

Analysis of the Application of Target Costing in Managing Production Costs to Increase Profits in the Solo Medan Sausage SME

Nurul Isnaini Putri^{1*}, Nur Ahmadi Bi Rahmani², Yenni Samri Juliati Nasution³

^{1*, 2, 3}Universitas Islam Negeri Sumatera Utara, Jl. William Iskandar Ps. V, Medan Estate, District. Percut Sei Tuan, Deli Serdang Regency, North Sumatra 20371

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Correspondence Email:
nurulIsnainiputri171@gmail.com

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ABSTRACT

The implementation of target costing by an UMKM trader aims to reduce total costs from the previous total costs so that the company can get maximum profits without having to increase its selling price. This research aims to analyze whether the application of the Target Costing method in managing production costs at Solo Medan Sosis UMKM can optimize profits as expected. This research was conducted using a qualitative and descriptive approach method and was carried out in the city of Medan starting in December 2023. The results of this research show that by using the Target Costing method the required production costs can be minimized so that the profits obtained can be further optimized in accordance with the company's expectations. without increasing product prices. So the conclusion is that the Target Costing method can be an alternative for Solo Medan Sosis UMKM in determining production cost.

ABSTRAK

Penerapan target costing oleh sebuah pedagang UMKM bertujuan untuk menurunkan total biaya dari total biaya sebelumnya sehingga perusahaan pun bisa mendapatkan laba yang maksimal tanpa harus menaikkan harga jualnya. Penelitian ini bertujuan untuk menganalisis apakah penerapan metode Target Costing dalam pengelolaan biaya produksi pada UMKM Sosis Solo Medan dapat mengoptimalkan laba sesuai yang diharapkan. Penelitian ini dilakukan dengan menggunakan metode pendekatan kualitatif dan deskriptif dan dilaksanakan di kota Medan terhitung di bulan Desember 2023. Hasil dari penelitian ini menunjukkan bahwa dengan menggunakan metode Target Costing maka biaya produksi yang dibutuhkan dapat diminimalisir sehingga laba yang diperoleh dapat lebih dioptimalkan sesuai dengan harapan perusahaan tanpa meningkatkan harga produk. Dengan begitu kesimpulannya adalah metode Target Costing dapat menjadi alternatif untuk UMKM Sosis Solo Medan dalam menetapkan biaya produksi.



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INTRODUCTION

Nowadays Many small and medium-sized businesses are competing to sell their products, and trade competition very tight. With the development of the times, industries engaged in food and beverages are increasingly diverse and experiencing rapid development. Where the basic purpose of the food and beverage industry is to meet the needs of food and beverages in order to achieve customer satisfaction. One form of development of the food and beverage industry is the emergence of MSMEs engaged in the fast food sector (N. H. Ginting et al., 2023). To can survive in Increasingly business competition tight, small business and intermediate products that sell and service must be able to continue their production activities. Problems that is often faced by MSME actors is the process Funding.

Competition in the scope of marketing can be interpreted as a situation where companies in a certain product or service market will show their respective advantages, with or without being bound by certain regulations, which is done to get customers (Lokot et al., 2023). Based on the Law of the Republic of Indonesia Number 20 of 2008 about Effort Micro, Small, and

Medium (MSMEs), which is meant by effort small is a business small carried out by individuals and/or a unit effort Distinctive that meet the business criteria small regulated deep this document is a law. Is business entities that owned and productive (Lumban Aritonang, Hendra Hermain, 2022).

Effort small and intermediate is one Economic Venture independent and productive Conducted by a person or entity that is not a subsidiary or branch of a companies that dimiliki or controlled by the company, or with which it has a relationship immediately or indirect with a medium or large company. The Company has an interest and meets the following conditions. Standards for small and medium-sized businesses are set out in this law. Medium enterprises are highly productive independent businesses run by people or corporations that are not subsidiaries or branches of a corporation owned or controlled by small business or large corporations, or asset value clean or annual turnover. The procedure is carried out in accordance with the Law Law Number Ini (Saleh et al., 2022).

Along with the advancement of technology, the variety of products has increased in recent times. Therefore, MSME actors must develop new strategies and continue to innovate to survive in the current difficult economic conditions. Economic entrepreneurs not only expect support from the state, but are also required to set production costs. One of the factors that affects the selling price of a product is the cost of production. Companies can control production costs in a variety of ways to ensure their operations continue to generate the desired profits (Tambunan et al., 2021).

The cost of production, which is formed by the cost of production, is used to determine how much the finished goods and goods in process cost at the end of the accounting period. In a business, costs play a crucial role in enabling the implementation of initiatives aimed at achieving goals. If the expenses incurred as a form of sacrifice by the corporation have been accurately estimated, then the goal can be achieved. The term "cost" is usually used to describe the delivery of financial benefits in order to obtain services with uncapitalized value (Fadhillah & Daulay, 2023).

Production efficiency is the relative amount of inputs used to achieve a certain level of output. The fewer input quantities used to make a number of products or the more products are made with a certain input quantity, the higher the (Nasution et al., 2023).

According to Hasen and Mowen, production costs be The cost of issued for Changing the material raw become product so. In manufacturing companies, production costs Divided into the main cost and conversion cost. Cost Primary consists of cost direct materials and direct wages, whereas conversion costs consist of indirect wages and costs overhead (Idrawahyuni et al., 2020).

This production cost also usually consists of three component: Direct Materials, Labor immediately and cost overhead pabrik. Material Direct raw is all material raw that Is Integral parts of the final product and explicitly dimasukkan in the calculation Cost product. Direct labor is a workforce that directly changing material raw into finished products and can attributed in true to a specific product, while cost overhead pabrik Include All fees production which is not distributable directly to production certain. Therefore that For manufacturing companies, production costs are One important factors in Determine successful or not one company financially. To maintain progress in areas such as manufacturing, education, and other related fields that also have an impact on people's savings levels, consumption surpluses are kept in banks. Similarly, the degree of welfare and progress of an area will only be high if its population has a relatively high income (Mardiani & Harmain, 2023).

This production cost is factor large cost Than with other fees. Therefore, The main purpose of production cost control is to Ensure resources economics Used to Effective Production so that it does not happen Cost Waste production. Production costs too be a factor Important in Calculating the cost production (Dilasari et al., 2023).

Traditional Costing or known as traditional cost accounting is the imposition of production costs on products, while other costs related to products are not charged to the cost of products. The taditional costing method is carried out by calculating the selling price based on the costs incurred including raw material costs, labor costs, and factory overhead costs.

According to Salman, *target costing* is a Planning System advantage and control cost. According to Krismiaji, *target costing* is a process Determine Maximum cost to produce new products and designing profitable prototypes appropriate with Limitation The maximum cost that Determined. Main objectives Assignment *target costing* be to subtract cost. This is because when the costing target is achieved, it is determined Target cost new More low (Tuju et al., 2022).

This method Used to encourage the various departments involved in the design and production of products to find out how It is easy to achieve the same or better product quality. Assignment *target costing* used during the planning phase to guide the selection process and design products, thus producing Manufacturable Products with The cost of Acceptable and at the level of advantage which is acceptable. Target Costing also provides an estimate of the market price of the product, sales volume, and the rate feature (Idrawahyuni et al., 2020).

According to (soemarso, 2009) in the journal (Salimah et al., 2024) states that, Profit in accounting Management is defined as difference between the profits that realized arising from transaction during the period aforementioned and fees past that terkait (Balkuoi). Profit is the difference between income and The cost of Issued In connection with Efforts to produce The income within a certain period of time. The amount of profit earned will be affected by production costs, which determine the selling price of the product. Reducing production costs is very important because it affects the profits obtained by the company. To determine whether a particular order can make a profit or make a loss, management needs to know the production costs that have been incurred to make the order (Y. A. Ginting et al., 2024).

The company strives to maximize profits. A company's profitability is indicated by net income, which is the return to equity holders over a certain period. Profitability shows how much money a company can earn from sales, total assets, and its own capital (Quraniyah et al., 2022).

There are many MSMEs in Medan, and one of them is Solo Sausage Medan, which is engaged in the culinary sector. This business started in 2020 and is still operating today. Solo sausage originated from Netherlands colonial sausages and was transformed into a wet food made from minced chicken or beef meat mixed with spices and wrapped in an omelet.

This solo sausage is often consumed by the local community as a snack at home or as a snack at various events, such as social gatherings, office meetings, and wedding thanksgiving. Solo sausages can be easily found at market hawkers in traditional markets as well as in food stalls around Solo. However, the sale of solo sausages in traditional markets is still displayed openly and then only wrapped using plastic or snack boxes if someone buys (Nursiwi et al., 2019).

However, MSME actors must know how to handle financing appropriately and accurately to increase production cost efficiency. Unnecessary costs, whether produced or unproduced, are known as cost effectiveness itself. To reach consumers and make their production competitive, small and medium enterprises (MSMEs) must consider the selling price of their competitors

because the price of a product causes an increase in production costs, thus affecting the selling price and can result in a decrease in people's purchasing power.

Perp MSMEs necessary pay attention to costs such as raw material costs, Labour electricity costs, water costs, depreciation costs, and others. Therefore that Needed one manner to Manage production costs in order to be able to Achieve profits maximum. One manner to control production cost is by using target costing. But Not all Stakeholders MSMEs understand the application of target costing deep Determination Production cost (Kumaat et al., 2023).

To optimize profits, businesses will use profit planning and cost management techniques. This method focuses on products by considering the production process of one entity to determine production costs to achieve the desired profit target of the entity. The cost target method is the process of finding the maximum cost possible to create a new product and then making a profitable prototype with a predetermined maximum cost constraint (Octaviantri, 2019).

Target costing is a system that determines production costs according to your desires and goals. Determine the selling price of products that will generate the desired profit, or determine the cost of production according to the selling price that customers are willing to pay. The purpose of target costing can be interpreted as minimizing product costs so that the desired profit can be achieved.

Previous research that has been conducted by (George, et al., 2023) entitled the application of target costing in production cost management to optimize profits for Manado Brownice MSMEs with the result that the implementation of the Manado Brownice costing target is suitable and well implemented. The application of this model can increase profits, in accordance with the expected profits of Brownice Manado. In addition, Brownice Manado can also control the production costs of its products well.

The research is also the basis for the comparison of research conducted by the author in the Home Industry of Solo Sausage Medan. This Home Industry is a home industry whose activity is to produce solo sausages in the Medan area. Precisely in Komp. Srigunting Police Block G. This home industry is managed by Mrs. Endang. In it, there are 3 employees who have their respective roles in the production of solo sausages.

The author is interested in conducting research in this home industry because it is famous for its delicious quality and taste. In addition, it also has a large net profit, which is approximately Rp. 6,780,000 per month. So far, the Home Industry has not made the right calculation in determining the selling price. They still use price estimates or estimates. Where the price set is adjusted to the price of products from competing entities that also produce solo sausages.

Competitors between these entities can make Sausage Solo Medan in achieving profits not yet optimal. Thus, the importance of the costing target that will be applied to this business can help manage production costs and increase its business profit. Especially if you apply the target costing method, Solo Sausage Medan can find out the price of competitors and know the purchasing power of consumers. So by knowing this, business owners can determine, plan and design products according to the previously targeted costs, so that in the implementation of production there is no uncontrolled cost overrun.

But this Medan Solo Sausage is sold frozen different from the one in Solo only by being fried directly without anything frozen, and packed in a twinwall, so that it attracts the attention of buyers who are curious about Medan Solo Sausage. Based on the background that has been presented, the author is interested in conducting research with the title "Analysis of the

RESEARCH METHOD

According to Sugiyono (2016), qualitative research is research that is inductive, emphasizing more on meaning than generalization, where the data collection process is obtained from natural conditions using triangulation techniques and the researcher acts as a key instrument in the research process (Hasdiana, 2021). This study uses a qualitative and descriptive approach to understand the phenomenon in MSMEs Sausage Solo Medan, with research as the main instrument. Data collection was carried out through interviews and observations, both primary and secondary. The subjects of the study are the owners and employees of Solo Medan Sausage, while the research object focuses on the application of target costing to increase profits. The data analysis technique used is qualitative descriptive analysis, with stages of data reduction, data presentation, and conclusion drawn. The conclusions produced are then systematically compiled to provide implications and suggestions for further research.

RESULTS AND DISCUSSION

Result

Production Costs of MSMEs Solo Sausage Medan

Judging from the results of interviews with MSME owners of Solo Medan Sausages where per day they can sell ~~±33~~ pack, then the production costs incurred per day are as follows:

Table 1. Details of the Cost of Raw Materials for MSMEs Solo Sausage Medan

| Type of Raw Material | Quantity | Price (Rp) | Total (Rp) |
|----------------------|-----------|------------|------------|
| Chicken | 12 Kg | 37.000,- | 444.000,- |
| Garlic Bombai | 1/2 Kg | 20.000,- | 20.000,- |
| Garlic | 1/4 Kg | 12.000,- | 12.000,- |
| Be | 6 Pieces | 1.000,- | 6.000,- |
| Orange Leaf | 10 Sheets | 200,- | 2.000,- |
| Yolk | 1/2 Kg | 9.000,- | 9.000,- |
| Salt | 1 Bungkus | 10.000,- | 10.000,- |
| Royco | 2 Bungkus | 1.000,- | 2.000,- |
| Ladaku | 5 Bungkus | 1.000,- | 5.000,- |
| Flour | 6 kg | 12.000,- | 72.000,- |
| Egg | 1 Papan | 57.000,- | 57.000,- |
| Edible Oil | 1/4 Kg | 5.000,- | 5.000,- |
| Sauce | 3 Bungkus | 7.000,- | 21.000,- |
| Total | | | 665.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

Table 1 shows the total cost of raw materials for Solo Medan Sausage MSMEs per day of Rp. 665,000.

Table 2. Details of MSME Labor Costs for Solo Sausage Medan

| Part | Sum | Fee (Rp) | Total (Rp) |
|-------------|----------|----------|------------|
| Operational | 3 People | 50.000,- | 150.000,- |
| Total | | | 150.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

Table 2 shows the total labor cost of MSMEs Sausage Solo Medan per day of Rp. 150,000,- where MSMEs Sausage Solo Medan employs 3 employees whose salary system is given per day.

Table 3. Details of Overhead Costs for MSMEs Solo Sausage Medan

| <i>Cost Type</i> | <i>Amount (Rp)</i> |
|-----------------------|--------------------|
| <i>Fixed Fees</i> | 50.000,- |
| <i>Packaging Cost</i> | 64.000,- |
| <i>Total</i> | 114.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

Table 3 shows the total overhead cost of Solo Medan Sausage MSMEs per day of Rp. 114,000,- with a fixed cost of Rp. 50,000,- consisting of electricity and water costs, as well as packaging costs of Rp. 64,000,- namely twin walls.

Thus, the total production cost of Solo Medan Sausage MSMEs per day is as follows:

Table 4. Details of Production Costs for Solo Medan Sausage MSMEs

| <i>Cost Type</i> | <i>Amount (Rp)</i> |
|--------------------------|--------------------|
| <i>Raw Material Cost</i> | 665.000,- |
| <i>Labor Costs</i> | 150.000,- |
| <i>Overhead Costs</i> | 114.000,- |
| <i>Total</i> | 929.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

Calculation of Production Costs for Solo Medan Sausage MSMEs using Traditional/Conventional Methods

In determining the selling price of each product, Solo Medan Sausage MSMEs still use the traditional or conventional method, where the selling price of the product is determined by first calculating the cost of production needed from each product which will then be added to the desired profit. Likewise, the calculation of production costs still uses the conventional method as follows:

$$\begin{aligned}
 \text{Cost per product} &= \text{Total cost} : 33 \text{ packs} \\
 &= 929,000 : 33 \\
 &= \text{IDR } 28,151,-/\text{ Pack}
 \end{aligned}$$

So the price of Solo Medan Sausage MSME products per pack is as follows:

$$\begin{aligned}
 \text{Product Price} &= \text{Cost per product} + \text{Desired profit} \\
 &= \text{IDR } 28,151 + \text{IDR } 6,849 \\
 &= \text{IDR } 35,000,-/\text{ Pack}
 \end{aligned}$$

If in one day MSMEs Sausage Solo Medan can sell 33 packs of their products at a price of Rp. 35,000,-, then the income of MSMEs Sausage Solo Medan every day is as follows:

$$\begin{aligned}
 \text{Net Profit} &= \text{Sales} - \text{Cost of Production} \\
 \text{Net Profit} &= (33 \times \text{Rp. } 35,000) - \text{Rp}929,000 \\
 \text{Net Profit} &= \text{IDR } 1,155,000 - \text{IDR } 929,000 \\
 &= \text{IDR } 226,000
 \end{aligned}$$

Discussion

Market Price Analysis

There are several competitors who offer other products that are the same as Solo Medan Sausage. The following is a price comparison of competitor products with Solo Sausage:

Table 5. Comparison of Competitor Product Prices and Solo Sausage Product Prices

| <i>Name</i> | <i>Product Price (Rp)</i> |
|-------------------------------|---------------------------|
| <i>Solo Sausage</i> | 35.000,- |
| <i>Taiso (tofu meatballs)</i> | 25.000,- |
| <i>Risol Mayo</i> | 25.000,- |
| <i>Otak - Otak</i> | 25.000,- |

Compared to competitors' prices, Solo Sausages have a higher price. Judging from Table 5, it can be seen that the selling price of the product set by the Solo Sausage Medan MSME can affect the consumer's decision to make a purchase or not. So the selling price of products at Solo Medan Sausage MSMEs is a problem today.

Profit

If you look at the income statement, the owner of Solo Sausage Medan wants an increase in profit which was initially only 21% to increase to around 35.8%, therefore, the researcher suggests that Solo Sausage Medan MSMEs use the *Target Costing* method to be one of the alternative methods in calculating production costs in order to increase the desired profit.

Determining Target Costing

The following is the formula for implementing Target Costing:

$$TC = P - M$$

Description: TC = Target Costing

P = Price

M = Expected profit

The following is the calculation if the Target Costing formula is used for Medan Solo Sausage:

$$TC = P - M$$

$$= \text{IDR } 1,155,000 - (35.8\% \times 1,155,000)$$

$$= \text{IDR } 1,155,000 - \text{IDR } 413,490$$

$$= \text{IDR } 741,510$$

Doing Value Engineering

Solo Medan sausages get their raw materials through jabal wholesale stores. To overcome the problem of raw materials so that they can be obtained at a low cost, the researcher suggests looking for raw materials from other grocery stores, where if you buy 6 kg of wheat flour can be obtained at a price of 48,000. For chicken, the researcher suggested that MSMEs of Solo Medan Sausage can find a place to sell chicken that is cheaper than the previous place with good chicken quality.

The packaging cost of Solo Sausage products uses twin walls obtained from a cake shop at a price of 32,000 per pack of 25 packs. To get more affordable packaging costs, the researcher suggested that the packaging could be from different cake shops at a price of 27,000 per pack of 25 packs. With this value engineering on the production costs of Solo Medan Sausage MSMEs, the following are the expenses needed to produce products from Solo Medan Sausage itself:

a) Raw Material Cost

This berut is a raw material from Solo Sausage MSMEs in Medan after value engineering:

Table 6. Details of the Cost of Raw Materials for MSMEs Solo Sausage Medan

| <i>Type of Raw Material</i> | <i>Quantity</i> | <i>Price (Rp)</i> | <i>Total (Rp)</i> |
|-----------------------------|-----------------|-------------------|-------------------|
| <i>Chicken</i> | 12 kg | 32.000,- | 384.000,- |
| <i>Garlic Bombai</i> | 1/2 Kg | 12.000,- | 12.000,- |
| <i>Garlic</i> | 1/4 Kg | 8.000,- | 8.000,- |
| <i>Be</i> | 6 Pieces | 500,- | 3.000,- |
| <i>Orange Leaf</i> | 10 Sheets | 200,- | 2.000,- |
| <i>Yolk</i> | 1/2 Kg | 7.000,- | 7.000,- |
| <i>Salt</i> | 1 Bungkus | 7.000,- | 7.000,- |
| <i>Royco</i> | 2 Bungkus | 500,- | 1.000,- |
| <i>Ladaku</i> | 5 Bungkus | 500,- | 2.500,- |
| <i>Flour</i> | 6 kg | 8.000,- | 48.000,- |
| <i>Egg</i> | 1 Papan | 50.000,- | 50.000,- |
| <i>Edible Oil</i> | 1/4 Kg | 4.000,- | 4.000,- |
| <i>Sauce</i> | 3 Bungkus | 5.000,- | 15.000,- |
| Total | | | 543.500,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

b) Packaging Cost

The packaging of Solo Sausage products uses twin walls which costs 30,000 per pack. After conducting value engineering based on the researcher's recommendations, the following results were obtained:

Table 7. Details of the Cost of Packaging MSMEs Solo Sausage Medan

| <i>Information</i> | <i>Price (Rp)</i> |
|--------------------|-------------------|
| <i>Twin wall</i> | 54.000,- |
| Total | 54.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

With the change in packaging prices, the overhead costs of Solo Sausage are as follows:

Table 8. Details of Overhead Costs for MSMEs Solo Sausage Medan

| <i>Information</i> | <i>Amount (Rp)</i> |
|-----------------------|--------------------|
| <i>Fixed Fees</i> | 50.000,- |
| <i>Packaging Cost</i> | 54.000,- |
| Total | 104.000,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

c) Total Production Cost

If MSMEs Solo Sausage Medan uses recommendations from researchers as an alternative solution to solve this problem, then the production costs that will be incurred are as follows:

Table 9. Details of Production Costs for Solo Medan Sausage MSMEs

| <i>Cost Type</i> | <i>Amount (Rp)</i> |
|--------------------------|--------------------|
| <i>Raw Material Cost</i> | 543.500,- |
| <i>Labor Costs</i> | 150.000,- |
| <i>Overhead Costs</i> | 104.000,- |
| Total | 797.500,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

Comparison of Traditional/Conventional Methods with Target Costing Methods

After the Target Costing method was applied in determining costs, there was a cost adjustment in MSMEs Solo Sausage Medan. The following is the difference in raw material costs before and after the implementation of the Target Costing method:

Table 10. Comparison of Raw Material Costs Before and After Target Implementation Costing

| <i>Type of Raw Material</i> | <i>Quantity</i> | <i>Before Target Costing</i> | | <i>After Targer Costing</i> | |
|-----------------------------|-----------------|------------------------------|-------------------|-----------------------------|-------------------|
| | | <i>Price (Rp)</i> | <i>Total (Rp)</i> | <i>Price (Rp)</i> | <i>Total (Rp)</i> |
| <i>Chicken</i> | 12 kg | 37.000,- | 444.000,- | 32.000,- | 384.000,- |
| <i>Garlic Bombai</i> | 1/2 Kg | 20.000,- | 20.000,- | 12.000,- | 12.000,- |
| <i>Garlic</i> | 1/4 Kg | 12.000,- | 12.000,- | 8.000,- | 8.000,- |
| <i>Be</i> | 6 Pieces | 1.000,- | 6.000,- | 500,- | 3.000,- |
| <i>Orange Leaf</i> | 10 Sheets | 200,- | 2.000,- | 200,- | 2.000,- |
| <i>Yolk</i> | 1/2 Kg | 9.000,- | 9.000,- | 7.000,- | 7.000,- |
| <i>Salt</i> | 1 Pck | 10.000,- | 10.000,- | 7.000,- | 7.000,- |
| <i>Royco</i> | 2 Pack | 1.000,- | 2.000,- | 500,- | 1.000,- |
| <i>Ladaku</i> | 5 Pack | 1.000,- | 5.000,- | 500,- | 2.500,- |
| <i>Flour</i> | 6 kg | 12.000,- | 72.000,- | 8.000,- | 48.000,- |
| <i>Egg</i> | 1 bucket | 57.000,- | 57.000,- | 50.000,- | 50.000,- |
| <i>Edible Oil</i> | 1/4 Kg | 5.000,- | 5.000,- | 4.000,- | 4.000,- |
| <i>Sauce</i> | 3 Pack | 7.000,- | 21.000,- | 5.000,- | 15.000,- |

| | | |
|-------------------|------------------|------------------|
| Total | 665.000,- | 543.500,- |
| Difference | 121.500,- | |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

The following are the differences in packaging costs before and after the implementation of the Target Costing method:

Table 11. Comparison of Packaging Costs Before and After the Implementation of Target Costing

| Information | Price of Value Engineering | Price After Value Engineering |
|--------------------|-----------------------------------|--------------------------------------|
| <i>Twin wall</i> | 64.000,- | 54.000,- |
| Total | 64.000,- | 54.000,- |
| Spare | 10.000,- | |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

With the application of the Target Costin method to the production costs of Solo Medan Sausage MSMEs. Thus, in a day to produce 35 cups of drinks, the difference is obtained as follows:

Table 12. Difference in Production Costs Before and After the Implementation of Target Costing

| Cost Type | Before (Rp) | After (Rp) |
|--------------------------|--------------------|-------------------|
| Raw Material Cost | 665.000,- | 543.500,- |
| Labor Costs | 150.000,- | 150.000,- |
| Overhead Costs | 114.000,- | 104.000,- |
| Total | 929.000,- | 797.500,- |
| Selisish | | 131.500,- |

Source: Solo Medan Sausage MSMEs, processed data (January 10, 2024)

From the table above, it can be seen that the difference in production costs before and after the implementation of Target Costing is 13.2%. If the calculation is carried out by applying the Target Costing method, the profit obtained by Solo Sausage MSMEs is as follows:

| UMKM Sosis Solo Medan | | |
|-------------------------------------|------------------------------|-----------------------------|
| Income Statement (in rupiah) | | |
| | Before Target Costing | After Target Costing |
| Sales | 1.155.000,- | 1.155.000,- |
| Reduced: | | |
| Cost of Production | 929.000,- | 797.500,- |
| Net Profit | 226.000,- | 357.500,- |
| Profit Percentage | 21% | 35,8% |

CONCLUSIONS

From the data processing process carried out by the researcher, it can be seen that Solo Medan Sausage MSMEs still use a simple method of determining production costs, so that high production costs are needed. By applying the Target Costing method to determining production costs, Solo Medan Sausage MSMEs can reduce their production costs by 13.2% which was initially 929,000 to 797,500. This is obtained by conducting value engineering on raw material costs, labor costs, and overhead costs.

To obtain more optimal profits, Solo Medan Sausage MSMEs can also use the Target Costing method as an alternative. Where from the results of the above research, it can be seen that by using this method, Solo Medan Sausage MSMEs can increase the profit obtained by 14.8% from 21% to 35.8% with a total profit from 226,000 to 357,500 for an estimated sales of 33 packs in a day.

The researcher suggested that sausage-only MSMEs in Medan can adopt the target costing method. By applying this method, sausage MSMEs in Medan can minimize the production costs needed and optimize existing profits. Medan Solo Sausage MSMEs take raw materials from various locations based on value engineering carried out by researchers. Therefore, before using the target costing method to reduce production costs, Solomedan sausage MSMEs should pay attention to the existing quality by evaluating the raw materials used from different suppliers. Even though we reduce production costs, the taste of Medan Solo Sausage MSME products itself is not lost.

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