

Baby Pillow Production Cost Calculation Assistance - Baby Fynnsass

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Abstract: Financial statements serve as a tool for analyzing financial performance that can provide information about the financial position, business, performance, and cash flow so that they can be used as a basis for making economic decisions. An important part of the financial report is the calculation of the cost of goods manufactured which will be used as the basis for determining the selling price of the product. The object of this service is aimed at micro, small and medium enterprises (MSMEs). The purpose of this service program is to provide an increase in knowledge in financial management properly and correctly to MSMEs, especially regarding partners' understanding of determining raw material costs, labor costs, factory overhead costs, to calculating the cost of goods manufactured. The solution offered is to implement manual and computerized calculation of the cost of goods manufactured. The method used in this community service is descriptive with a case study approach.

Keywords: Cost of Production, MSMEs, Community Service

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are some of the drivers of the nation's economy. MSMEs play an important role in economic growth and employment in Indonesia. Supporting an economic community that is capable of growing at the National level in 2017 as a form of realizing an economically independent Indonesia. MSMEs in the city of Bandung must be able to support the increase in the competitiveness of the West Java economy, economic growth, reduce poverty, and increase the standard of living of the population in West Java Province. Therefore, MSMEs must be able to compete and be able to seize every opportunity so that they can continue to take part in the national economy. All forms of problem-solving efforts for the various obstacles faced by MSMEs in improving their performance have been carried out. This is because many MSMEs are more focused on operational activities so that recording and reporting are often neglected. Without good records and reports, MSME performance evaluation is not easy to do.

Financial management is one of the important aspects of the progress of the company. Financial management can be done through accounting. Accounting is an information system that produces a financial report to related or interested parties regarding economic activities and company conditions (Warren, 2014). As long as MSMEs still use money as a medium of exchange, accounting is needed by MSMEs. Accounting will provide several benefits for MSME players, including:

1. MSMEs can find out the company's financial performance,
2. MSMEs can find out, sort, and differentiate company assets and owner's assets.
3. MSMEs can find out the position of the funds both their source and use,
4. MSMEs can make the right budget,
5. MSMEs can calculate taxes, and
6. MSMEs can find out the flow of cash during a certain period.

In carrying out business activities, MSMEs managers often find it difficult to record what happens in their business operations. The difficulty involves activities and evaluating the results achieved by each business. Especially if it has to be carried out measurement and assessment of activities that occur in business or non-business activities. Often in small and medium scale businesses, the results of the business are said to be good if the current income is higher than the previous income. Indicators of success are not only measured by income, it is necessary to measure and group the transactions or activities that occur and summarize these transactions.

To win the business competition, MSMEs players are required to be able to manage their financial aspects. This is because decisions and policies on service prices as well as business capital requirements will be largely determined by the availability of good and relevant financial reports as a source of business decision-makers. In

the current condition, partners find it difficult if they have to use accounting in their business activities. This is because management is not familiar with accounting as a basis for good financial management. The problems faced by partners are as follows:

1. Partners do not have structured and codified bookkeeping to preparing financial reports by MSMEs standards
2. Partners have not been able to calculate the cost of production

2. Implementation method

This Community Service uses a descriptive method, which is a method for making a picture of a situation or event and making predictions to get the meaning and implications of a problem being solved (Nazir, 2014). The approach used is a case study. The approach used in the form of a case study is a series of scientific activities carried out intensively, in detail, and in-depth about a program, event, and activity, either at the level of an individual, a group of people, an institution, or an organization to obtain in-depth knowledge of the event. Usually, the selected events hereinafter referred to as cases, are ongoing, real-life events, not something that has passed (Rahardjo, 2017).

The implementation method for implementing this community service program is through the following stages:

1. Planning

For this program to run optimally, proper planning is required, including:

- a. Prepare a community service program proposal
- b. Analyze the process of implementing the accounting financial cycle that can be applied to MSMEs
- c. Observing the importance of holding a Community Service program because of the partners' backgrounds and the conditions experienced by the partners
- d. Arrange the time for the implementation of activities
- e. Prepare tools and equipment in the implementation of Community Service
- f. Prepare the implementation team to carry out Community Service activities.

2. Implementation

a. Seeing the condition of MSME Partners, it is observed from the condition of their financial records that have been carried out so far both before, during, and after the economic process.

b. Identify and formulate problems that occur in MSME Partners. Financial activities at MSMEs, among others, start from the process of purchasing raw materials to producing finished products (calculating the cost of goods manufactured).

c. Evaluating the results of observations, interviews, and data collection obtained, then comparing them with theories obtained from the literature and by applicable rules, then presenting a report on the cost of goods manufactured.

d. Summarizing the weaknesses after carrying out the identification stage and applying the calculation of the cost of production to the MSME Partners.

3. The technique of calculating the cost of production

a. The first stage is recording. The recording stage is the recording of transactions based on proof of transactions. This stage includes: journaling and posting

b. The second stage is to compile a list of balances and record adjustments as well as to rearrange the balance list. After adjustments and corrections have been made, a list of balances relating to the calculation of the cost of goods manufactured.

c. The third or final stage is to compile a report on the cost of goods manufactured.

Types of data used are: 1) primary data, obtained directly from research subjects through questionnaires and interviews, and 2) secondary data, obtained through books, research journals, and financial records of MSME partners.

3. Results

Starting from the business of opening a baby and children's equipment store in 2012 with the name Triplekids, where the shop provides a variety of baby and child equipment ranging from clothes to newborn baby equipment such as diapers, baby beds, pillows, blankets, slings, and others. Seeing the large need for baby equipment with not too many suppliers, it is an opportunity to decide to make quality baby equipment at low prices, and the brand name "baby Fynnsass" was created.

The baby equipment business with the Baby Fynnsass brand is based on the desire to increase family income to meet increasingly high economic needs, as well as open business opportunities for MSMEs partners who are

around the business location, so the manager took the initiative to run baby equipment production business activities.

Along with the passage of time and business activities for the production of baby equipment, since the beginning of 2020 and the outbreak of the COVID-19 Virus Pandemic which is still ongoing until now, it has resulted in a decrease in sales of baby and child equipment, however, the manager must try to deal with these conditions to remain can survive economically. Along with this, the manager decided to make and procure several parts of PPE (Personal Protection Tool) which are currently very much needed.

One of the steps to prevent the spread of this virus is the use of a mask. The masks that are used must be by the type and purpose, namely medical or non-medical masks. To run the program, managers as part of MSMEs try to take part by making cloth masks.

To produce baby gear and cloth masks that are in desperate need, the manager involves sewing partners and the surrounding MSME groups, especially those who are deeply affected by the conditions of the Covid 19 pandemic, from low orders to victims of factory termination of employment, as well as empowering local women so that they are expected to be able to help the economic conditions which are currently worsening due to the Covid 19 pandemic.

Baby Fynnsass is also one of the partners of the Partnership and Community Development Program of PT. Bio Farma (Persero). Location of Baby Fynnsass at Jl. Cibat Raya 49 B Antapani, Antapani Tengah sub-district, Antapani district, Bandung city. The production site is also a baby equipment store and is used for sewing in several places around Bandung, which are in the form of several groups of tailors according to sewing skills, such as Tailor Group in Cileunyi, Tailor Group in Padasuka, Tailor Group in Rancaekek, Tailor Group in Antapani, IKM Ciwastra Sewing Group, and Baleendah Sewing Group.

The owner of Baby Fynnsass as well as the manager does not have a background in accounting education, so the cost of goods calculation is done self-taught. Based on the results of preliminary observations, it is known that of the three elements of the calculation of production costs, namely: raw material costs, direct labor costs, and factory overhead costs, managers can identify raw material costs and direct labor costs only.

The recording system is still carried out manually and does not have an adequate accounting system, such as no numbering of accounts (chart of accounts), no journaling process, posting to ledgers, until financial reports are compiled. The focus of this Community Service is to assist in calculating the cost of producing baby pillows which will later be used as a blueprint for calculating the cost of production of other products.

4. Discussion

Production costs consist of raw material costs, direct labor costs, and factory overhead costs. Raw material costs are the materials that make up the overarching part of the finished product. Factory raw materials can be obtained through local purchases, imports, or self-processing. The raw materials for producing baby pillows consist of several parts, namely: 1) nursing pillow covers made of: cotton cloth, zipper, and zipper head; 2) inner divider with the material: white spondbond; 3) fill the barrier with the material: silicon/dacron; 4) plastic mica packaging with materials: 0.9 mm mica plastic, white zipper, laken rope, plastic zipper head, and plastic rattan.

Calculation of the cost of raw materials for baby pillow products can be seen in table 1.

Table 1. Calculation of Raw Material Costs Baby Pillows

Types	Unit Cost (Rp./unit)	Total Cost (Rp)
1. Nursing pillow covers		
cotton cloth	11,375.00	182,000.00
zipper	128.00	2,048.00
zipper head	210.00	3,360.00
2. Inner divider		
White Spoundbond	3,214.00	51,424.00
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3. Fill the barrier		
silicon / dacron	11,875.00	190,000.00
4. Plastic mica packaging		
0.9 mm mica plastic	3,716.00	59,456.00
white zipper	600.00	9,600.00
laken rope	400.00	6,400.00
plastic zipper head	110.00	1,760.00
plastic rattan	300.00	4,800.00
Total Material Cost	31,928.00	510,848.00

Sources: Baby Fynnsass (2021)

Direct labor costs are labor costs associated with the company, physical or mental efforts incurred by employees to process products that are called labor. The direct labor to produce baby pillows consists of several parts, namely: 1) pillowcases: cutting costs and sewing costs; 2) inner pillowcase: cutting the divider and sewing the divider; 3) fill border: fill silicon and sew; 4) plastic mica packaging: cutting and sewing mica plastics

Calculation of the cost of labor for baby pillow products can be seen in table 2.

Table 2. Calculation of Direct Labor Costs Baby Pillows

Types	Unit Cost (Rp./unit)	Total Cost (Rp.)
1. Pillowcases		
cutting costs	1,000.00	16,000.00
sewing costs	4,500.00	72,000.00
2. Inner pillowcase		
cutting the divider	714.00	11,424.00
sewing the divider	1,000.00	16,000.00
3. Fill border		
fill silicon and sew	1,000.00	16,000.00
4. Plastic mica packaging		
cutting and sewing mica plastics	5,000.00	80,000.00
Total Direct Material Cost	13,214.00	112,000.00

Sources: Baby Fynnsass (2021)

Factory overhead costs are not included in the cost of raw materials and direct labor costs. Factory overhead costs consist of utility costs, room rental costs, maintenance costs, fuel oil costs, and the Indonesian National Standard (SNI).

Calculation of the cost of factory overhead for baby pillow products can be seen in table 3.

Table 3. Calculation of Factory Overhead Costs Baby Pillows

Types	Total Cost (Rp.)
utility costs	75,000.00
room rental costs	150,000.00
maintenance costs	500,000.00
fuel oil costs	600,000.00
the Indonesian National Standard (SNI).	7,500.00
Total Biaya Overhead Pabrik	1,332,500.00

Sources: Baby Fynnsass (2021)

Note:

- Utility costs = 10% x Rp. 750.000
- Room rental costs = 1% x Rp. 15.000.000
- Maintenance costs = 1/3 x Rp. 1.500.000
- SNI = Rp. 45.000.000/6.000 unit

The calculation of the cost of producing baby pillows can be seen in Table 4.

Table 4. Calculation of Production Costs Baby Pillows

Types	Total Cost (Rp.)
Material Costs	510,848.00
Direct Labor Costs	112,000.00
Factory Overhead Costs	133,250.00
Production Costs	756,098.00
Unit Produce	16.00
Unit costs	47,256.13

Sources: Baby Fynnsass (2021)

Note:

- Factory overhead costs charged for baby pillow products = 10% x Rp. 1.332.500
- The production of baby pillows is 16 units a month.

5. Conclusions and suggestions

Conclusion of Community Service activities:

1. Community Service Partners already understand the components of production costs, but it is not appropriate to categorize them into groups of direct raw material costs, direct labor costs, and factory overhead costs.
2. There are still costs that have not been calculated in the calculation of the cost of goods manufactured so that the cost of goods is inaccurate which can affect the calculation of the selling price.
3. Documents to support the calculation of the cost of goods manufactured have been neatly documented.

Suggestions that can be conveyed:

1. Products produced by Community Service partners are required to obtain the Indonesian National Standard (SNI) which is expensive, so it is suggested that there is convenience from the relevant agencies to obtain SNI for the products produced.
2. Constraints from Community Service partners other than accounting problems are product design and marketing, therefore it can be considered to become Community Service together with other Study Programs at Widyatama University.

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