

DETERMINING COGS BASED ON CHANGES IN RAW MATERIAL PRICES IN THE RO HEMAT JAYA CRACKERS BUSINESS PURWAKARTA

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Abstract

This study analyzes the problem of determining the cost of goods sold (COGS) at Kerupuk RO Hemat Jaya Business due to fluctuations in raw material prices. The purpose of this study is to determine the impact of changes in raw material prices on COGS and to determine the appropriate method for calculating COGS. This study uses quantitative data such as raw material price data and production data, as well as qualitative data from interviews and direct observations. The results of the study indicate that fluctuations in raw material prices cause instability in COGS, making it difficult to determine the right selling price and impacting business profitability. The full costing method is recommended for calculating COGS because it takes into account all production costs, both fixed and variable. This study provides recommendations for better raw material management strategies and selling price determination to increase business profitability.

Keywords: Determination of production cost (HPP), Fluctuation in raw material prices

Introduction

The current economic development in Indonesia has directly driven business competition in various business sectors, all of which are competing to improve the quality of their production results, both in the form of goods and services, this is done in order to obtain more market consumers, including increasingly tight competition between MSMEs driving competition in product selling prices because changes in raw material prices can affect this. In general, the main objective of a business in carrying out its operational or production activities is to obtain maximum profit or profit. This is done so that the survival of the company is guaranteed and can provide benefits to the wider community.

Problems often faced by MSMEs include determining the cost of production so that the products produced can compete with other products produced by other businesses or MSMEs. This condition requires MSMEs to be more observant in increasing the accuracy of determining selling prices, this is because on the one hand users expect cheap prices but on the other hand setting selling prices that are too low can also cause companies or MSMEs to experience losses. , namely the selling price of a good or service. cannot cover all costs.

Including in the Hemat Jaya UMKM business owned by Mrs. Omah, she started managing the business in 2013, continuing her parents' business in the culinary field. Mrs. Omah manages the RO

cracker business, a typical West Java snack. Mrs. Omah's business is located in Sempur, Purwakarta Regency, West Java. In her business, Mrs. Omah faces many challenges such as changes in raw material prices in the production process which result in unstable and inaccurate determination of the cost of goods sold because changes in raw material costs can affect the determination of the cost of production. In the Hemat Jaya RO cracker business, Mrs. Omah determines the selling price by calculating how much raw material will be used in each product. Because changes in product prices will have an impact on the instability of the selling price which results in the quantity of products sold, in addition, the price of raw materials also affects the quality of the product which can affect the selling price of the product.

The problem that often occurs in the Kerupuk RO Hemat Jaya business is setting a product selling price that is not fixed, which is caused by the price.

Raw materials that often experience price increases and also competitor price competition. The selling price of a product also greatly affects business continuity. So MSMEs must determine a more precise price for the product, which is used to obtain maximum profit. If at the time of determining the price is not right in a product, it can cause fatal events to the business, such as in the financial sector in MSMEs, MSME welfare, and losses. Something can also happen in MSMEs if they are wrong in determining the selling price of a product to a product in the MSME business which can be used as a guideline in determining the selling price will be higher or lower. Based on these problems, we are interested in analyzing the problem entitled "Determining HPP Based on Changes in Raw Material Prices in the RO Hemat Jaya cracker business" the analysis was carried out to find out the problems that exist in MSMEs, therefore with this analysis it is hoped that it can increase insight and can also help overcome problems in the RO Hemat Jaya Cracker MSME produced by Mrs. Omah.

Literature Review

Definition of Production Costs

Cost is an important factor that ensures the success of a company in competing in the market. Therefore, calculating costs correctly is a must for a company. Because correct cost calculations are the basis for planning, monitoring and decision making, this opinion is further strengthened by statements from experts such as the following:

1. According to Mulyadi, production costs are costs incurred in processing direct materials into finished products. While Hansen and Mowen define production costs as costs related to producing goods or providing services.
2. Production costs are all costs incurred by the company related to the function or activity in processing raw materials into finished products that have a selling value. Production costs are the costs used by the company to change raw materials (materials) into finished products that are ready to be marketed (Fauziah Nursya'bani Fadillah, 2023)
3. Cost is one of the information needed by a company in various matters such as decision making, evaluation and company planning so that the concept of costs and understanding of costs in the company is very important (Fauziah Nursya'bani Fadillah, 2023)

Production costs are all expenses incurred by a company to obtain production factors and raw materials that will be used to create goods produced by the company. Regarding the definition of production costs, according to Mulyadi, "Production costs are costs incurred to process raw materials into finished products that are ready for sale. In general, production costs are divided into raw material costs, direct labor costs, and overhead costs." Meanwhile, according to Supriyono, "production costs are all costs related to the production function or activities of processing raw materials into finished products. So it can be concluded that production costs are costs incurred to process raw materials into finished products that are ready for sale. It is very important for every company to calculate production costs in order to determine the selling price according to its production cost expenditure.

Production costs are classified as follows:

- a) Raw Material Cost
- b) Direct Labor Cost
- c) Factory Overhead Costs

Grouping of Production Costs

Cost Grouping is a process of systematically grouping all existing cost elements into certain more concise groups to provide more concise and important information. From the description above, it can be concluded that cost classification is prepared with the aim of developing cost data that is useful for management in relation to objectives. In other words, each management will create different cost classifications, depending on the objectives to be achieved by the management concerned.

Cost of raw materials

According to Hansen and Mowen, raw material costs are the costs of materials that can be traced directly to both products and services. These raw material costs can be charged directly because these costs can be seen physically and can be used to measure the quantity of materials consumed in the production process for each product. Raw material costs consist of several dimensions or indicators, namely as follows:

- a. Cost of raw materials
- b. Purchase of raw materials
- c. Raw material inventory
- d. Raw materials used up in production

Raw material costs have other dimensions and indicators, namely, the purchase price of a number of raw materials plus transportation costs (Amelya et al., 2021).

Costs according to time can be grouped as follows:

Product Cost In manufacturing companies, Product Cost is the cost incurred in making a product and when the product is ready to be sold. There are three (3) components in Product Cost:

1. Direct Material Direct materials in the cost can be identified directly, including relatively low costs, and are directly related to the product. Examples for factories are the cost of purchased spare parts, incoming transportation costs, etc.
2. Direct Labor Direct labor in costs can be identified directly, at a reasonable cost, and is directly related to the product. Examples include employees who change materials into finished products.
3. Manufacturing Overhead Factory overhead in other costs other than material costs and direct labor costs, but still in the process of making materials into finished products. Manufacturing Overhead Costs consist of:
 - a. Indirect materials Indirect materials in costs that are not part of the finished product but are needed in the manufacturing process. For example, the cost of machine lubricants.
 - b. Indirect labor Indirect labor is labor cost that does not work directly with the product but is still needed for the factory to operate. For example, supervisors, company store owners, etc.

Costs by category can be grouped as follows:

Prime Cost Prime Cost or main costs are direct costs, which consist of direct materials and direct labor.

Conversion Cost

~~Conversion Cost or conversion costs are costs consisting of direct labor and factory overhead~~

Definition of Cost of Goods Sold

The cost of production is all costs that have been sacrificed in the production process or activities of changing raw materials into finished products which include raw material costs, direct labor costs and factory overhead costs. (Poetri, 2019). Cost of goods manufactured refers to all costs incurred during the manufacturing process, including the cost of raw materials used, direct wages for workers involved, and factory overhead costs. This is the total expenditure incurred to convert raw materials into finished products.

According to Mulyadi, the purpose of determining the cost of production is to:

- a. Determining the selling price of the product

By knowing the cost of production, the company can also determine the selling price of its products.

- b. Monitoring the realization of production costs

Management requires information on the actual production costs incurred in implementing the production plan.

- c. Calculating periodic profit and loss

Management needs information on production costs that have been incurred to produce products in a certain period, in order to know whether production and marketing activities in the period are able to generate gross profit or result in gross loss. Periodic gross profit and loss information is needed to know the contribution of products in covering non-production costs and generating profit and loss.

Determine the cost of finished product inventory and products in process presented in the balance sheet.

Production Process Costing Method

The cost of production is all costs incurred to produce a good or service during a certain period. In other words, the cost of production is the cost of acquiring finished goods ready for sale. Product costs are useful in determining product prices, deciding whether to make components or buy from other parties and allowing managers to manage operations effectively and efficiently. According to Mulyadi, the method of determining production costs is by calculating cost elements into production costs. There are two approaches: full costing and variable costing. In this case, the author uses the full costing method. Full Costing is a method of determining production costs that takes into account all elements of production costs into the cost of production, which consists of raw material costs, direct labor costs, and factory overhead costs, both fixed and factory overhead costs. variables (Poetri, 2019).

Methods

The time of the study refers to the period or duration over which the study is conducted. This can cover a specific time span, such as months, years, or even decades. Meanwhile, the place of the study is the physical location where the study is conducted, which can be a laboratory, a field, or a specific area in a country or region.

a. Research time

The study was conducted on Wednesday, February 28, 2024. It was probably chosen because the researchers had free time and normal business activities were going on, so they could get an accurate picture of what was going on.

b. Research site

The research was conducted at Kerupuk RO Hemat Jaya, located on Jalan Raya Sempur Plered, RT 04/RW 01. This place was chosen because it is related to the research topic, namely cracker production. By conducting research in the right place, researchers can see directly how the cracker production process takes place and what factors influence the process.

Identification of research problems is generally realized when researchers describe their research problems. Identification of the problem is a form of description and confirmation of the boundaries of the findings of the research problem, so that the scope of the research is focused on certain things only. (Danny, 2019)

The main problem identified is the instability of COGS due to fluctuations in raw material prices, which results in uncertainty in determining profits. This complicates the company's financial management and makes it difficult to determine the right selling price. This uncertainty can disrupt long-term financial planning and make it difficult to set competitive selling prices in the market. As a result, the company may have difficulty in maintaining profitability and competing with competitors in the same industry.

Data Types

c. Quantitative

Quantitative data are types of research data that exist or are expressed in numerical form and obtained from the field, also called qualitative data which is expressed in numerical form and obtained by changing qualitative values to become quantitative. (Sampoerna, 2022)

Quantitative data here relates to changes in raw material prices and their impact on COGS. Quantitative data also includes information on how raw material prices change over time and how much they impact production costs. This could be figures on how much raw material was purchased and how that compares to the final selling price

of the product. With this information, companies can analyze trends and find ways to manage risk and maximize profits.

d. Qualitative

This data usually contains an analysis of the current conditions in the organization so that it helps researchers in determining problems. Examples of qualitative data such as interview data, observation data, notes from problems that have been faced, and others. (Mentor, 2020)

Qualitative data related to changes in raw material prices and their impact on COGS include the results of interviews with business owners and direct observation of the production process. Through interviews, we can understand the views and experiences of business owners in managing price fluctuations, while direct observation can provide a direct picture of how raw material prices affect daily operations.

Data source

Data is information or facts used to explain or support a statement or hypothesis in a study. Data is the most important part of a study, because by using data, researchers can find out the results of the research that has been done. In research there are two main data sources, namely primary and secondary data.

e. Primary Data

According to Sugiyono, primary data is a data source that directly provides data to data collectors. Primary data usually provides more information.

specific and detailed according to the objectives of the research that has been done. Data collection techniques are carried out through interviews by asking questions directly to business owners and observations related to activities, behaviors, or phenomena that are happening in the environment.

f. Secondary

According to Sugiyono, secondary data is a source that does not directly provide data to data collection. Secondary data is obtained from sources that can support research, including documentation and literature. Secondary data is usually not very specific, but can provide broad and complete information about the topic being studied. Researchers use techniques in the secondary data processing process to obtain information from photo documentation and related information. (Koessiantara, 2021)

Data Collection Method

Data collection techniques are methods used to collect data or research information from data sources (subjects or research samples). Some data collection techniques used are:

- Observation

Observation is a research method where researchers make direct observations on the research object, namely RO Hemat Jaya crackers. Observation is very useful for collecting data that cannot be obtained through interviews or surveys, because in some cases, respondents may not speak honestly or remember all the details. Observation can also be done by collecting data systematically, such as using an observation formula or field notes.

- Interview

An interview is a conversation with a specific purpose. More specifically, according to Esterberg in Sugiyono (2020), interviews can be structured, semi-structured, or unstructured depending on the level of flexibility and arrangement of the questions. The data collection method is carried out through direct interviews with sources so that

gain deeper insight into the problems that occur in the RO Hemat Jaya cracker business.

- Documentation techniques

Documentation is one method of collecting qualitative data by viewing or analyzing documents made by the subject himself or by others about the subject. These documents can be in the form of notes, reports, photos and so on, which are relevant to the topic or problem being studied. (Koessiantara, 2021)

Data management and analysis methods

The data analysis method used is descriptive analysis which aims to describe, compare, provide an overview of the company's condition and explain the data to be re-analyzed so that a conclusion can be drawn according to what is obtained. Data analysis is a series of research activities, grouping, systematization, understanding and verification so that a phenomenon has social, academic and scientific value. The data analysis technique used by the researcher is the quantitative descriptive analysis method. Quantitative descriptive analysis is used to explain the calculation of production costs using the full costing method, which will then be used as a basis for determining the selling price of the product. By considering:

- 1) Changes in raw material prices
- 2) Adjustment of the amount of product filling, and
- 3) The impact on the profits obtained.

The researcher here uses an inductive way of thinking. The inductive way of thinking is based on specific facts, these events are drawn into generalizations that have general properties. In this study, the researcher provides a comprehensive description of the Analysis of Production Cost Calculation Using the Full Costing Method at UMKM Kerupuk RO Hemat Jaya, the description of the research results is then reviewed, examined, and concluded according to the objectives and uses of the researcher, in obtaining accuracy, precision and truth. (lian, 2023)

Results and Discussion

Determination of production cost is done by collecting direct production costs consisting of raw material costs and direct labor costs as well as indirect production costs in the form of factory overhead costs. Direct production costs are calculated as production costs based on the actual costs incurred. Factory overhead costs are calculated as the cost of the order

Based on the results of the interview with the owner of Rohemat Jaya, this cracker factory business does not have an accounting department, so all records related to financial transactions are recorded directly by the owner. The owner's limited understanding of financial accounting

standards causes the owner to only calculate the cost of production based on the costs incurred during the production process without taking into account other costs that should be calculated using accounting rules. Based on this, we decided to complete the COGS calculation using the full costing method to help calculate costs in depth. The calculation of the cost of production can be seen in the following table:

1. Raw Material Cost

Raw materials are materials that form a complete part of the finished product. The following table is a list of raw materials in the production of RO Hemat Jaya crackers.

information	quantity	price	total cost per week	monthly fee
tapioca flour	50	Rp 15,000	Rp 750,000	Rp 3,000,000
aromatic ginger	0.5	Rp 20,000	Rp 10,000	Rp 40,000
garlic	0.5	Rp 30,000	Rp 15,000	Rp 60,000
Msg	2	Rp 5,000	Rp 10,000	Rp 40,000
Salt	2	Rp 4,000	Rp 8,000	Rp 32,000
dye food	1	Rp 10,000	Rp 10,000	Rp 40,000
			Rp 803,000	Rp 3,212,000

From the table above, it can be seen that there are several materials needed in the process of making RO crackers. From the data, it can be seen that the total cost per week for the production of RO Hemat Jaya crackers is IDR 803,000 and the cost per month is IDR 3,212,000.

2. Direct Labor

Direct labor is labor that directly influences the production process. The following table shows direct labor in the production of RO Hemat Jaya crackers.

employee	quantity	daily salary	total	amount working days	monthly salary
employee 1	1	Rp 20,000	Rp 20,000	26	Rp 520,000
employee 2	1	Rp 20,000	Rp 20,000	26	Rp 520,000
			Rp 40,000		Rp 1,040,000

Based on the table above, the total direct labor cost per day for 2 workers is Rp. 40,000 and the total monthly salary for 2 employees is Rp. 1,040,000 with 26 working days per month.

3. Variable Overhead Calculation

Variable overhead costs are costs that vary depending on the level of production activity or operations of the company. The following table is the overhead costs in the production of RO Hemat Jaya crackers

COST	PRICE
fuel costs	230,000
auxiliary material costs	378,250
petrol costs	200,000
total cost (Rp/week)	808.250
total overhead costs per month	3,233,000

Based on the table above, it is known that there are several parts that are included in the variable overhead costs in the RO Hemat Jaya cracker business. Based on the data, the average need for variable overhead costs per week is IDR 808,250, the total variable overhead costs per month are IDR 3,233,000 and

4. Unit Product Cost

information	quantity	price	cost per month	amount product	cost packaging
firewood	18	Rp 10,000	Rp 720,000	2000	Rp 360
gas	8	Rp 25,000	Rp 800,000	2000	Rp 400
gas	2	Rp 25,000	Rp 200,000	2000	Rp 100
plastic	10	Rp 34,000	Rp. 1,360,000	2000	Rp 680
raffia rope	2	Rp 3,500	Rp 28,000	2000	Rp 14
packaging label	500	Rp 63	Rp 125,000	2000	Rp 63
tapioca flour	50	Rp 15,000	Rp. 3,000,000	2000	Rp 1,500
aromatic ginger	0.5	Rp 20,000	Rp 40,000	2000	Rp 20
garlic	0.5	Rp 30,000	Rp 60,000	2000	Rp 30
msg	2	Rp 5,000	Rp 40,000	2000	Rp 20
salt	2	Rp 4,000	Rp 32,000	2000	Rp 16
food coloring	1	Rp 10,000	Rp 40,000	2000	Rp 20
labor costs	26	Rp 20,000	Rp. 1,040,000	2000	Rp 520

The table above is an explanation of the unit cost of the product. This unit cost of the product details in more detail the costs required for the cost of raw materials per unit of product. It can be seen that the cost of firewood for one product packaging is IDR 360, then gasoline IDR 400, gas IDR 100, raffia rope IDR 14. And so on, this unit cost is used to help separate the unit cost of the product. In order to calculate the HPP per product packaging

5. Calculation of Cost of Goods Sold Based on Full Costing

Cost of goods manufactured is the total cost incurred by a company to produce a product.

HPP OF CRACKERS BASED ON FULL COSTING METHOD	
INFORMATION	NOMINA L
raw material costs	Rp 3,212,000
labor costs	Rp 1,040,000
factory overhead costs	Rp 3,233,000
total cost	Rp 7,485,000
product quantity	2000
cost of goods sold	Rp 3,743

In the table above, it can be seen that the average Cost of Production of tofu at Home Industry Compehu per month using the Full Costing method is Rp3,743. The highest cost component in calculating the cost of production is the cost of factory overhead materials of Rp3,233,000 with a percentage value of 43% and the lowest cost component is labor costs of Rp1,040,000 with a percentage value of 13%. Based on the results of the calculation of the cost of production in the table, the total cost of raw materials is Rp3,212,000.

6. Profit

selling price	hpp	profit	percentage
Rp 5,000	Rp 3,743	Rp 1.258	25%

It can be seen from the details of the table that the profit obtained per package is IDR 1,258 with a nominal selling price of 5,000 per package. From this calculation, it can be seen that the RO Hemat Jaya business takes a profit percentage of 25% of the total costs incurred by the RO Hemat Jaya cracker business.

CHANGES IN COGS IF RAW MATERIAL PRICES INCREASE

6. raw material costs after price changes

information	quantity	price	total cost per week	monthly fee
tapioca flour	50	Rp 17,000	Rp 850,000	Rp 3,400,000
Aromatic ginger	0.5	Rp 20,000	Rp 10,000	Rp 40,000
garlic	0.5	Rp 33,000	Rp 16,500	Rp 66,000
msg	2	Rp 5,000	Rp 10,000	Rp 40,000
salt	2	Rp 4,000	Rp 8,000	Rp 32,000
dye food	1	Rp 10,000	Rp 10,000	Rp 40,000
			Rp 904,500	Rp 3,618,000

Here is the situation when there is an increase in the price of basic ingredients in the table it can be seen that the price of tapioca flour has increased by 2000 rupiah and the price of garlic has increased by 3000 rupiah. This price change greatly affects the total cost generated which initially the total cost per month was Rp.

3,212,000 increased to Rp 3,618,000, no matter how small the price increase, it can have a big impact on the total costs generated, so the increase in the price of raw materials for tapioca flour and garlic has an impact on the cost of production.

7. Changes in product cost after cost increases

HPP OF CRACKERS BASED ON FULL COSTING METHOD	
Information	Nominal
raw material costs	Rp 3,618,000
labor costs	Rp 1,040,000
factory overhead costs	Rp 3,233,000
total cost	Rp 7,891,000
product quantity	2000
cost of goods sold	Rp 3.946

From this table, it can be seen that after the increase in the price of raw materials, there was a significant impact on the change in the product's HPP, which was initially Rp 3,743, increasing to Rp 3,946 per pack of RO Hemat Jaya crackers. So this change in the cost of raw materials also has a major impact on the value of the product's HPP.

8. Benefits

selling price	Hpp	profit	percentage
Rp 5,000	Rp 3.946	Rp 1,055	21%

After there was a change in the cost of production, the profit also changed, initially the RO Hemat Jaya business made a profit of Rp.

1,258 per pack down to Rp 1,055 per pack. The profit percentage also experienced a significant change, which initially obtained a profit percentage of 25% down to only 21% per pack.

Production Cost Analysis Method Applied to Ro Hemat Jaya

Based on the results of the analysis described above, it is known that the main raw material cost in this industry is tapioca flour. Where, the tapioca flour used is selected tapioca flour with good quality and is also easier to obtain because it is often sold on the market. In this study, the data used is 2023. So the calculation of the cost of cracker production uses the average cracker production data per week. In its business activities, the RO Hemat Jaya cracker home industry is able to use 50kg of tapioca per week with a production volume of 500 RO Hemat Jaya crackers per week. and for monthly needs RO Hemat Jaya uses 200kg of tapioca with a production volume of 2000 pcs per month. If the RO Hemat Jaya cracker home industry uses 50kg, the cost incurred in a week is IDR 808,250. Meanwhile, if the Company spends 200kg of tapioca flour to make crackers per month, the total cost of raw materials incurred is IDR 3,212,000.

Calculation of Cost of Goods Sold (COGS) based on the Full Costing method, as applied by Ro Hemat Jaya, is a comprehensive approach in determining the total costs incurred by the company to produce a particular product. In this case, COGS is calculated by combining the cost of raw materials, labor costs,

and factory overhead costs. Through this method, Ro Hemat Jaya can obtain a more accurate picture of the total production costs that need to be incurred, especially the Raw Material Cost of tapioca flour, which is the main component in the RO Hemat Jaya cracker production process. Tapioca flour is used in large quantities, with the company using 50 kg of tapioca flour per week. The price of tapioca flour is IDR 15,000 per kg, so the total cost per week reaches IDR 750,000 or IDR 3,000,000 per month. In addition to tapioca flour, other ingredients such as kencur, garlic, MSG, salt, and food coloring are also used in certain amounts, which causes the total cost of raw materials per month to reach IDR 3,212,000. The use of good quality raw materials and consistent quantities are important factors in maintaining consistent product quality. Direct labor is an important aspect in the production process, because they are directly involved in producing products. In calculating production costs, Ro Hemat Jaya takes into account daily wages and total monthly wages for direct labor. This shows that the company pays considerable attention to this aspect, which is also an important factor in determining the cost of production.

Direct labor costs play an important role in the cracker production process. In this case, two employees are employed with a daily salary of Rp 20,000, working for 26 days per month. The total direct labor cost per month is Rp 1,040,000. Although these direct labor costs are relatively fixed in a certain period of time, the company must pay attention to work efficiency to optimize the use of labor.

Variable overhead costs are also carefully considered in the analysis of production costs. These costs are cost components that change depending on the level of production activity or company operations. Variable overhead costs at Ro Hemat Jaya include fuel costs, auxiliary materials, and gasoline. The total variable overhead costs per month are Rp 808,250. These costs vary depending on the level of production activity, so they will change according to changes in production volume. The company must monitor and control the use of these materials efficiently to optimize the use of resources.

It can be seen from the tables above that price changes have a big influence on determining the product's HPP. This increase in HPP is a problem for RO Hemat Jaya, especially in to gain profit, therefore, Ro Hemat Jaya needs to reduce product contents so that the market price remains stable but profits do not decrease.

Comparison of Production Cost Determination after increase in raw material prices

After the increase in raw material prices, especially tapioca flour and garlic, it is seen that the total production cost per month has increased significantly. This can be seen from the change in raw material costs per month from Rp 3,212,000 to Rp 3,618,000. This cost increase has an impact on the cost of goods manufactured (HPP) per unit of product.

In the full costing method applied by Ro Hemat Jaya, COGS is calculated by taking into account production costs, including raw material costs, direct labor costs, and factory overhead costs. With the increase in raw material costs, COGS also increased.

After the increase in raw material costs, the product's COGS, which was initially Rp 3,743 per unit, increased to Rp 3,946 per unit. This increase occurred because raw material costs are one of the main components in calculating COGS. Thus, the increase in raw material prices has a direct impact on the cost of production.

In addition, changes in HPP also have an impact on the profits obtained. Although the selling price remains at Rp 5,000 per unit, with the increase in HPP, the profit per unit fell from Rp 1,258 to Rp 1,055. The profit percentage also decreased from 25% to 21%.

The increase in raw material prices indicates that Ro Hemat Jaya needs to pay attention to cost control strategies in order to maintain competitive selling prices while maintaining profits per unit. This can be done by looking for alternatives by reducing the amount of product content per pack from the original 20 crackers per pack to 17 crackers per pack, it is hoped that this alternative can increase efficiency in the production process and also maintain price stability and the profits obtained. Thus, changes in raw material prices present a challenge for Ro Hemat Jaya in maintaining profitability and business sustainability. There needs to be an appropriate strategy in managing production costs in order to remain competitive in the market while obtaining adequate profits.

Conclusion

1. Raw material costs, direct labor, and variable overhead costs are the main factors that affect the cost of production of RO crackers. Efficient control and management of these three factors are important to ensure the profitability of the company.
2. Impact of Increase in Raw Material Prices The increase in raw material prices, such as tapioca flour and garlic, has a significant impact on production costs per unit at UMKM RO Hemat Jaya.
3. The occurrence of a decrease in profits in the RO business, as a result of increased production costs resulting in a decrease in profits per unit.
4. Cost Management Strategy, Cost management is the key to maintaining the profitability of the RO Hemat Jaya business amidst fluctuations in raw material prices.
5. The use of the full costing method allows RO Hemat Jaya's business to calculate all production costs in their entirety, both direct and indirect. This provides a more accurate picture of the cost of production and allows MSMEs to set more competitive selling prices.

Suggestion

1. To overcome this problem, the Ro Hemat Jaya cracker business needs to reduce the amount of product filling.
2. The ro hemat jaya business needs to consider more detailed HPP calculations based on comprehensive accounting principles.
3. UMKM RO Hemat Jaya can evaluate the production process to identify potential for increasing efficiency, such as more efficient use of raw materials, increasing labor productivity, and optimizing the use of resources.
4. To reduce the risk due to changes in raw material prices, MSMEs can consider market diversification, either through expansion into new markets or the development of new products that have more stable production costs.
5. It is important for RO Hemat Jaya owners and employees to continue to improve their understanding of cost management and financial accounting. Training and education related to financial accounting standards can help companies in calculating production costs more accurately..

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