APPLICATION OF *STANDARD COSTS* TO CONTROL PRODUCTION COSTS FOR NIRWANA BROWN SUGAR PRODUCTS (Study : UD. Gula Nirwana Desa Dayu - Blitar)

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Abstract UD Gula Nirwana is a small medium business that reprocesses coconut sugar, cane sugar and white sugar into brown sugar or vegetable sugar, UD. Gula Nirwana produces every day, so that makes it an active effrort to produce brown sugar needed by the community in general. Therefore this business can continue when production costs can be reduced one of them is by using standard costs in calculating production costs. Determination of standard costs can be an alternative in planning and controlling production costs. This study aims to see how the standard cost method applies to UD Gula Nirwana. Standard costs are costs that are used as guidelines before the production process takes place. When standard costs have been determined and the actual costs are known at the end of the production period, the standard costs and actual costs rather than produce variance or difference. Based on the calculation that the comparative analysis of standard costs with actual costs, it can be concluded that in the production of brown sugar, the difference in the cost of production of profitable raw materials and factory overhead costs is still stable and the difference in labor is still a difference in limits even though it is not profitable.

Keywords : standard costs, actual costs, production costs.

I. INTRODUCTION

In this globalization era, the development of the business world is increasing, demanding companies to be able to produce quality products at affordable prices in the market in order to be able to compete and be able to adjust to the developments that occur. The main goal of a company is to get the maximum possible profit at the minimum cost of each product sale. The role of a manager is very important because the performance of a manager who can manage a company increases performance and produces products or services that are superior to other companies that are the same in their fields.

To be able to properly manage a company a manager needs information that is used as a material consideration for controlling production costs. [1] "Production costs represent costs incurred in processing raw materials into finished products". While the control itself is needed in every job to evaluate the activities that have been carried out to fit the planned. Control of production costs requires a standard or standard that is used as a basis that is used as a benchmark for controlling production costs. One control method that can be used as a tool for controlling costs and determining the cost of production is to use the standard cost method,

under the assumption of economic conditions, efficiency, and certain other factors.

Standard costs set by the company for each product produced by the company within one year. The standard set must be arranged at the beginning of the year so that it can be used as a foundation in the company's next production process.

Standard costs will make it easier for management to make decisions, control production activities and carry out corrective actions related to the expenditure of production costs and this determination can provide guidance for knowing costs that should occur in the production process.

UD. Gula Nirwana is one of the small and medium enterprises in Blitar. As with other manufacturing companies, this industry has main activities that are carried out daily, namely processing the main raw materials into finished products that are ready to be sold to consumers. This industry is located in Dayu Village, Kec. Nglegok Kab. Blitar. This industry produces various types of sugar such as brown sugar, palm sugar, sugar bumbung, cane sugar and coin sugar. Production costs in this industry consist of direct raw material costs, direct labor costs and factory overhead costs. Cost control is very necessary here to find out whether this production process is running efficiently or not. This control is done by comparing the standard costs with actual costs (actual costs) in order to find out the extent of the deviations that have occurred in this industry. If there is a difference (variance) between standard costs and actual costs, further research needs to be conducted to find out the cause of the variance.

II. LITERATURE REVIEW

Cost

According to [2] costs are objects that are recorded, classified, summarized and presented by cost accounting. In the broad sense of the cost is the sacrifice of economic resources, which are measured in units of money, which have occurred or that are likely to occur for certain purposes. Whereas According to [3] costs are sacrifices or expenditures made by a company or individual that aims to obtain more benefits from the activities carried out.

Cost Accounting

[4] Cost accounting is a field of accounting that studies how to record, measure, and report cost information used. Besides that, cost accounting also discusses the determination of the basic price of "a product" that is produced and sold to the buyer and to the market, as well as to the inventory to be sold. Whereas according to [2] cost accounting is the process of recording, classifying, summarizing and presenting the costs of making and selling products or services, in certain ways, and interpreting them. The object of accounting activities is cost. Cost accounting has three main objectives to determine product cost, control costs, and make specific decisions.

Standard Cost

According to [5] the standard cost is the guesswork that is effectively and efficiently set up in advance for the costs that should be consumed by a product. According to [6] "Standard costs are costs that should be achieved and can be received with inadequate performance".

Standard Cost Determination Procedure

Prosedur penentuan biaya standar yang dikemukakan oleh [2] antara lain : a) Biaya bahan baku standar, b) Biaya tenaga kerja standar, c) Biaya *overhead* pabrik standar.

Standard cost benefits

According to [7] Standard costs have the following uses :

a. Budgeting

The budgeting process will be faster and more reliable when using fast standard costs because the determination of more detailed volume and more accurate prices is available, reliable, because the budget is arranged in detail using the results of analysis of costs that

have occurred, by showing the efficiency and causes of the difference .

b. Cost control

The standard cost system provides motivation to the workforce, because the level of efficiency can be measured, so that a good level of performance can be established. Through analysis of differences, costs will be calculated and measured by the level of efficiency, so that it can determine the effectiveness of the workforce which is more concerned with the financing target and where the money is not. From here, the standard cost system can be used as a trigger for labor to do the best and cost efficiency while still achieving a high level of effectiveness.

c. Simplification of procedures and cost reporting

Calculations can be done automatically and faster data is obtained and immediately can be made and presented the report, so that the expedition can be done immediately. From here it can be possible to immediately take managerial policies in the event of a deviation. Standard procedures for calculating cost of goods manufactured and cost reporting systems can be easily developed.

d. Determining the basic price of materials, goods in process and finished goods

In this condition, companies generally do not use standard costs to determine the cost of these inventories, whereas standard cost systems provide guidance that can improve efficiency and accuracy in clerical accounting work.

e. The basis for contracting and pricing

The standard contract costs that will be carried out and price determination will be relatively faster, moreover the market price is unpredictable and difficult to find, then the standard cost system is the right tool to be used as a foundation and can be used to make a comparison with the price given by competitors.

Production Cost

According to [8] "Production Costs are costs that occur in the production function. Production Function is a function that processes raw materials into finished goods. To produce products, we need direct raw materials, direct labor, indirect labor, auxiliary materials and facilities such as buildings, machinery, electricity, and other equipment."

[9] "Production costs are costs that most manufacturing companies divide production costs into three broad categories: direct raw materials, direct labor, and factory *overhead* costs .

Control

[10] control is a systematic effort of management to achieve goals. Activities are monitored continuously to ensure that the results will be within the desired limits. The actual results of each activity are compared to the plan, and if there are significant differences, corrective actions may be taken.

According to [11] argues that control is managerial activity to monitor the implementation of the plan and make improvements as needed.

Concept of Cost of Production

According to [2] that the cost of production is a method of calculating the cost elements into the cost of production. Whereas according to [10] states that the cost of production consists of three elements, namely: 1) Direct raw material costs, 2) Direct labor costs, 3) Factory overhead costs.

Variance

According to [2] the actual cost deviation from standard costs is called *variance*. The difference in actual costs with standard costs is analyzed, and from this analysis investigated the cause of the occurrence, then find a way to overcome the occurrence of adverse differences. Analysis of the difference in raw material costs and direct labor costs differs from the analysis of differences in factory *overhead* costs , in the analysis of the difference in raw material costs and direct labor costs there are only two types of capacity: actual capacity and standard capacity; whereas

in the analysis of factory overhead differences there are three types of capacity: actual capacity, standard capacity, and normal capacity (the latter capacity is used to calculate factory overhead costs).

III. RESEARCH METHODS

This research was conducted at UD. Gula Nirwana is located at Dayu Village, Nglegok District, Blitar Regency. The type of research used in this study is quantitative and qualitative research. Quantitative data in the form of production costs, costs in each action taken in the production process, the amount of production, and standard costs. Qualitative data is data that cannot be measured on a numerical scale. In this study there are qualitative data in the form of company history, vision and mission, organizational structure, and production process. The qualitative approach is carried out on the grounds that taking action in the subject of the study is highly prioritized in expressing the meaning and process of a system. This research is descriptive and tends to use analysis with an inductive approach and presentation of data on production costs, costs in each action taken in the production process, the large number of production and standard costs.

The types and sources of data used by the authors in conducting this research are a) Primary data, namely data written and collected by researchers. Here the author obtained data by visiting UD Gula Nirwana to obtain data directly. b) Secondary Data that is already available and collected by other parties, so that the writer just needs to use the existing data according to the desired needs. Data obtained from an agency is called internal secondary data. Data obtained from internal as an example of data about general description and data about production costs incurred by the company to produce.

Data collection methods According to [12] descriptive method is a method used to describe or analyze a research result but not used to make broader conclusions. This method the author uses directly to collect data related to data at UD Gula Nirwana. The data is collected by the author by: a) Observation, the researcher collects data by observing directly the production activities that are happening in the company. In this observation the researchers saw firsthand the state of the work environment, processing of brown sugar, labor productivity, equipment used in the production process and others. b) Interview (interview), the researcher conducts interviews to get an explanation of the problems that were previously unclear and to ensure that the data obtained or collected is truly accurate. Researchers conducted interviews with data management and production at UD Gula Nirwana. c) Documentation, Documentation is a record of past events. The method of documentation is usually done to collect secondary data from a variety of both personally and in general. d) Library Method (Library Research), Data taken at UD Gula Nirwana, among others, are data of equipment used and data that is in UD Gula Nirwana. The library method taken by the researcher also quoted from several readings that were also related to the conduct of research carried out at UD Gula Nirwana, which was quoted as a theory or in the form of opinions from reading books and dictates used during lectures, and browsing the internet to facilitate report completion this study, and looked for relevant books as literature in the library.

Data analysis method used in this study is Data Reduction obtained by researchers in the field through interviews, observation and documentation reduced by summarizing, selecting and focusing data on things that are in accordance with the objectives of the study, namely: a) Establishing standard production costs consisting from raw material standards, standard raw material quantities, standard labor costs, standard labor quantities and standard factory overhead costs. b) Perform calculations with variance analysis by comparing the standard costs with the costs of realization, In analyzing the difference in standard costs with actual costs by means of Raw Material Cost

Difference Analysis with one difference model, Direct Labor Cost Difference Analysis with one difference model, Difference Analysis Factory Overhead Cost with one difference model. Then the presentation of data after the data has been completed has been reduced or summarized. Then presented in the form of notes, in the discussion presented a comparison between the actual costs that occur to the company with the calculation of standard costs processed by the researcher. Finally Withdrawal Conclusions from the results of research by assessing whether the use of standard costs calculation of production costs will be more effective and efficient and provide solutions to good problem solving problems that arise in the company.

IV. RESULTS AND DISCUSSION

The process of producing brown sugar at UD Gula Nirwana is by reprocessing coconut sugar purchased from coconut sugar farmers which is then reprocessed by adding some raw materials of brown sugar which are then printed using smaller molds from reprocessing this sugar every time it produces 50 kg of brown sugar with a smaller size and in one day this SME produces 1400 kg. Brown sugar is sold in every kilogram.

Standard Raw Material Costs

The preparation of standard raw material prices was set in 2016, because in 2016 it was used as a standard cost reference for the production process for the following year. The price used as a standard price is the average price of raw materials in one year 2016. The following are the details of the price of raw materials used to obtain standard costs:

Table 1. Standard Raw Material Prices

No	Name of Raw Material	Daily Needs (Kg)	Monthly Needs (kg)	Standard Price (Kg)	Total
1	Coconut Sugar	420	12600	Rp 15.500	Rp 195.300.000
2	Cane Sugar	420	12600	Rp 11.500	Rp 144.900.000
3	Sugar	560	16800	Rp 9.500	Rp 159.600.000
					Rp 499.800.000

Source : Primary Data UD. Gula Nirwana (2016)

In one month this SME operates for 30 days, then :
Needs per month = needs per day x 30 days.
Total cost = requirement per month x standard price per kg.

Quantity of Standard Raw Materials

The quantity of standard raw materials used in the brown sugar production process is based on the amount of raw material used in the production of brown sugar as much as 1400 kg every day so that 42,000 kg in one month. In one month, the monthly requirement is the same as the standard quantity. Details for the quantity of raw materials for brown sugar in one month.

Table 2. Quantity of Standard Raw Materials

No	Name of Raw Material	Daily Needs (kg)	Needs / Month (Kg)	Standard Quantity (Kg)
1	Coconut Sugar	420	12600	12600
2	Cane Sugar	420	12600	12600
3	Sugar	560	16800	16800

Source : Primary Data UD. Gula Nirwana (2016)

Total Standard Raw Material Costs

The following is a breakdown of the total standard raw material costs:

Table 3. Total Standard Raw Material Costs

No	Name of Raw Material	Needs / Month (Kg)	Standard Price	Total Standard for Raw Material Costs	Production (Kg)	Standard Raw Material Costs
1	Coconut Sugar	12600	Rp 15.500	Rp 195.300.000	42.000	Rp 4.650
2	Cane Sugar	12600	Rp 11.500	Rp 144.900.000	42.000	Rp 3.450
3	Sugar	16800	Rp 9.500	Rp 159.600.000	42.000	Rp 3.800
Total				Rp 499.800.000	42.000	Rp 11.900

Source : Primary Data UD. Gula Nirwana (2016)

To calculate standard raw material costs, namely :

$$\text{Raw Material Costs} = \frac{\text{(total standard raw material costs)}}{\text{(production results)}}$$

$$\text{Standard Raw Material Costs} = \frac{499{,}800{,}000}{42000}$$

$$= \text{Rp. } 11{,}900$$

Based on the table above, it can be seen that the cost of raw materials per kg of brown sugar is Rp. 11,900. the total cost of raw materials for UD Gula Nirwana sugar for a month is Rp. 499,800,000 which produces 42,000 kg of brown sugar per month..

Standard Labor Cost Determination

- Standard Labor Hours

  This SME has 7 hours of work every day. This SME operates for 30 days every month with a workforce of 8 people for production activities.

  Total working hours = number of workers x standard working hours one day x number of days in 1 month.

$$\text{Standard labor hours} = \frac{\text{Total working hours}}{\text{Total production}}$$

$$\text{Standard labor hours} = \frac{1680}{42000}$$

$$= 0.4 \text{ / kg}$$

So that it can be seen that the standard labor hour per kilo is 0.04.Tarif Upah Standar

- Standard Wage Rates

  Determination of standard wage rates here is based on the initial agreement between workers and SME owners with a piece rate in 2016 of Rp 160 / kg and each worker produces 175 kg per day, so the tariff for standard wages per day is Rp. 28,000;.

  Total labor costs = number of workers x the rate of standard wages per day x number of days.

Standard wage/hour rate = total labor costs / total working hours

Standard wage rate/hour = 6,720,000 / 1680

= Rp. 4000/hour

From the results above, it can be seen that the amount of the hourly wage rate is Rp. 4000;.

- Total Standard Direct Labor Costs

Table 4. Total Standard Direct Labor Costs

Labor Hour Standard (Kg)	Standard / Hourly Wage Rates	Total Labor Cost Standard (Kg / Rp)
0.04	Rp 4000	Rp 160

Source : Primary Data UD. Gula Nirwana (2016)

Total labor standard cost = labor hour standard x hourly standard wage rate.

Total = 0.4 x Rp. 4000

= Rp. 160 / kg

From the data above, it can be seen that the total standard direct labor cost is Rp. 160 / Kg.

Standard Factory Overhead Costs

Factory overhead costs here are divided into 2 things, namely: 1) Variable factory overhead costs. 2) Fixed factory overhead costs.

The standard factory overhead calculation here uses in unit rates and working hours. This rate represents the portion of the cost rate of overhead rates, while the clock relates to the basic activities used to charge overhead to product units. The formulas for calculating standard factory overhead are as follows :

standard factory overhead = total factory overhead / Number of direct labor x hours unit

- Standard Variable Factory Overhead

Table 5. Standard Variable Factory Overhead Costs

Information	Cost (Rp/Kg)	Total Cost / Month
Cost of Supporting Materials	Rp 7000	Rp 1.470.000
Plastic	Rp 500	Rp 2.100.000
Fuel (Wood)	Rp 53,57	Rp 2.250.000
Transportation	Rp 8,57	Rp 360.000
Electricity	Rp 7,14	Rp 300.000
Equipment Repair Costs	Rp 1,79	Rp 75.000
Total	Rp 7.571,07	Rp 6.555.000

Source : Primary Data UD. Gula Nirwana (2016)

- Standard Factory Overhead

In fixed factory overhead costs, only the equipment depreciation costs are included. The following is a calculation of depreciation costs for equipment and buildings:

Table 6. Calculation of Depreciation

Equipment Name	Year of Acquisition	Many	Acquisition Cost	Economic Age	Depreciation / Year	Depreciation / Month	Depreciation / Kg
Pan	2005	8	@ Rp 3.000.000	5 year	Rp 4.800.000	Rp 400.000	Rp 9,52
Mixer Machine	2010	4	@ Rp 2.000.000	5 year	Rp 1.600.000	Rp 133.333	Rp 3,17
Scales	2005	5	@ Rp 300.000	5 year	Rp 400.000	Rp 33.333	Rp 0,79
Print	2010	60	@ Rp 15.000	5 year	Rp 180.000	Rp 15.000	Rp 0,36
Total					Rp 6.980.000	Rp 581.667	Rp 13,85

Source : Primary Data UD. Gula Nirwana (2016)

Based on the calculation of equipment and building depreciation costs above, it can be seen that the standard factory overhead costs remain Rp. 13.85 / kg. And the total fixed cost in one month is Rp. 581,667;.

Then you can find out the standard production cost per kilo :

Raw material costs = Rp. 11,900
Direct labor costs = Rp. 160
Factory overhead = Rp. 7,584.92 +
Standard Production Cost = Rp. 19,644.92

Actual Production Cost Calculation

a. Actual Raw Material Costs

In 2017 the price of raw materials for making brown sugar has decreased. Following is the calculation of actual raw material costs in detail :

Table 7. Actual Raw Material Costs

No	Name of Raw Material	Daily Needs (Kg)	Monthly Needs (Kg)	Standard Price (Kg)
1	Coconut Sugar	Rp 13.500	12600	Rp 170.100.000
2	Cane Sugar	Rp 9.500	12600	Rp 119.700.000
3	Sugar	Rp 9.350	16800	Rp 157.080.000
Total				Rp 446.880.000

Source : Primary Data UD. Gula Nirwana (2017)

Based on the table above, UD Gula Nirwana in one month produces brown sugar with a total cost of raw materials of Rp. 446,880,000;.

b. Actual Direct Labor Costs

For direct labor costs, piece rates in 2017 are Rp. 200; every kilogram.

Table 8. Direct Labor Costs

The Number of Workers	Wages / Daily Rates	Monthly Wages	Total Wages a Month
8	35000	Rp 8.400.000	Rp 8.400.000
Total		Rp 8.400.000	

Source : Primary Data UD. Gula Nirwana (2017

c. Actual Factory Overhead

Table 9. Actual Factory Overhead Costs

Information	Cost (Rp/Kg)	Total Cost/Month
Cost of Supporting Materials	Rp 7000	Rp 1.470.000
Plastic	Rp 500	Rp 2.100.000
Fuel (Wood)	Rp 53,57	Rp 2.250.000
Transportation	Rp 8,57	Rp 360.000
Electricity	Rp 7,14	Rp 300.000
Equipment Repair Costs	Rp 1,79	Rp 75.000
Depreciation of Equipment	Rp 13,85	Rp 581.667
Total	Rp 7.585,92	Rp 7.136.667

Source : Primary Data UD. Gula Nirwana (2017)

d. Calculation of Production Costs for Sugar Palm UD Gula Nirwana in 2017

After calculation of raw material costs, direct labor costs and factory overhead costs. Then the next step is to calculate the cost of production. The following is the calculation of the cost of production in 2017:

Table 10. Calculation of Production Costs in 2017

Information	Total Cost
Raw Material Costs	Rp 446.880.000
Direct Labor Costs	Rp 8.400.000
Factory Overhead	Rp 7.136.667
Total	Rp 462.416.667
Total Productions	42000
Cost / Kg	Rp 11.009,09

Source : Primary Data UD. Gula Nirwana (2017)

Based on the table above, it can be seen that the cost of producing brown sugar for one kilo is Rp. 11,009.09; This fee is obtained from the total cost of raw materials, direct labor costs, factory overhead costs divided by the number of monthly production of 42000. The following are the details of the calculation of production costs for 2017 :

Raw material costs = Rp 446.880.000
Direct labor costs = Rp 6.720.000
Factory overhead = Rp 7.136.667 +
Total = Rp 480.656.667

Production cost = Rp. $\frac{480.656.667}{42000}$
= Rp 11.444,22

Summary of Analysis Results

The results of the analysis of standard production costs and actual production costs

are based on the calculation of variance or difference in production costs which include the variance of raw material costs, direct labor cost variance and factory overhead cost variance in the production process of sugar at UD Gula Nirwana. The following is a summary of the results of the analysis of the cost of producing brown sugar at UD Gula Nirwana:

Table 11. Summary of Analysis Results

Information	Cost Productions		Difference Analysis	
	Standard (2016)	**Actual (2017)**	**(Rp)**	**L/R**
Raw Material Cost				
Coconut Sugar	Rp 195.300.000	Rp 170.000.000	Rp 25.300.000	L
Cane Sugar	Rp 144.900.000	Rp 119.700.000	Rp 25.200.000	L
Sugar	Rp 159.600.000	Rp 157.080.000	Rp 2.520.000	L
Total			Rp 53.020.000	L
Direct Labor Costs				
Production Section	Rp 6.720.000	Rp 8.400.000	(Rp 1.680.000)	R
Total			(Rp 1.680.000)	R
Factory Overhead				
Cost of Supporting Materials	Rp 1.470.000	Rp 1.470.000	0	-
Plastic	Rp 2.100.000	Rp 2.100.000	0	-
Fuel (Wood)	Rp 2.250.000	Rp 2.250.000	0	-
Transportation	Rp 360.000	Rp 360.000	0	-
Electricity	Rp 300.000	Rp 300.000	0	-
Equipment Repair Costs	Rp 75.000	Rp 75.000	0	-
Depreciation of Equipment	Rp 581.667	Rp 581.667	0	-
Total			0	-
Overall Total Profit			Rp 51.340.000	L

Source : Primary Data UD. Gula Nirwana

Based on the table above, it can be seen that there is a profitable difference, and there is a loss, but for the whole there is a profitable difference. Difference that occurs because there are factors or deviations in production costs and direct labor costs. A favorable difference of Rp. 51,340,000. This is because the cost of raw materials has decreased, such as the price of coconut sugar which was originally Rp. 195,300,000 to Rp. 170,100,000, the price of sugar cane was Rp. 144,900,000 to Rp. 119,700,000, the price of granulated sugar was Rp. 157,080,000. when this price decline occurs, the actual cost is lower than the standard cost so that production costs are more efficient. The difference in the raw material for making sugar is still relatively reasonable because coconut sugar, sugar cane and granulated sugar fluctuate which are affected by the retreating harvest season. Then labor costs experience a difference in losses due to an increase in labor costs which was originally Rp. 6,720,000 to Rp. 8,400,000. Whereas for factory overhead costs are still in a stable condition, because there are no changes in usage, prices or tariffs, and the production

process carried out is still relatively normal as in the previous period.

From the analysis above, there is a difference which certainly has an impact on the overall production costs and also affects the selling price of brown sugar later. The difference in the raw material for making brown sugar in the form of coconut sugar, cane sugar and sugar is certainly beneficial for the owner, because the difference that occurs is benefit coconut sugar Rp 25,300,000, cane sugar Rp 25,200,000 while sugar is Rp. 2,250,000. So that the total difference in the price of raw materials is Rp. 53,020,000. This certainly will have an effect on the profits obtained by SME. But on the other hand the difference that occurs in direct labor costs does not really affect the profits obtained by SME.

Brand Loyality has significant effect on brand image (Rafhdian, Daengs, Andi, 2016 : 292)

V. CONCLUSION

Based on the results of research and discussion that has been done at UD. Gula Nirwana regarding the application of standard costs as a controller of production costs, the researcher can draw the conclusion that UD Gula Nirwana is a small and medium-sized business that processes coconut sugar, cane sugar and white sugar into brown sugar or vegetable sugar, UD Gula Nirwana produces every day, making it an active effort to produce brown sugar needed by the community in general. Therefore this business can continue when production costs can be reduced. This is one of them by using standard costs in calculating production costs. While the price of raw materials for making brown sugar, namely coconut sugar, cane sugar and granulated sugar always changes every year even every month. For coconut sugar itself, it depends on the results of coconut sugar farmers in harvesting coconut sap and its processing, while for sugar cane and sugar it depends on the sugar cane harvest and the supply of sugar factory.

The standard costing of UD Gula Nirwana, through calculations based on the experience held in the previous year, namely standard costing makes production costs in 2016 the standard cost for the following year's production period, which is 2017. The difference is favorable for raw material costs, for costs direct labor experience a loss difference, but for factory overhead costs are still stable.

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