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## Pricing Evaluation Using The Cost-Plus Pricing Method at CV Macarindo Berkah Group in Jember District

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### Abstract

*This study aims to evaluate the determination of the selling price using the cost-plus pricing method on CV Macarindo Berkah Group with existing standards. This research is evaluative and the data collection method used in this study is a document. The data analysis method used in this study is evaluative analysis. The components assessed in this study are the completeness of cost classification based on the main function in the company, based on the relationship with something being financed, based on the relationship with the level of activity, and the completeness of the selling price stages using the cost-plus pricing method. Based on the 14 components evaluated, 9 components comply with the standard. Components that have not been carried out are the classification of costs based on their relationship to something being financed, the absence of ROI (Return Of Investment), cost classification, and income statement. The suitability level of setting the selling price using the cost-plus pricing method at CV Macarindo Berkah Group shows that it is following existing standards with a conformity level of 64.28%. The suitability of setting the selling price seen from the percentage results shows the criteria of "Appropriate". A discrepancy of 35.72% can be replaced with a similar function.*

*Keywords: Cost-Plus Pricing, Selling Price Determination, Method*

### 1. Introduction

The development of Small and Medium Enterprises is currently increasing, moreover, the Indonesian Government is promoting the development of Small and Medium Enterprises because this sector has succeeded in creating jobs and increasing Gross Domestic Product. The Ministry of Cooperatives and SMEs noted that the growth of MSMEs in 2019 increased to 65.4 million from the previous year which was 64.1 million. Launching from [indonesiabaik.id](http://indonesiabaik.id) the government has reduced taxes for MSME actors from 1% to 0.5% so that more and more people are interested in opening new businesses [1]. This is in line with Siagian's statement which states that in the business world there must be competition and the nature, form, and intensity of competition that occurs affects the way that will be taken by decision-makers to determine strategies in dealing with competitors [2]. Therefore, with competition between businesses, ideally, companies will establish various strategies to maintain the quality of their products and selling prices so that they can compete with other similar businesses. One of the strategies that can be applied by the company is to determine the method of determining the selling price of the company.

The selling price of the right product will make the company's products continue to be in demand by the public. This is supported by Fandy's statement that one of the goals of setting prices is to establish or maintain a corporate image. However, determining the selling price itself requires several considerations, such as the price of raw materials, the price of transportation costs, and people's purchasing power. If a company in determining the selling price is not accompanied by these considerations, then the company will be unable to compete with other companies. Therefore we need a way or method that can be used by business owners to determine the right selling price for the product that can maintain the continuity of the company during increasingly fierce competition.

The selling price can be determined by several methods, namely the cost-based selling price method which consists of the Cost-Plus Pricing method, the mark-up pricing method, and the BEP (Break Even Point) pricing method. The third method of determining the selling price is based on demand [3]. In general, manufacturing industries whose goods are sold directly to end consumers usually use the cost-plus pricing method. This is because the cost-plus pricing method can be used by companies that need certainty about costs. The cost-plus pricing method can also be used

practically because in its application it is only necessary to add the estimated future full costs to the desired profit.

Calculation of the selling price using the cost-plus pricing method should ideally take into account demand conditions and competitors' product prices because these two things determine the desired mark-up or profit percentage. In addition, in determining the mark-up percentage, the company must classify costs into two parts, namely costs that are not directly affected by product volume and costs that are directly affected by product volume [3]. Determination of the right selling price must be based on the cost of production added with a mark up, so that an accurate calculation of the cost of production is not enough to determine the selling price of the product, it is necessary to calculate a mark-up based on non-production costs and profits desired by the company expressed in percentage [4].

The phenomenon that occurs in the field is that not all companies can meet the ideal requirements of setting selling prices using the cost-plus pricing method. This is also found in CV Macarindo Berkah Group Jember. CV Macarindo Berkah Group in setting the selling price of the owner is profit-oriented without calculating the selling price precisely and still relying on the mind according to the business owner, namely by adding all raw material costs, labor costs, electricity costs, and then adding the desired profit. Recently, CV Macarindo Berkah Group Jember has also closed several of its outlets. This indicates that business competition is getting busier and has forced CV Macarindo Berkah Group to reduce company costs by closing several of its outlets. This can happen because several similar competitors have cheaper product prices and the quantity is the same as products from CV Macarindo Berkah Group. So this shows that it is necessary to evaluate the selling price determination to stabilize product sales at CV Macarindo Berkah Group Jember.

Setting the selling price is one of the things that is quite important for the company. Tjiptono states that to be successful in marketing an item or service, every company must set the price correctly [5]. There is a component in determining selling price that is interrelated with one another that needs to be considered in determining the selling price. Cost is an important component that must be considered in setting the selling price of a product or service [6]. The components evaluated in this study are cost classification and selling price determination stages carried out by CV Macarindo Berkah Group Jember.

Every company in carrying out its operational activities will certainly incur several costs for various needs, the costs themselves can be classified into several types. Classification of costs according to Anwar, Ashari, dan

Indrayenti can be done in six ways, but in this study, only three ways of classification were used, namely based on the main function, the classification of costs according to the tendency of changes to activities or activities or volume, the classification of costs according to the object or cost center being financed [7].

The classification of costs according to the main function is called the basic classification which is classified into production cost grouping, marketing cost grouping, and administrative and general cost grouping. Costs based on their relationship to something being financed are classified into 2 groups, namely the grouping of direct production costs and the grouping of indirect production costs. Group costs based on their relationship to the level of activity, namely grouping fixed costs, grouping variable costs, and grouping semi-variable costs.

Method cost-plus pricing is a method or method of determining the selling price by calculating production costs per unit and determining the profit desired by the company, then the company can determine the selling price of its products [8]. The components at the selling price setting stage according to Deviesa are calculating the cost per unit, calculating the ROI (Return Of Investment) per unit, determining the mark-up percentage, setting a target selling price, and budgeting profit and loss [9].

## 2. Research Methods

This research was conducted at CV Macarindo Berkah Group which is located at Jl. Sriwijaya Gg. XX no. 11 Karangrejo, Summersari, Jember.

The types of this research is an evaluative study to evaluate selling price determination using the cost-plus pricing method at CV Macarindo Berkah Group in Jember Regency. The selection of research locations used a purposive area method. The research location is located at CV Macarindo Berkah Group Jember. The type of data used is the main data in the form of financial report documents owned by the company such as sales reports, cost calculation reports, and supporting data in the form of profiles and organizational structure of CV Macarindo Berkah Group Jember. The data analysis technique, namely the evaluative method, includes 1) Describe the completeness of the cost-plus pricing components of CV Macarindo Berkah Group; 2) Do a comparison of the data obtained in the field with existing standards using the suitability table; 3) Summarize the results obtained from the problem.

According to Widoyoko, the formula for determining the level of suitability is as follows [10]:

$$\text{Compatibility Percentage} = \frac{\text{Score Acquisition}}{\text{Maximum Score}} \times 100$$

Furthermore, to determine the interval between the conformity levels from "appropriate" to "not appropriate" use the following formula:

$$\text{Interval Gap} = \frac{\text{Maximum Score} - \text{Minimum Score}}{\text{Total Intereval}}$$

Based on the above intervals, the suitability level of determining the selling price using the cost-plus pricing method can be arranged based on the percentage score as follows:

Table 1. Score Percentage

Appropriate presentation	Conformity Level
86%-100%	Perfect fit
61%-80%	In accordance
41%-60%	Less Appropriate
21%-40%	Very Inappropriate
0%-20%	It is not following

Source: Widoyoko (2012)

### 3. Results and Discussions

The results of this study are data on the level of suitability of evaluating the selling price of the cost-plus pricing method at CV Macarindo Berkah Group. The indicators used to assess the suitability of setting the selling price at CV Macarindo Berkah Group are the classification of costs based on the main function within the company, the classification of costs based on their relationship to something being financed, the classification of costs based on their relationship to the level of activity, and the stages of determining the selling price.

Table 1. Comparison of Completeness of Components Classification of Costs Based on Main Functions in CV Macarindo Berkah Group Jember

Component	Standard	Realization	Appropriate presentation
Classification of Production Costs	✓	✓	100 %
Classification of Marketing Costs	✓	✓	100 %
Grouping of	✓	✓	100 %

Administrative and General Expenses	
<b>Total Score</b>	<b>100%</b>

The realization of the cost classification component based on the main function within the company in the cost-plus pricing setting obtains a score of 100%, meaning that production costs have been grouped, marketing costs grouped, and administrative and general expenses grouped. So it can be said that the completeness of the components of CV Macarindo Berkah Group based on the classification of costs based on the main function within the company is considered "Very Appropriate".

Table 2. Comparison of the Completeness of the Components of the Classification of Costs Based on their Relation to Something to be Funded at CV Macarindo Berkah Group Jember

Component	Standard	Realization	Appropriate presentation
Classification of Direct Production Costs	✓	✓	100 %
Classification of Indirect Production Costs	✓	✓	100 %
<b>Total Score</b>			<b>100%</b>

Evaluate the classification of costs in the selling price with the cost-plus pricing method with full costing approach is carried out by calculate raw material costs, direct labor costs, and overhead fixed costs and variable costs (Wulandari, 2021). If everything is fulfilled, it can be said that 100% has been carried out by the existing selling price setting standards.

Realization of the stages of setting the selling price can reach a 100% conformity level if it meets the existing selling price fixing standards. According to Deviesa (2019) there are five stages in determining the selling price of the cost-plus pricing method, namely calculating the cost per unit, calculating the ROI per unit, determining the mark-up percentage, setting a selling price target and budgeting profit and loss.

Table 3. Comparison of Completeness of Components Classification of Costs Based on their

Relation to Something that is being financed at CV Macarindo Berkah Group Jember				Component	Standard	Realization	Appropriate presentation
Component	Standard	Realization	Appropriate presentation	Calculating Cost Per Unit	✓	✓	100 %
Fixed Cost Grouping	✓		0 %	Calculating ROI per Unit	✓		0 %
Variable Cost Grouping	✓		0 %	Determine the Mark Up Percentage	✓	✓	100%
Semi Variable Cost Grouping	✓		0%	Setting Target Selling Price	✓	✓	100%
<b>Total Score</b>			<b>0%</b>	Budgeting Profit and Loss	✓		0
				<b>Total Score</b>			<b>60%</b>

Realization of the cost classification component based on its relationship to the level of activity in the cost-plus pricing selling price obtains a score of 0%, meaning that the grouping of fixed costs, variable costs, and semi-variable costs has not yet been carried out. So it can be said that the completeness of the components of the CV Macarindo Berkah Group based on the classification of costs based on their relationship to the level of activity is considered "Not Appropriate".

The company does not group fixed costs and variable costs because the owner feels that the company's production costs are not certain every month. Thus, the company only estimates the total expenditure each month by looking at the previous month's expenses and unifying the calculations between fixed costs and variable costs. There is no classification of fixed costs and variable costs, so there is no classification of semi-variable costs.

The absence of cost grouping based on its relationship to activity level at CV Macarindo Berkah Group Jember causes the accuracy of the financing data to be unclear and ambiguous because there is no data separation according to needs. So, there can be difficulties in preparing the company's financial statements. Following research conducted by Yuni, Sartika, dan Fionasari that identifying, separating, and classifying costs and variable elements is very important because if these three things are done incorrectly, the resulting information will be inaccurate [11]. Thus, companies need to classify costs based on their relationship to the level of activity, namely classifying fixed costs,

Table 4.4 Comparison of the Completeness of the Components of the Stages of Determining the Selling Price of CV Macarindo Berkah Group Jember

The realization of the cost classification component based on the selling price setting stage of the cost-plus pricing obtained a score of 60%. That there are several components at the selling price setting stage of cost-plus pricing that has not been carried out, namely the company has not calculated ROI per unit and has not calculated profit and loss. However, some things have been done, namely calculating the cost per unit, determining the mark-up percentage, and setting a target selling price. So it can be said that the completeness of the components of the CV Macarindo Berkah Group based on the stages of setting the selling price is considered "Not Appropriate".

The selling price calculation component that the company has not done is to determine the ROI or rate of return on investment. ROI serves as a control tool to see how the company's current prospects are so that you can get an idea of what steps the company will take. In addition, ROI is useful for measuring company profitability. ROI can be used to see the extent to which investments that have been invested can provide expected returns [12]. As for calculating the ROI per unit based on research results, the company has not done it because in practice the company directly calculates the percentage mark up.

Based on the table above, the company also has not made a profit and loss budget. The profit and loss budget component in the selling price setting stage functions as a supervisor of financial statements so that the company can find out how much profit will be received and losses to be borne. So, companies can make plans to manage their finances properly. The income statement is a financial report that describes the results of operations in a certain period [13]. Thus, an income statement must be made within a certain period

to find out the amount of acquisition and costs incurred, so that it can be seen that the company is in a profit or loss condition. The absence of an income statement causes the company to experience difficulties in calculating future steps for the company.

The absence of ROI calculations and profit and loss budgets causes the company to not be able to know with certainty the profit that the company has earned for one year. ROI is useful to show the company's ability to generate profits from the assets used. The ROI function is used to measure the effectiveness of all company operational activities and the use of company capital [14]. Thus, ROI can be used as a tool to measure the efficiency of the use of funds and the profitability of the products produced by the company. Meanwhile, the profit and loss budget is useful for providing information about the net income that will be borne by the company in one budget period. If there are neither, it will be difficult for the company to evaluate its finances.

There are 14 components in determining the selling price of cost-plus pricing. However, the realization at CV Macarindo Berkah Group that has been considered by the selling price setting standards totaled 9 components. So that it can be obtained the results of the percentage of conformity of the selling price determination of the cost-plus pricing method as a whole at CV Macarindo Berkah Group Jember, namely:

$$\text{Compatibility Percentage} = \frac{\text{Score Acquisition}}{\text{Maximum Score}} \times 100$$

$$\text{Compatibility Percentage} = \frac{9}{14} \times 100$$

$$\text{Compatibility Percentage} = 64,28\%$$

In general, the suitability of setting the selling price on the CV. Macarindo Berkah Group Jember from the discussion above can be said to be following applicable standards with a conformity level of 64.28%. Based on the 14 components evaluated, 9 components comply with applicable standards, based on these results, the application of the cost-plus pricing method can be categorized as "Compliant".

#### 4. Conclusion

Based on the results of the evaluation using the suitability table for the application of the selling price method of cost-plus pricing at CV Macarindo Berkah Group, it complies with applicable standards with a conformity level of 64.28%. The application of the selling price setting using the cost-plus pricing method can be categorized as "appropriate". Indicators that are following the standards include cost classification

based on the main function of the company, cost classification based on its relationship to something being financed, and several components in the selling price setting stage indicator, namely calculating costs per unit, determining mark-up percentages, and setting selling price targets. Discrepancies that occur with the level of 35.72% include the classification of costs based on their relationship to the level of activity and several components in the selling price setting indicators, namely calculating ROI per unit and budgeting profit and loss.

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