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**Benefits of Cost of Goods Manufactured Calculation Training for Micro, Small and Medium Enterprises Managers (Case Study at Dipo and Sam Garage UMKM)**

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**Abstract:** The current situation shows that the manager of Micro, Small and Medium Enterprises (MSMEs) have a low ability to calculate the cost of goods manufactured. Low ability is shown by means of simple calculations without being based on theoretical knowledge required as a basis for calculation. To improve the skills of MSME managers in determining the cost of goods manufactured, training is given using technical guidance methods with mentoring programs. This study aims to determine the benefits of these training activities. The research method used is descriptive with a comparative approach, namely comparing the conditions before and after the training activities. The results showed that training activities can provide benefits to improve the skills of managers in determining the cost of goods manufactured

**Keywords:** MSMEs, cost of goods manufactured, training

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## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are businesses that are generally run by people who are just starting a business. Prof. Ina Primiana from the Faculty of Economics and Business, Padjajaran University, described MSMEs as small-scale business activities that support the development movement and the Indonesian economy. Meanwhile, M. Kwartono Adi uses a more specific definition, namely a business entity with a profit of less than 200 million Rupiah, calculated from the annual profit.

Micro, Small and Medium Enterprises (MSMEs) are often discussed as one unit. However, there are differences between the three. Micro businesses are usually owned by individuals or families, and the net profit is below IDR 50,000,000 per year. Usually, personal finances and capital can still be put together in the calculation. Small businesses usually get a net profit of under IDR 300,000,000 per year. These businesses can consist of informal businesses (e.g. the home shoe industry) or small-scale companies and institutions (e.g. small shops). Meanwhile, medium-sized enterprises usually already have a complete bookkeeping system, separate from personal money. The income can be above IDR 300,000,000 per year. Many medium-sized businesses already have a NPWP (Taxpayer Identification Number) and other legality.

Every year the number of these business actors is increasing and scattered in various parts of the country, which has an impact on the unemployment rate in Indonesia. MSMEs also contribute to economic growth in Indonesia, with a value of up to 60%. However, not many UMKM owners manage their business, just like a business professionally. This includes determining the cost of goods sold for MSMEs, which is not widely known by the MSME business. This occurs because of the limited knowledge possessed in business managerial related to the preparation and calculation of the cost of goods manufactured. The cost of goods or services produced will be included in the financial statements, namely the income statement.

By determining the right cost of production, it will help MSMEs in calculating whether the business activity gets profit or loss. So that the calculation of the cost of goods sold for MSMEs will be an important thing that should not be ignored by MSME owners in determining the selling price. To assist MSME managers in determining the cost of production, training on the calculation of the cost of production is needed which is intended to disseminate knowledge and the importance of understanding the calculation of the cost of production for MSMEs, so that MSMEs can still make financial reports, especially in calculating the cost of goods manufactured properly.

Based on the description above, this study aims to determine the benefits of training activities in calculating the cost of goods for MSME managers.

## 2. LITERATURE REVIEW

## **2.1 The Role of Micro, Small and Medium Enterprises (MSMEs) in Economic Development**

Technological developments and entrepreneurial trends make the role of MSME actors increasingly important. MSMEs are one of the drivers of the nation's economy, so their existence is very important. The following are some of the roles of MSMEs in economic movement:

1. Increasing job opportunities Every UMKM that is established is a new opportunity for people who are looking for work. Unlike large companies, MSMEs tend to display lighter requirements when looking for labor. This expands job opportunities for more people thus reducing the number of unemployed. MSMEs also provide opportunities for people who want to earn extra money but find it difficult to leave their daily activities. This can be seen from community-based micro and small businesses, for example handicraft and culinary businesses among housewives.
2. Encouraging a more equitable economy. MSMEs are a way to create a more equitable economy, even in small cities and rural areas. MSMEs allow people to access various products and services without having to go to larger and busier areas.
3. Increase foreign exchange. State foreign exchange can increase with the presence of well-managed MSMEs. Foreign exchange can come from various sources, ranging from the export of products to overseas customers, to sales of local products to foreign visitors or shoppers, for example through online kiosks.
4. Boost the economy in difficult periods. The flexible nature of MSMEs as well as being very vital makes them ideal as an economic driver when times are difficult. MSMEs are a sector that continues to run when the monetary crisis hit Southeast Asia (including Indonesia) in 1997.
5. Meet the needs on target. MSMEs usually better understand the needs of the surrounding community. Products are produced according to needs, using raw materials obtained from the nearest environment or local producers. This provides benefits for local people who are consumers

## **2.2 Cost**

To calculate the cost of goods manufactured, the most important factor is an understanding of the cost of production. Cost is the expenditure of an amount of money that aims to benefit from these expenses. In production activities there are 3 types of costs, namely; raw material costs, labor costs, and overhead costs (Sihite, 2012).

Raw materials are the main ingredients for making a product. In companies that produce cakes, flour is the raw material. To get these raw materials, the company requires a fee. All costs incurred to obtain these raw materials are categorized as raw material costs. So, the cost of raw materials will consist of the price of the material, the cost of transportation, the cost of storage (Sihite, 2012).

Labor is a physical or mental effort made by employees to process products from raw materials into finished products (Oktaviani, 2018). Labor costs are remuneration provided to production employees who are directly involved in the product manufacturing process. These employees participate in activities to process raw materials into finished products. Labor costs include salaries and wages (Sihite, 2012).

Overhead costs are all production costs other than raw material costs and direct labor costs incurred by the company to support production activities. Factory overhead costs consist of costs of indirect materials, salaries and wages of indirect labor and other indirect production costs; Depreciation costs or rental costs for production machines (Sihite, 2012).

## **2.3 Collection of Production Costs**

There are two methods in collecting production costs, namely: the job order costing method and the process costing method. The job order costing method is a method applied to companies that produce their products based on orders. This method charges the entire production cost of the product ordered. The cost of production for each unit is calculated by adding up all production costs incurred then dividing by the number of units produced (Murti et al., 2018).

The process costing method is applied to companies that produce products on a mass basis. This method collects all production costs for a certain period. The calculation of the cost of production per unit is done by calculating the total cost of production for a certain period and dividing it by the number of products produced in that period (Murti et al., 2018).

## 2.4 Calculation of Cost of Goods Manufactured

a. Cost of Production Calculation using Job Order Costing Method (Murti et al., 2018)

The calculation of the cost of goods manufactured for the product ordered is as follows:

<b>Production cost:</b>	
Raw Material Costs	XX
Labor costs	XX
Factory overhead costs	<u>XX +</u>
<b>Total Production Costs</b>	<b>XX</b>
<b>Non Production Costs:</b>	
Administration and general expense	XX
Marketing expense	<u>XX +</u>
<b>Total Non-Production Costs</b>	<b>XX +</b>
<b>Total job order cost</b>	<b>XX</b>

b. Cost of Goods Manufactured Calculation using Process Method

To calculate the cost of goods manufactured at companies that produce mass products are as follows (Darno & Muasyaroh, 2020).

<b>Raw Material Costs:</b>	
Beginning inventory of raw materials	XX
Purchase of raw materials	<u>XX +</u>
Raw materials are available for production	XX
Ending inventory of raw materials	<u>XX-</u>
Use of raw materials	XX
<b>Labor costs</b>	
Wages and salaries	XX
<b>Factory overhead costs</b>	<u>XX +</u>
<b>Total production costs</b>	<b>XX</b>
Beginning inventory of work in progress	<u>XX +</u>
Total work in progress inventory	XX
Ending Work-in-progress inventory	XX-
<b>Cost of goods manufactured</b>	<b>XX</b>

## 2.5 Benefits of Calculating Cost of goods manufactured

The calculation of the cost of production will provide benefits for MSME managers. By knowing the cost of goods manufactured, the manager can determine the selling price of the product based on the realization of production costs. In addition, the calculation of the cost of goods manufactured makes it easier to calculate profit or loss periodically and can also determine the value of the finished product and work in process inventory. It is hoped that, by knowing the amount of the cost of goods manufactured, MSMEs can make an income statement and a statement of financial position (Anita, 2014).

## 2.6 Training

Training is defined as an effort to develop human resources in an organization. This activity needs to be carried out because there is a gap between the skills possessed by human resources at the moment and the skills needed for an activity. With the training, it is hoped that human resources can improve their skills in order to carry out their activities effectively (Nurhayati, 2018).

## 3. RESEARCH METHODS

This research is a descriptive study with a comparative approach. This study aims to compare the conditions before and after the training in calculating the cost of goods manufactured. The research was conducted at Diponegoro and Sam

Garage MSMEs located in Cimahi, Indonesia, because these MSMEs face major problems related to limited knowledge in the preparation and calculation of the cost of goods manufactured. These MSMEs do not yet have structured and codified bookkeeping in good financial reports according to applicable standards (BIro West Java, 2021).

#### 4. RESEARCH RESULTS AND DISCUSSION

In order for MSME managers to understand how to determine the cost of goods manufactured, training has been carried out using technical guidance methods with an integrated mentoring program. This training is intended to provide an understanding of the components of production costs, methods to be used and formulas in calculating the cost of goods manufactured and the benefits of calculating the cost of goods manufactured. To find out whether this training is useful or not, an evaluation is carried out by comparing the understanding of the MSME managers before and after the training. The evaluation results are presented in Table 1.

Table 1. Evaluation Results of Training Activities

Training materials	Before Training	After Training
Cost concept	Managers do not understand	Managers already understand
Production cost concept	Managers do not understand	Managers already understand
Cost collection concept	Managers do not understand	Managers already understand
The formula for calculating the cost of goods manufactured	Managers do not understand	Managers already understand
Benefits of calculating the cost of goods manufactured	Managers do not understand	Managers already understand

Based on the results of the evaluation, training activities can provide an understanding to MSME managers in determining the cost of goods manufactured. After training, MSME managers can understand the concept of costs, the concept of production costs, the method of collecting costs and the formula for calculating the cost of goods manufactured and their benefits in the production activities of UMKM.

#### 5. CONCLUSION

Training activities through the technical guidance method with an integrated mentoring program can provide benefits, namely that managers feel that they have received knowledge and go straight to the point of the problem so that they feel helped in dealing with problems in running a business. MSME managers can understand how to determine the cost of goods manufactured, thereby helping them determine selling prices and making financial reports.

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