products and the cost of goods sold that must be carried out by mustahik/guided groups of the LPEM program.

The urgency of the accuracy of determining the cost of goods is to determine the accuracy of turnover and profit [1]. If the accuracy of this cost of goods is low, it will result in short-term profits such as profits, but in the long-term it will suffer losses [2]. It can also increase the competitiveness of MSMEs both at the national and global levels.

Of the many factors that cause the low performance of empowerment, there are still obstacles faced by the assisted groups. One of these obstacles is the limited number of experts and assistants in almost all aspects of the MSME empowerment and capacity building program [3]. Another

aspect that is alleged to be a contributing factor is that zakat institutions must implement good zakat governance [4]. Implementation of internal control through monitoring and evaluation of activities and TQM [5], implementation of Culture Organizational [6], an organizational performance assessment was carried out, looking at aspects of amil behavior [7] and factors of utilizing the socio-economic value of zakat [8].

Furthermore, from the many aspects that need to be done to support the effectiveness of empowerment and economic development are competencies related to determining the cost of production and sales, because determining the cost of goods sold for MSMEs will support business effectiveness, especially pricing strategies that result in profit or loss [9]. There are several competencies that must be possessed by MSME actors before being able to determine the cost of production and cost of goods sold [10]. This paper will explain how the accuracy of calculating the cost of goods and sales will be able to increase the capacity of MSMEs.

II. LITERATURE REVIEW

A. Understanding Cost Accounting

According to Mulyadi [11], cost accounting is the process of recording, classifying, summarizing and presenting costs, making and selling products or services, in certain ways, and interpreting the results. Cost accounting as a form of accountability, while helping the user to find out the amount of production costs that are useful in making decisions. Mulyadi [11] also explains the objectives of cost accounting as follows: (1). Determination of product costs, (2). Cost control, and (3). Special decision making

B. Strategic Value Determination of Cost of Products

The has a strategic value because it becomes the basis for determining the cost of products, cost of products sold and selling prices. The cost of goods sold is the price charged to each unit of the product, while the selling price is the price charged to consumers or product buyers. The basis for determining the cost of goods to be sold and the selling price is the cost of production. On the other hand, the cost of goods sold and the selling price are the gates for the company's revenue or revenue. For this reason, the accuracy of determining the cost of the product is very important and strategic. If it is too big, it will make it impossible to compete and little or no one will buy the product. If it is too small, it will have an impact on the company's loss by not being able to cover all the costs charged to the product. Furthermore, the determination of the cost of the product (costing) and the determination of the selling price (pricing).

C. Elements of Production Costs Production

costs consist of direct material costs, direct labor costs and factory overhead costs. According to Mulyadi [11] "Direct materials are the acquisition costs of all direct materials that become an integral part that make up finished goods, such as

wood used to make tables and chairs". According to Mulyadi [11] "Factory overhead costs are all costs to produce a product other than direct materials and direct labor. These costs can be further classified into three main elements: (1) Indirect materials, (2) Indirect labor costs and (3) production costs indirect other, such as: factory equipment insurance, depreciation on factory equipment and others. "

D. Factory Overhead Costs (BOP)

Factory overhead costs are production costs which generally have an indirect nature to the formation of finished products. BOP is difficult to trace directly, so it requires a certain method of assigning it to unit costs [11]. In carrying out the loading, a tariff is needed which is the basis for the loading. The following is the basis for determining tariffs: (1) Product Unit: The formula for calculating the BOP rate is to divide the amount of BOP budgeted for one period by the amount of production produced. This method is suitable for use by business units that only produce one type of product. (2) Direct Material Costs: The tariff formula using direct materials is to divide the budgeted BOP for one period by the total direct material costs in the same period and then multiply by 100%. The result is a rate with a percentage. The greater the raw materials used in producing the product, the greater the amount of factory overhead charged. (3) Direct Labor Costs: The tariff formula using direct labor costs also produces a tariff in the form of a percentage. The formula used is to divide the amount of BOP in one period by the total direct labor costs in one period multiplied by 100%. The greater the labor costs charged, the greater the amount of BOP. (4) Number of machine hours: This formula is used when the business unit uses machines as the dominant means of production. The longer the use of the machine in the production process, the greater the amount of BOP charged. The rate is calculated by dividing the budgeted amount of BOP by the number of machine hours expected to be used over the same period. The resulting rate is per machine hour. (5) Number of labor hours: If labor hours are the factor dominant in producing a product, then the basis of labor hours is used in determining tariffs. The longer the production process in hours, the greater the factory overhead costs. The rate is calculated by dividing the number of BOP in one period by the number of direct labor hours that are planned to be consumed in producing the product in one fiscal year. The result obtained is the rate per hour of labor.

E. Benefits and Methods of Determining the Cost of Production

Mulyadi [11] states that: "the benefits of information on the cost of production are: determining the selling price of products, monitoring the realization of production costs, calculating periodic profit or loss, determining the cost of inventories of finished products and products in process presented. in the balance sheet". The method of determining the cost of production is divided into two, namely: full costing method, variable costing method.

The Full Costing method is this method of calculating the cost of production which consists of costs of variables and elements fixed costs in the production process. Production costs consist of: (1). direct material costs, (2) direct labor costs and (3) fixed BOP and variable BOP. The total cost of production in this method is by adding up the cost of production and non-production costs consisting of costs general administration and marketing. The full costing method is the accepted method in preparing financial statements for external companies. The format presented in this method corresponds to the format required in financial accounting for company external reporting.

Variable costing method is a variable costing method using cost variable as the main element of production costs consisting of direct material costs, direct labor costs and BOP variable. Fixed BOP and other fixed costs are grouped into period costs. Meanwhile Costs administrative, general as well as marketing costs are the total cost elements variable in calculating the contribution margin or; $\text{Contribution Margin} = \text{Sales} - \text{Total Variable Costs}$ (Variable Production Cost + Non-Production Cost). This format is usually used by the company's internal parties in carrying out management functions, especially in making special decisions and requires adjustments when necessary for external reporting purposes.

III. RESEARCH METHODS

The research method used in this research is a case study method in MSMEs assisted by LPEM BAZNAS West Java. The one-case method is a research that involves one-unit case of a company/organization, an area or empirical research [12]. Here we will examine the accuracy of determining the cost of goods for MSME products assisted by LPEM BAZNAS West Java in relation to the calculation of the cost of products to increase MSME capacity. The type of research conducted is descriptive analysis research (descriptive analysis research).

IV. RESULTS AND DISCUSSION

A. *The Role of Zakat Intermediation in BAZNAS of West Java Province*

BAZNAS of West Java Province is a government-based zakat institution at the provincial level, in accordance with Law Number 23 of 2011 is one of the zakat institutions that is given the authority to carry out the role of zakat intermediation. The role of collecting ZIS funds is the role that is tasked with optimizing the collection of zakat funds from muzakki. Optimization of this role must start from the potential for zakat both at the national level, which is more than 217 trillion [13] and at the West Java level of 17 trillion [14]. Based on the potential of zakat, various collection strategies are prepared that are tailored to the needs, capabilities, environmental changes and partnerships built by BAZNAS of West Java Province. Below are strategies and collection programs implemented with the following strategies: (1) Zakat Collecting Unit; (2) Payroll System for State Civil Apparatus (ASN) of West Java Provincial Government and company employees;

(3) ATM transfer and cash transfer via bank; (4) Pick up Zakat; (4) Muzaki counters and infak boxes (Kofak) and (5) online application-based collection (online marketing).

The next intermediary role is to distribute and ZIS to mustahik consisting of 8 asnaf namely Fakir, Poor, Amil, Riqab, Gharimin, Mualaf, Fisabilillah and Ibn Sabil. The role of distribution is divided into two programs, namely the distribution of Zakat (consumption) and the utilization of zakat (productive and empowering). BAZNAS West Java Province distributes and utilizes zakat, infaq, alms and other religious social funds through 5 main programs, namely: West Java Health, West Java Smart, West Java Mandiri, West Java Takwa and West Java Peduli. Furthermore, the success of a program will be measured by indicators that have been determined, such as the National Zakat Index (IZN), SDG's achievement, Zakat Village Index (IDZ), poverty alleviation, Human Development Index (IPM), and other measures.

B. *Community Economic Empowerment Program Empowered*

Aspects related to the distribution of zakat are social, economic, health, education, religious, and disaster. It is hoped that this field can empower the community as a whole. At the implementation stage, because it is empowered by the community, the limited number of volunteers amil volunteers is the biggest obstacle. Then, the effectiveness of program implementation, the lack of mentors/supervisors, the limited variety of materials provided and several obstacles. Programs developed for the empowerment of the target communities are generally carried out with a tiered model through the stages of mental development, group activities, and increasing the capacity to be independent. It is hoped that these obstacles can be minimized by adding volunteers as well as experts who can add various competencies and skills so that the research target community. It is planned that further research activities in addition to further research from different aspects of the empowerment model will also be conducted training.

C. *Calculation of Cost of Production and Selling Price in Economic Empowerment*

The cost of production and selling price is the gateway to get revenue or income in business, including for businesses SME. For this reason, accuracy in calculating the cost of production, cost of goods sold and selling price is very strategic. Due to being a very strategic aspect it is necessary to get a very big concern from all parties such as ministries, academia, business and parties. other related in general, business actors in the form of MSMEs, still do not pay great attention to the calculation of the cost of production, cost of goods sold and selling price correctly. Business people SME often ignore and determine the selling price based on instinct, so the accuracy of the calculation is ignored. The reason business people SME use instinct is because of their very long experience, even their business has been carried out for generations. Calculation of the cost of production, cost of goods sold and selling price with instinct has an impact in the short term such as getting a profit, but in the long term it will

suffer a loss. If losses are experienced continuously, it will have an impact on business sustainability.

Several factors are the cause of the inaccuracy of MSMEs in calculating the cost of goods sold and selling prices, including: (1) inappropriate human resource competencies; (2) Lack of accounting and financial knowledge of MSME actors, (3) Still relying on instinct in calculating cost of goods sold and selling price; (4) Perception that cost of goods sold and selling price are not strategic aspects of doing business; (5) there is still a lack of media for training and assistance from the government and related parties.

Economic empowerment through the development of MSMEs must be supported from various aspects, such as (1) capacity building of human resources with training and assistance activities related to accounting and financial knowledge so that they can calculate cost of goods sold and selling prices correctly; and (2) The role of the government and related parties concerned with the development of MSMEs in all business aspects. By increasing the capacity of MSMEs to develop their business, especially in the accounting and financial aspects. The accounting and financial aspects of business will make it easier for MSME actors to calculate the cost of goods sold and selling prices correctly. The accuracy of determining the cost of goods sold and selling prices will be the gateway to increasing revenues and profits which will be part of sustainability business.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on the discussion, it can be concluded that: (1) important accounting and financial aspects are related to the accuracy of the calculation of cost of goods sold and selling price; (2) the accuracy of the calculation of the cost of goods sold and selling price becomes strategic because it becomes the gateway to get revenue and profit that ensures business continuity.

Furthermore, based on the previous discussion, the suggestion should be to increase the human resource capacity of MSME actors, especially knowledge and skills in accounting and finance. And this research was conducted with the case study method, it is hoped that further research will use other research methods such as surveys and others.

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