PRODUCT SELLING PRICE DETERMINATION WITH A FULL COSTING APPROACH

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Abstract: *In this study to explain how to determine the selling price carried out based on full costing. In this study using data collection techniques by means of observation, the data source of this study is the 2018 cost report data, the method of analysis used in this study is descriptive quantitative. From the results of the study in determining the cost of goods used a full costing approach because it takes into account all elements of production costs into the cost of production. Taken into account all cost elements in production costs. Also has not included factory overhead costs in determining the price of its production. Determine the selling price between full costing and variable costs. The high selling price is in a full costing position.*

Keywords: *Full Costing, Variable Costing, Selling Price*

Introduction

Every business, whether small or large, has its own goals, both in the short and long term. In general, the objectives to be achieved are to maximize profits, production costs and maintain growth. Therefore, in this goal, good management is needed from planning, implementation to evaluation of business programs. Planning a business involves many aspects, including human resources, funding sources and other resources that are certainly needed to support the running of a business. Planning that also cannot be ignored is financial planning in terms of turning off production costs. The accuracy of determining the cost of production is determined by the accuracy in the accumulation and calculation of production costs which include direct labor costs and other factory costs. The cost of raw materials is accumulated and calculated by calculating the amount of raw materials used to produce the price of the relevant raw materials. Labor costs are accumulated and calculated by calculating the number of workers in the production department with the amount of time used to work on the product and the rate used. Factory overhead costs are determined using a predetermined rate and based on a specific rate setting.

The calculation of the cost of production is something that needs to be considered in determining the selling price of a product. One of the most important factors to achieve this is to streamline production costs as low as possible so as to increase profits. The strategy of production cost efficiency and proper pricing must be balanced with improving the quality of production and service for customer satisfaction, so that it has a high competitive value with other similar company products. Cost-plus pricing is the simplest method of calculating the selling price. In this method there are three approaches used, namely: full costing, variable costing and product costing.

Literature Review

Cost accounting was once thought to only apply to manufacturing companies, but today every type and size of organization benefits from using cost accounting. For example, cost accounting is used by financial institutions, transportation companies, professional service companies, hospitals, educational institutions and marketing and administrative activities in manufacturing companies. According to Munawir (2010), accounting is the art of recording, classifying and summarizing events and events that are at least partly financial in the most appropriate way and with instructions or expressed in money, operating systems, and interpretation of things that arise.

Based on this understanding, there are four main elements in terms of costs, namely:

1. Cost is the sacrifice of economic resources
2. Costs can be measured in rupiah
3. Costs are sacrifices that have been or will occur
4. Cost is a sacrifice that has a purpose

The existence of accurate cost information allows management to manage the allocation of various economic resources to ensure the production of outputs that have a higher economic value than the value of the inputs sacrificed. From the description above, cost accounting is defined as part of management accounting, in cost accounting it will be studied the determination and control of costs that occur in the company which will ultimately produce cost information that will be used by management for decision making.

It is undeniable that cost accounting is widely applied to calculate production costs that occur in manufacturing companies, but for now cost accounting has also been widely applied to non-manufacturing companies such as banking companies, insurance companies, hotels, etc. production in a school. bag manufacturing company. To produce school bags, companies need to calculate how much it costs to produce bags per piece or per group. If you already know the actual price of the bag, by doing detailed calculations according to theory

Method

The data collection method used in this research is the documentation study method. Documentation study is a data collection technique by collecting and analyzing documents, both written documents, images, and electronics, Sukmadinata (2007:221).

There are several reasons for using such a documentation study stated by Lincoln and Guba (1989: 276):

a. These documents and records can always be used mainly because they are convenient obtainable and relatively easy.
b. Is a steady source of information, good at understanding either accurately reflects the situation or can be reanalyzed without through changes in it.
c. Documents and records are rich information.

d. Unlike in humans, both documents, records are non-reactive, no provide a reaction / response to the treatment of researchers. Despite the term Documents and records are often used to denote one meaning, but basically the two terms have

Result and Discussion

Calculation of Cost of Production and Selling Price Using the Full Costing Method. The full costing method is an accurate method in determining the cost of production, therefore this method is able to improve company performance. In determining the cost of production, the full costing method is very complete and detailed in classifying costs. If using the full costing method, the classification of costs will be clearly seen, both variable factory overhead costs and fixed factory overhead costs. So that this can show the actual costs incurred by the company. If the company applies the full costing method in calculating the cost of production, the company can maximize the profit it wants because the set selling price already covers all the cost of production actually incurred by the company. Calculation of the right cost of production will produce the right selling price as well. With consumer trust and satisfaction in the company's services and driven by product quality that is guaranteed not to disappoint, the company should be able to slowly create selling prices that can maximize company profits. Based on the information above, it can be seen that the role of the full costing method as a method of calculating the cost of production plays an important role in increasing the effectiveness of a company in determining the costs required during the production process of the product desired by consumers. And this full costing method is also expected to help the company for the future as an evaluation material in calculating the cost of production for each product made so that it can determine an effective selling price and generate profits as expected by the company.

1. **Cost calculation full cost production**,

Determination of the basic price product is elemental loading production costs for products produced by a process production, meaning the determination of costs attached to the finished product and work-in-process inventory (Maghfirah, 2016). According to Mulyadi (2015:17) production cost determination method is a way of calculating cost elements into costs production. In calculating cost elements into costs production, there are two approaches namely full and variable costing costing. Full costing is production cost determination method that takes everything into account elements of production costs into production costs, which consist of raw material costs, labor costs direct labor, and overhead costs factory, well that variable or fixed behavior. Therefore, production costs according to the full costing method consists of the following elements of production costs this:

Raw material costs xx
Direct labor costs...xx
Variable factory overhead costs xx
Fixed factory overhead costs.............................xx
Cost of goods sold...xx

Calculated product costs with a full costing approach consists of elements of production costs (raw material costs, labor costs direct labor, overhead costs variable plant, and costs fixed factory overhead) plus with non-production costs (cost marketing, administration and general expenses).

2. **Production cost function**

According to Mulyadi (2015:65), in a production business period, basic price information calculated production for certain period of time is useful for management to:

a. Determining the Selling Price Product. Businesses that produce mass process their products to fill inventory in warehouses, thus costs production is calculated within a certain period of time to produce information on production costs per unit of product. In determining the selling price of production, the cost of production per unit is one of the data that is considered besides data on other costs and non-costs.
b. Monitor the Realization of Production Costs. Management requires actual production cost information issued in the implementation of the production plan. Therefore cost accounting is used to collect production cost information consuming the total cost of production in accordance with the previously calculated.
c. Calculating Gross Profit or Loss for a Specific Period. To find out whether the business production and marketing activities in a certain period are able to generate gross profit or resulting in a gross loss, management requires information on production costs that have been incurred to produce products within a certain period. Periodic gross profit or loss information to know the contribution of the product in closing non-production costs and generate a profit or loss.
d. Determining the Cost of Inventory of Finished Products and Products in Process Presented in the Balance Sheet. When management is required to make periodic financial accountability, management must present financial reports in the form of a balance sheet and income statement. In the balance sheet, management must present the cost of inventory of finished products and the cost of goods which are still in process at the balance sheet date.

3. The benefits of the information generated by the full costing method

a. In short-term profit planning For the benefit of long-term profit planning, management needs cost information that is disaggregated according to cost behavior in relation to the volume of activity. In the short run, fixed costs do not change with changes in the volume of activity only variable costs need to be considered by management in making decisions. Therefore, the variable costing method that produces a profit and loss statement that provides variable cost information that is separate from fixed cost information can meet management's needs for short-term profit planning.
b. In cost control Variable costing provides better information for controlling period costs than the information produced by the full costing method. In full costing fixed factory overhead costs are calculated in the factory overhead rate and charged as an element of production costs so that management loses attention to certain period costs (fixed factory overhead costs) that can be controlled.
c. In making decisions Variable costing presents useful data for long decision making short. In making short-term decisions concerning changes in the volume of activity, period costs are irrelevant because they do not change with changes in the volume of activity. Variable costing is particularly useful for determining short-term selling prices.

Conclusion

Determining the cost of goods using a full costing approach because it takes into account all elements of production costs into the cost of production. Whereas have taken into account all cost elements in the cost of production, have not included factory overhead costs. in setting production prices. Determine the selling price between full costing and variable costing. The high selling price is in a full costing position.

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