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Research Paper

The Role Of Cost Accounting In Determining The Cost Of Production Using The Process Costing Method In The Abon BY Bussiness In Tapen District, Bondowoso Regency

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ABSTRACT

Accurate determination of production cost is very important for business continuity and also in determining selling price, especially for Abon BY business in Tapen sub-district, Bondowoso Regency. This study aims to determine the calculation of production cost in Abon BY business and to determine the calculation of production cost based on process costing method in Abon BY business. This study uses qualitative approach with field research type with data collection technique through observation, interview, and documentation. This study uses data validity triangulation source and technique triangulation. The results of the study show a difference in total production cost between simple method used by Abon BY and process costing method. The difference in the results of the two methods is caused by some costs that are not calculated in simple method, but calculated in process costing method. Process costing method obtains more detailed and accurate calculation result, so it can provide clear picture of production cost and can help in decision making.

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Introduction

According to Mulyadi (2010), cost accounting is the process of recording, presenting and interpreting costs related to the rounding of products or services in certain ways (Rahma dan Haryati 2021). The main focus in cost accounting is the cost it self. The process of recording, grouping, summarizing, presenting and interpreting cost

information is adjusted to the party that needs the information (Jeter dan Chaney 2019).

Micro, Small, and Medium Enterprises (MSMEs) are one type of business that has a very important role in driving economic growth in Indonesia (Agustini dkk. 2025). In developing countries like Indonesia, MSMEs are often associated with various social and economic problems such as high poverty rates, unemployment, inequality in income distribution, uneven development between cities and villages, and urbanization (Fuadi dkk. 2021). Therefore, the growth of MSMEs is expected to have a major positive impact in overcoming these problems (Rahman dkk. 2020). In addition, MSMEs are also one of the contributors to the country's foreign exchange because their market is not only limited to the country, but also reaches abroad. MSMEs are known as a sector that is able to survive during a crisis because of their more adaptive, flexible, and elastic nature (Nursini 2020). With limited capital, MSME actors usually have high motivation in developing their businesses (Sari dan Kusumawati 2022). They even tend to handle the entire business process independently, from raw material procurement, production, to marketing, which shows extraordinary enthusiasm and resilience (Telagawathi dkk. 2022).

In the context of the Indonesian economy, MSMEs are the largest business group that has proven to be resilient in facing various economic crises (Tambunan 2019). MSMEs are considered as a business potential that is strongly encouraged by the government because the more people who become entrepreneurs, the stronger the economy of a region (Linda dkk. 2022). This is because local resources, local labor, and local financing can be utilized optimally (PRASETYO 2020). Indonesian society is now active in various forms of business, and MSMEs are one of the main drivers of the national economy (Saputra dan Darmawan 2023). However, mistakes in pricing often occur, especially because business actors have not calculated the cost of goods manufactured (HPP) correctly (Indriawati dan Astuti 2025). Mistakes in calculating HPP can trigger serious problems in business, even potentially leading to bankruptcy (Fitriana dan Masyhuri 2025). Price greatly affects the competitiveness of products in the market; setting prices that are too low can actually increase costs, making it difficult for companies to cover production costs and make a profit (Azizah dkk. 2025). Therefore, it is important for business actors to pay attention to the calculation of production costs and market price conditions when setting product selling prices (Zuhri dan Ruslan 2025).

The correct calculation of the cost of goods manufactured (HPP) is very important in determine the appropriate selling price so that the company obtains optimal profit (Hidayah dkk. 2023). On the other hand, if the COGS is not calculated accurately, then the pricing can be wrong. causing losses and complicating

management in decision making (Tangdialla dan Pakanna 2021). Therefore, companies must pay close attention to all components of production costs as a basis for determining selling prices.

In industry, the production process involves various costs such as raw materials, direct labor, and factory overhead that need to be calculated comprehensively (Regina 2023). The process costing method is one effective way because it charges costs to each production process sequentially. This method is suitable for businesses that have a continuous production process, such as in the processed food industry, for example the Abon BY business in Tapen District.

Abon BY is a business that continues to grow along with the increasing market demand for processed foods. However, in calculating COGS, this business still uses a simple method that is not in accordance with cost accounting theory, especially in classifying costs and recording overhead. As a result, the selling price set can be inaccurate and affect profits. In fact, the process costing method can help business actors calculate costs more systematically and in detail. Therefore, this study carries the title "The Role of Cost Accounting in Determining the Cost of Production Using the Process Costing Method in the BY Abon Business in Tapen District, Bondowoso Regency" in order to provide a practical overview and solutions for similar MSMEs.

Method

This study uses a qualitative approach with a field research type (Nasution 2023). The qualitative approach focuses more on how the author understands and interprets the intent of the interaction event, as well as the behavior of the subject in a certain context based on the researcher's perspective. The selection of subjects in this study used a purposive sampling technique and the informant subjects selected were Mrs. Yuli as the owner of the Abon BY business and the two employees of Abon BY, namely Mrs. Halim and Mrs. Nanik. Data collection techniques are methods used to obtain the required data. This study uses three techniques, namely observation, interviews, and documentation. This study uses data analysis from Miles and Hubermen which is divided into three stages, namely: data reduction, data presentation, and drawing conclusions and verification (Asipi dkk. 2022). To test the validity here the author uses two triangulation methods, namely: source triangulation and technique triangulation (Kusumastuti dan Khoiron 2019).

Results

A. Calculation of Production Cost in Abon BY Business

In UMKM, especially in the Abon BY production business, understanding the structure of production costs is very important in ensuring

efficiency and optimal profit. The key step in this case is to calculate the cost of production (HPP), which includes all costs incurred during the production process, such as raw material costs, direct labor costs, and overhead costs.

Calculation of the cost of production (HPP) is an important step in determining the costs required to produce goods or services. In this business, especially the Abon BY business, determining the cost of production is very important because it affects the sustainability of the business to determine the selling price.

The calculation of the cost of production consists of :

1. Cost of Raw Materials

The details of the raw materials used in the production of Abon BY are:

Table 1. Cost of Raw Materials for Abon BY

Product Name	Materials	Requirements	Quantity per Day
Abon BY	Chicken Meat	5 kg	Rp 32.000 x 5 kg = Rp 160.000
	Shallots	2 ounces	Rp 7.000
	Garlic	2 ounces	Rp 6.000
	Turmeric	½ ounces	Rp 2.000
	Cumin	½ ounces	Rp 2.000
	Chili	10 seeds	Rp 6.000
	Flavoring	6 packs	Rp 3.000
	Ginger	1 ounces	Rp 4.000
	Galangal	1 ½ ounces	Rp 5.000
	Coriander	1 ounces	Rp 3.000
	Salt	10 tablespoons	Rp 3.000
	Sugar	3 ounces	Rp 6.000

Cooking Oil	2 kg	Rp 33.000
TOTAL		Rp 240.000

Note :The total raw materials are the production of shredded meat in one day. If the cost of raw materials is totaled for 1 (one) month, then Rp 240,000 x 30 days = Rp 7,200,000.

2. Direct Labor Cost

Calculation of salary costs in 1 (one) December period for Abon BY employees as follows

Table 2. Direct Labor Costs Abon BY

Name	Wage per Day	Number of Days	Total Per Month
Mrs Nanik	Rp 30.000	26 hari	Rp 780.000
Mrs Halim	Rp 30.000	26 hari	Rp 780.000
TOTAL			Rp 1.560.000

Note : In 1 (one) month, Abon BY production is only carried out for 26 days, because every Friday the employees are off.

3. Factory Overhead Costs

Details of Abon BY production overhead costs in 1 December period are:

Table 3. Factory Overhead Costs of Abon BY

Cost Type	Amount	Unit Price	Total Per Month
Fuel Cost	-	Rp 20.000/day	Rp 600.000
Gas Cost	15/month	Rp 18.000	Rp 270.000
Thinwall	1.500	Rp 2.000	Rp 3.000.000
Sticker	1.500	Rp 500	Rp 750.000
TOTAL			Rp 4.620.000

Calculation of production cost for 1 (one) month period December

based on the simple method applied by Mrs. Yuli :

Table 4. Calculation of Cost of Production of Abon BY Using Simple Method

Abon BY	**Cost of Production:**	
	Cost of Raw Materials	Rp 7.200.000
	Direct Labor Cost	Rp 1.560.000
	Factory Overhead Cost	Rp 4.620.000 +
	Total Cost of Production	Rp 13.380.000

If in 1 (one) day you get 25 pcs and if in 1 (one) month then you get 25 pcs x 30 days = 750 pcs. So, the calculation of the cost of production per unit is:

$$Total\ production\ cost = \frac{Total\ cost\ of\ production}{Number\ of\ units\ produced}$$

$$Total\ production\ cost = \frac{\text{Rp } 13.380.000}{750}$$

$$Total\ production\ cost = Rp.17.840/unit$$

So, the total production cost incurred for 1 (one) month is Rp 13.380.000 while the cost of production per unit is Rp 17.840.

B. Calculation of Production Cost Based on the Process Costing Method in the BY Abon Business

In the BY Abon business, the process costing method can be used to calculate the production cost of products that go through a continuous production process and produce the same output or product as the BY Abon product. This production cost calculation includes the calculation of raw material costs, direct labor costs, and overhead costs. The following is the calculation of the production costs of BY Abon based on the process costing method:

1. Raw Materials Cost

Table 5. Cost of Raw Materials for Abon BY

Product Name	Materials	Requirements	Quantity per Day
Abon BY	Chicken Meat	5 kg	Rp 32.000 x 5 kg = Rp 160.000
	Shallots	2 ounces	Rp 7.000
	Garlic	2 ounces	Rp 6.000
	Turmeric	½ ounces	Rp 2.000
	Cumin	½ ounces	Rp 2.000
	Chili	10 seeds	Rp 6.000
	Flavoring	6 packs	Rp 3.000
	Ginger	1 ounces	Rp 4.000
	Galangal	1 ½ ounces	Rp 5.000
	Coriander	1 ounces	Rp 3.000
	Salt	10 tablespoons	Rp 3.000
	Sugar	3 ounces	Rp 6.000
	Cooking Oil	2 kg	Rp 33.000
	TOTAL		Rp 240.000

Note : So, in 1 (one) month the cost is Rp 240,000 x 30 days = Rp 7,200,000

2. Direct Labor Cost

Direct labor cost consists of salary or wages given to employees per

day. The calculation of Abon BY employee salary costs during the December period is as follows:

Table 6. Factory Overhead Costs of Abon BY

Cost Type	Amount	Unit Price	Total Per Month
Fuel Cost	-	Rp 20.000/day	Rp 600.000
Gas Cost	15/month	Rp 18.000	Rp 270.000
Thinwall	1.500	Rp 2.000	Rp 3.000.000
Sticker	1.500	Rp 500	Rp 750.000
TOTAL			Rp 4.620.000

3. Factory Overhead Cost

The detailed calculation of Abon BY factory overhead costs is as follows:

Table 7. Factory Overhead Cost of Abon BY

Cost Type	Amount	Unit Price	Total Per Month
Sticker Design	1	Rp 100.000	Rp 100.000
Sticker	1.500	Rp 500	Rp 750.000
Thinwall	1.500	Rp 2.000	Rp 3.000.000
Insulation	15	Rp 5.000	Rp 75.000
Fuel Cost	-	Rp 20.000/day	Rp 600.000
Gas Cost	15/month	Rp 18.000	Rp 270.000
Electricity Cost	-	-	Rp 30.000
Press-an Shredded meat	1	Rp 200.000	Rp 200.000

TOTAL	Rp 5.025.000

From the table above, the details of the costs incurred during 1 (one) month of the December period can be seen.

Below is the calculation of the cost of production by accumulating the cost of raw materials, direct labor costs, and factory overhead costs, using the process costing method, namely :

$$Total\ production\ cost = \frac{\text{Raw material cost + direct labor cost + factory overhead cost}}{\text{Number of product units}}$$

$$Total\ production\ cost = \frac{\text{Rp 7.200.000 + Rp 1.560.000 + Rp 5.025.000}}{\text{750 pcs}}$$

$$Total\ production\ cost = \frac{\text{Rp 13.785.000}}{\text{750 pcs}}$$

$$Total\ production\ cost = \text{Rp18.380/unit}$$

Note : The number of units produced is 750 pcs, because in one day of production, BY Shredded Meat produces 25 pcs. So, 25 pcs x 30 days = 750 pcs. So it can be concluded that the total cost of production during the December period is Rp 13,785,000 and the cost of production per unit produced is Rp 18,380.

Discussion

Based on the results of interviews and observations, the reserarch result can be stated as follows :

A. Calculation of Production Cost in Abon BY Business

Based on the results of the interview, determining and calculating the production cost is very important for every business, because it has an influence on the sustainability of a business. Based on the existing facts, the owner of the Abon BY business, Mrs. Yuli, uses a simple method, namely by adding up all production costs without using a particular method. Althought this method is quite simple and easy to understand, this method is less accurate in describing the details of production costs.

Referring to the results of the interview and observation as well as the calculations that have been carried out previously by applying the method used by Mrs. Yuli, namely the simple method, the calculation of the production cost carried out by Mrs. Yuli is less accurate. It is said that because the accumulation of raw material costs and factory overhead is not right. There are several costs that are included in raw material costs, however, usually these costs are included in factory overhead costs.

Based on the results of the study and the facts in the field, it shows that the business owner, Mrs. Yuli, is less careful and understands the costs before they are accumulated. This is in line with the research conducted by Amalia Hamidah, Rio Manoarfa, and Victorson Taruh entitled "Analysis of Production Cost Calculation Using the Process Costing Method at the Sumber Sari Tofu and Tempe Factory, Gorontalo City" which explains that the calculation of the production cost of the tofu and tempe factory is less accurate because it does not calculate overhead costs. So, if this continues to happen, the calculation of the production cost will result in a loss due to the inconsistency of the calculations that have been carried out.

B. Calculation of Production Cost Based on Process Costing Method in Abon BY Business

Referring to the previous calculation, but in this calculation using a different method from the previous calculation, because in this calculation of production cost using the process T costing method. In the calculation using this method, the final result of the total production cost and also the production cost per unit is very different. This can be seen from the total of raw material costs, direct labor costs, and factory overhead costs showing different numbers from the previous calculation.

In the calculation using the process costing method, the accumulation of costs is very different from before. In fact, there are several additional costs that were not included in the previous calculation, such as sticker design costs, stickers, electricity costs, thinwall, insulation and abon pressing, which are included in factory overhead costs. The total cost of raw materials with the correct accumulation is Rp 7,200,000, direct labor costs are Rp 1,560,000, and overhead costs are Rp 5,025,000.

The results of the study conducted by Ria Galuh Yuli Pratiwi, Diana Zuhroh, Wiratna, et al. with the title "Implementation of Production Cost Calculation Based on Costing Process at Avam Slaughterhouse (Case Study of PT X in Sidoarjo)" this study states that the use of the process costing method to calculate the production cost is very necessary to consider in order to obtain more accurate calculations.

Based on the existing calculations and those listed above, the calculation using the process costing method is very appropriate for the Abon BY business. It is said so, because there are costs that should be included in the calculation in determining the cost of production but it turns out not to be. While in this method, all costs are calculated to determine a more accurate and precise cost

of production according to the production costs that have been incurred to avoid any losses.

Conclusion

Based on the result of the discussion above, the following conclusions can be drawn :

A. Calculation of Production Cost in the BY Abon business, that in this case the owner of the BY Abon business, Mrs. Yuli, still uses a simple method to calculate the production cost. The calculation carried out by Mrs. Yuli using a simple method is still considered inaccurate, because there are costs that are not taken into account, especially in factory overhead costs. This can cause errors in determining the selling price and reduce the profitability of the BY Abon business.
B. Calculation of production cost based on the process costing method in the BY Abon business states that the selection of the process costing method is very suitable for this business. Because the calculation with this method is very detailed and accurate, covering all costs incurred during the production process, especially factory overhead costs. Therefore, the process costing method is very appropriate to use in calculating the production cost of the BY Abon business.

Authors' Declaration

The authors states that the "The Role Of Cost Accounting In Determining The Cost Of Production Using The Process Costing Method In The Abon BY Bussiness In Tapen District, Bondowoso Regency" the author has contributed which is substansial in the development of ideas and the overall design of the research. The authors is responsibility for data analysis, interpretation and discussion of results. In addition, the author as also reviewed, revised, and given final approval to this research manuscript for submission and publication in accordance with applicable provisions.

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