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**Analysis Of The Application Of The Full Costing Method In
Calculating The Cost Of Goods Produced (Cogs) Caftan
For Determining Selling Prices (Case Study On
Caftan Production At Viahijab Store)**

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ABSTRACT

This research was carried out to analyze the application of the full costing method in calculating the cost of produced (COGS) of caftans for determining selling prices. This research was carried out at the Viahijab Store using qualitative analysis techniques, where data has collected through interviews, observations, and literature studies. From the results of research that has carried out, the calculation of the cost of produced (COGS) and selling price using company calculations produces lower prices when compared to using the full costing method. Where the results of selling price calculations using the company method produce Rp. 186,540.3 per Caftan, while the calculation results from full costing are Rp. 200,040.3 per piece, this shows a difference of Rp. 13,500 per piece of Caftan. This is due to the difference in cost between the company method and the full costing method.

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INTRODUCTION

Caftan products are an important part of the clothing industry that has unique characteristics and aesthetic values. Caftan products have gained significant popularity among consumers looking for a comfortable and exclusive style. In the context of increasingly fierce competition in the clothing market, determining selling prices accurately is a critical element that has a significant impact on the success of companies in this sector.

Determining the right selling price involves a deep understanding of the cost of producing caftans. Selling price has a key role in influencing consumer purchasing decisions. Factors such as product quality, brand perception, and price balance are the main determinants in choosing or not a product by consumers. This is because accurate selling price calculations are very

important to achieve optimal profits and maintain competitiveness in the market. Based on Mulyadi's (2012) narrative, as quoted by (Siregar, 2020), determining the method of calculating production costs is a method to identify cost components and combine them into overall production costs.

Calculating production costs is an important task for enterprises to dig up the overall costs required in the process of producing goods or providing services. Operational effectiveness is key to competing in a competitive market. For this reason, setting a balanced COGS and fair selling price, which is not below or above market standards, is a strategic step. The calculation of this production cost involves several elements, including the cost of raw materials, workers' salaries, and other indirect costs (Lestari et al., 2019). Based on Haryono's (2005) narration, as quoted by (Cahyani, 2019), production costs involve all expenses needed to create manufactured products.

The determination of the sales price of a product is closely related to how accurately the COGS calculation is carried out to identify errors that can have an impact on the sales price itself (Bintang Komara, 2016). Selling prices and production costs that are set too expensive or cheap can have significant consequences, especially on large-scale production. Inaccuracies in the calculation of production costs and pricing for sales can cause adverse financial impacts and the potential loss of clients becomes a risk, given that production costs directly affect the determination of the selling price of products. (Nadia Astuti et al., 2020).

In an effort to calculate and minimize potential errors when estimating COGS, it is better for the company to implement a comprehensive cost calculation system, especially by applying the full costing method. Based on quotes (Fadli & Rizka ramayanti, 2020) according to V. Wiratna Sujarweni (2019), the full costing method refers to the calculation strategy used to determine the cost of goods products. This approach involves the inclusion of all production costs, both variable and fixed, into the calculation of costs for the goods being produced. This procedure involves allocating all production costs to a product, including variable costs as well as fixed costs.

Based on the description above, the focus of this research is focused on 3 main questions, namely: first, How does Viahijab Store carry out COGS calculations and determine product selling prices? Second, How does Viahijab Store calculate COGS by utilizing the full costing method? Third, how does the comparison occur between the COGS calculation applied by Viahijab Store when using the method /company approach and calculation using full costing method/approach?.

The objectives of this research are: (1) To understand how Viahijab Store calculates COGS and determines the selling price of its products. (2) To understand how to determine COGS of Viahijab Store when applying a full costing approach. (3) To analyze the comparison that occurs between the COGS calculation applied by Viahijab Store using the company's method and the calculation using the full costing method.

RESEARCH METHODE

This study was conducted at Viahijab Store located in Bandar Lampung, using a qualitative approach. In accordance with the view (Sugiyono, 2018), qualitative methods are rooted in the philosophy of postpositivism to examine the natural conditions of the object of study, with researchers trying to describe in detail the actual situation based on collected data and in-depth analysis of the object under study. And this research is sourced from primary data and secondary data.

Primary data is information obtained directly from the source by conducting direct interaction between researchers and informants. The primary data applied to this study was by conducting direct interviews with the owner of ViahijabStore. Conversely, secondary data is indirect information obtained through intermediaries such as the internet, books, journals, and other media. Secondary data are used to provide additional information and context regarding the problem in the study. Caftans were sampled in this study. The duration of the data in this study is one year, where the focus is on calculating the cost of goods produced by the Viahijab Store during the period. To collect data on this study, the techniques chosen include observation, interviews, and literature studies.

The data analysis method consists of pre-field, during field, and post-field analysis, which is carried out in three stages. The initial stage involves reducing data to facilitate accurate and detailed data collection and recording. The second stage involves presenting the data in the form of an essential and informative short narrative. The final stage is to draw conclusions and verify the data that has been collected with existing data from the field.

RESULT AND DISCUSSION

Calculation of Cost of Goods Produced "Viahijab Store"

The costs incurred by Viahijab Store in producing caftans are as follows:

Cost of Raw Materials

The cost of raw materials is a crucial element in the calculation of COGS. It covers the entire cost associated with the acquisition of materials necessary for

production, which includes logistical costs such as shipping and storage, taxes associated with purchasing, and all other costs directly related to the purchase of such raw materials. The following are the details of the Cost of Raw Materials obtained from Viahijab Store:

Table 1.
Production Raw Material Cost of 8,000 Pcs Caftan for a Year

No.	Description	Necessity	Price(Rp)/Unit	Total (Rp)
1	Fabric (2,5 Cm)	8.000 Pcs	29.000	580.000
2	Bead	8.000 Pcs	25.000	200.000
3	Zipper	8.000 Pcs	5.000	40.000
4	Yarn	8.000 Pcs	3.000	24.000
Total Amount				844.000

Source: processed based on primary data of Viahijab Store

By referring to table 1 Raw Material Costs, the total cost obtained is Rp.844,000,000

Direct Labor Costs

These direct labor costs generally include wages or salaries paid to workers whose duties are specific to the production process, such as machine operators, assembly workers, and sewing workers in the case of textile production. Effective management of these direct labor costs is important for companies to maintain operational efficiency and product price competitiveness. Here is a breakdown of direct labor costs obtained from Viahijab Store:

Table 2.
Direct Labor Costs

No.	Description	Unit	Price (Rp)	Total
1	Direct Labor Cost	8.000	35.000	280.000.000

Source: processed from primary data Viahijab Store

Based on the table of Direct Labor Costs, the total cost obtained is Rp.280,000,000.

Factory Overhead Cost (FOC)

FOC typically covers costs such as building rent or amortization, utilities such as electricity and water, equipment and machine maintenance, and salaries of support staff not directly involved in the manufacture of the product. These costs contribute to the company's ability to maintain production capacity and product quality, as well as support functions such as managing, research and development, and plant safety. Below is a breakdown of Factory Overhead Costs obtained from Viahijab Store:

Table 3.
Factory Overhaed Cost For One Year

No.	Description	Total (Rp)
1	Factory Rent	60.000.000
2	Machine Depreciation	9.702.000
3	Freight Cost	600.000
4	Packaging	2.400.000
5	Label	2.400.000
6	Utilities (electricity, Water)	8.000.000
7	Indirect Labor Cost	36.000.000
8	Auxiliary Materials	500.000
Total Amount		119.602.000

source: processed from primary data of Viahijab Store

Based on the Factory Overhead Cost table, the total cost obtained is Rp.119,602,000.

Calculation of Cost of Goods Produced (COGS)

Bastian Bustami and Nurlela (2010), with reference to research (Wardoyo, 2016), explained that COGS involves the entire cost of production, including factory overhead, direct labor costs, and direct costs of raw materials. COGS is an important metric that helps companies to set appropriate selling prices, monitor production efficiency, and manage profit margins. Precise calculation of cost of goods produced allows companies to identify potential cost savings, evaluate product performance, and make strategic decisions based on accurate cost information. The following are the details of the calculation of cost of goods produced:

Table 4.
Cost of Goods Produced Calculation According to Viahijab Store

Description	Total (Rp)
Direct Labor Cost	280.000.000
Factory Overhead Cost	119.602.000
Raw Material Cost	844.000.000
Total Cost	1.243.602.000
Production Amount	8.000
Average Cost of Goods Produced/Caftan	155.450,25

Source: processed based on primary data of Viahijab Store

From the COGS calculation table above, the total cost recorded was Rp.1,243,602,000 for the production of 8000 pcs of caftan. Therefore, the average cost of goods produced per caftan can be calculated as Rp.155,450.25.

Calculation of Cost of Goods Produced (COGS) using the Full Costing Method

Mulyadi (2005), as quoted in (Magfirah & BZ, 2016), elaborated on the production costing approach known as full costing involving the allocation of overall production costs, including direct labor costs, raw material costs, and factory overhead costs consisting of variable and fixed elements. The full costing method is an accounting method that allocates all product costs, both direct and indirect costs, into product costs consisting of direct raw material costs, direct labor costs, and factory overhead costs, both fixed and variable. In other words, this method takes into account the entire cost of production in setting the selling price of a product. The elements of calculating COGS Kaftan at Viahijab Store include:

Table 5.
Calculation of Cost of Goods Produced by Caftan at Viahijab Store using Full Costing Method in 2023

No	Description	Necessity	Price(Rp)/Unit	Total (Rp)
Cost of Production Raw Materials				
1.	Fabric(2.5 cm)	8.000 pcs	29.000	580.000.000
2.	Bead	8.000 pcs	25.000	200.000.000
3.	Zipper	8.000 pcs	5.000	40.000.000
Total Cost of Production Raw Materials				820.000.000
Direct Labor Costs				
1.	Direct Labor	8.000	35.000	280.000.000
Factory Overhead Costs				
1.	Factory Rent			60.000.000
2.	Depreciation Machine			9.702.000
3.	Freight Cost			600.000
4.	Packaging			2.400.000
5.	Label			2.400.000
6.	Machine Maintenance			10.000.000
7.	Helper Materials			24.500.000
8.	Utilities (water,electricity)			8.000.000
9.	Labor (Store Employees)			36.000.000
	Total Number of FOC			233.602.000
	Production Quantity (pcs)			8.000
	Average Cost of Goods Produced/Caftan			166.700,25

Source: processed from primary data of Viahijab Store

Based on the table 5, the calculation of the cost of raw materials for making 8,000 pcs of caftans is Rp.820,000,000 where to make caftans only cloth, mote, and zippers while yarn will later be classified into auxiliary costs. Then,

the total cost for direct labor is Rp.280,000,000. For direct labor calculations, there is no difference between calculations made by Viahijab Store and the full costing method. Furthermore, from the calculation of overhead costs above amounted to Rp.233,602,000. The total costs accumulated in the table above reached Rp.1,243,602,000 for the manufacture of 8000 pcs of caftans. Thus, the average production cost per caftan can be calculated at Rp.155,450.25.

Analysis of Cost of Goods Produced between Company Calculation and Calculation using Full Costing method

Below is explained the comparison in calculating the cost of goods produced by caftans between Viahijab Store and the company, and based on the use of the full costing method:

Table 6.
Comparison of Cost of Goods Produced According to Viahijab Store with Calculation of Cost of Goods Produced based on Full Costing method

Sort	Type of Cost of Goods Produced per Pcs		Difference (Rp)
	UMKM	Full Costing Methodh	
Caftan	155.450,25 .	166.700,25	11.250

Source: processed based on primary data of Viahijab Store

The table provided shows that the application of the full costing method by "Viahijab Store" leads to a higher calculation of cost of goods produced. This happens because the cost of maintaining the machine is included in the calculation of the plant's overhead costs. Although it causes COGS calculated by the full costing method to be higher than the company's calculation, the full costing method provides a more comprehensive and accurate picture of all production costs involved during the production cycle.

Inaccuracy in allocating factory overhead costs has a direct impact on the accuracy of COGS calculations. COGS calculated by the company's internal methods is lower than it should be because not all machine maintenance costs are included in factory overhead costs.

In the full costing method, every cost associated with the production of caftans is taken into account in detail. Although this method may result in a higher cost of goods figure, the resulting calculation is considered more accurate because it covers all cost components, including the cost of maintaining the machine. Full costing involves all activities related to the production process into the calculation of cost of goods produced, inaccurate allocation of factory overhead costs in the company's method results in lower COGS, due to lack of calculation of machine maintenance costs.

Calculation in Selling Price Determination

Halim and Supomo (2005) as quoted in (Putro & Roni, 2022), which states that selling price refers to total costs, involving production costs, marketing costs, and administrative and general costs, plus the profit (markup) desired by the company.

Table 7.
Calculation of Viahijab Store Selling Price with Company Method and Full Costing Method

Description	Price (Rp)	
	Company Method	Full Costing Methodh
Production Cost (COGS/Year)	1.243.602.000	1.333.602.000
Expected Percentage	20%	20%
	<u>248.720.400</u>	<u>266.720.400</u>
Total Sale Price	1.492.322.400	1.600.322.400
Total Production	<u>8.000</u>	<u>8.000</u>
Selling Price/Pcs	186.540,3	200.040,3

Source: processed from primary data of Viahijab Store

From the information presented in the table 7, it can be seen that the total revenue from Caftan sales using the company's internal method reached Rp. 1,492,322,400, with a sales value per unit of caftan of Rp. 186,540.3. While the total value of Caftan sales calculated by applying the full costing method is Rp. 1,600,322,400, with the price per unit for each Caftan set at Rp. 200,040.3. The price of each unit is generated by adding a profit margin of 20%, according to the profit target set by the company, into the total cost of production, and then dividing this amount by the total units produced.

Table 8.
Comparison of selling prices between the company's method and the full costing method

Sort	Type of Cost of Goods Produced per Pcs		Difference (Rp)
	Company Methodh	Full Costing Methodh	
Caftan	Rp.186.540,3	Rp. 200.040,3	Rp.13.500

Source: processed by the author

Based on the information presented in the table 8, it can be seen that the figure resulting from the calculation of the company's method for the cost of goods produced shows a lower value compared to the figure produced from the full costing method. The reason for this difference is that the full costing method incorporates all cost elements, including direct and indirect costs, into its calculations. Based on the full costing method, the total cost of production for 8,000 pieces of Caftan is Rp. 1,333,602,000. Conversely, with the company's

method, the cost of goods produced for the same amount is calculated to be Rp. 1,243,602,000.

The difference that appears in the calculation of cost of goods produced between the method used by the company and the full costing method comes from the allocation of BOP. In the application of the full costing method, all factory overhead costs, including machine maintenance costs, are calculated in detail. Meanwhile, the calculations made by the company do not include the cost of maintaining the machine in the calculation of their overhead costs.

The difference in calculating the cost of goods produced between the approach taken by the company and that taken by the full costing method affects the determination of selling prices. This is illustrated in Table 12. which shows a comparison of selling prices. The table shows that the price per unit of Caftan calculated by the company's method is around Rp. 186,540.3, while the full costing method gives a figure of Rp. 200,040.3 per unit, with a difference of around Rp. 13,500. This significant difference indicates that the application of calculating the cost of goods produced with the full costing method can contribute to improving the company's business performance.

CONCLUSION

Based on the results of the Analysis of the Application of the Full Costing Method in the Calculation of Cost of Goods Produced by Caftan for Determining Selling Prices at the Viahijab Store, the researcher concluded among others: 1. Viahijab Store calculates production costs and sets its selling price with a simple approach. Production costs taken in the calculation include raw material costs, direct labor costs, and factory overhead costs. Despite this, the company has not fully complied with the principles of cost accounting in calculating factory overhead costs. 2. The use of the full costing method in calculating COGS by Viahijab Store can contribute to optimizing company profits. This is because the full costing method is more accurate and thorough so that it reflects the actual cost of calculating production costs. 3. The application of the full costing method in calculating COGS results in higher production costs compared to the company method caused by differences in factory overhead costs. In the full costing method, all components of factory overhead costs are included in the calculation of cost of goods produced. Meanwhile, in the method applied by the company, there is no accuracy in calculating factory overhead costs. Therefore, there are differences in the calculation results that arise due to differences in the distribution of factory overhead costs. According to the calculation of the full costing method, the cost of goods produced by 8,000 pcs of Caftan is Rp. 200,040.3, while with the

method carried out by the company, the cost of goods produced of 8,000 pcs of caftans is Rp. 186,540.3.

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