



Analysis of Cost Volume Profit (CVP) Implementation in Increasing Profit in Hijab Business (Case Study of Entrepreneurship Research at MSMEs Byta Hijab)

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INFO ARTIKEL

Abstract

Keywords:

Cost Volume Profit, Break Even Point, Margin of Safety, UMKM

The purpose of this study is to understand and analyze business expenditures incurred by Byta Hijab, by observing changes in business productivity and analyzing the impact of CVP on business based on changes in business expenditures and product sales. The cost volume profit method is applied to Byta Hijab's business through the utilization of break-even points and margin of safety. The cost requires, sales volume, and product price. The method used in this study uses primary and secondary data derived from Byta Hijab's literature and business. Based on the results of CVP analysis, the break-even point in 2023 is IDR 445,595 with 22 units of product. In addition, the MOS of hijab products amounted to Rp.1,004,405 or 69.26% of total product sales in quarter 1, quarter 2, quarter 3 of 2023. Based on all available data, it can be concluded that CVP analysis can be applied to Byta Hijab's business to determine the estimated sales volume that must be achieved within the break-even point and margin of safety. Byta Hijab's business has the ability to achieve the company's profit target. Profit targets are strongly influenced by price and cost planning. In the cost planning section, the party responsible for finance must separate costs with the total cost method which is separated into fixed costs and variable costs. This will make planning more objective.

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INTRODUCTION

The increase in the growth of small businesses in Indonesia has increased every year, which can be seen through data obtained from the Ministry of Cooperatives and Small and Medium Enterprises in 2022, with the percentage of the number of small businesses increasing by 5.3%, with the contribution of MSMEs to GDP by 63%, and MSMEs that have transformed from informal to formal by 4%.

It can be seen that MSMEs are also something that is considered important to the Government of Indonesia, which we can see from the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs). SMEs are also a form of manufacturing company that has an important role

in the economic growth of society (Indonesian Constitution Number 20 of 2008).

In Byta Hijab UMKM itself has financial problems, with no optimisation of profits in the productivity of the business itself. The absence of profit optimisation in the company is influenced by the absence of detailed cost separation using the cost method, the absence of benchmarks for sales which can lead to effective and efficient use of costs and can affect the profits earned by the Byta Hijab business.

In business activities that focus on achieving certain goals, such as optimizing labor productivity, improving the Company's welfare, achieving better business results, and fostering employee loyalty both inside and outside the Company. The big goal in the Company is a decision with respect to which the main goal is to maximize profit generation. As the Company must be able to communicate how much profit will be achieved, and between Companies must consider how to achieve the expected profit.

A fairly precise analysis to understand the reciprocal relationship between costs, volume, and profit is CVP (cost volume profit) analysis. CVP analysis the company will have a picture that will serve as a guide in the decision chosen regarding how much minimum sales must be maintained so that the company does not experience losses, resulting in planning the number of sales that must be achieved to get the expected profit. To apply CVP analysis, the company must calculate the contribution margin and its ratio, break even point, margin of safety, and degree of operating leverage and analyse the targeted profit planning.

LITERATURE REVIEW

Concept of Small and Medium Enterprises

The definition of micro, small and medium enterprises is explained in Law No.20 of 2008, which is seen from the number of employees or workforce owned. Micro enterprises are businesses with a maximum number of employees of 4 people. Small businesses are businesses with between 4 and 19 employees. Medium enterprises have a minimum of 20 employees and a maximum of 100 employees. Despite their simple management, at the time they played an important role and did not become a burden on the government. Today MSMEs are a major concern and an important option for scholars to improve welfare, self-reliance, and help many people overcome unemployment. MSMEs have a huge contribution to the Gross Domestic Product (GDP).

The criteria for micro-enterprises are having a net worth of at most 50 million rupiah and having annual sales of at most 300 million rupiah. The criteria for small businesses are having a net worth of more than 50 million rupiah to a maximum of 500 million rupiah and having annual sales results of more than 300 million rupiah. The criteria for a medium-sized business is having a net worth of more than 500 million rupiah up to a maximum of 50 billion rupiah.

Cost Concept

According to Horngren, et al (2008: 31) are resources that are sacrificed or released to achieve certain goals. Carter (2009: 31) also states that accountants involved in planning and decision making must also work with future costs, replacement costs, differential costs, and opportunistic costs, none of which are recorded and reported in external financial reports.

There is a classification of costs according to Needles & Crosson (2011: 47) which can be classified as follows:

- 1) Cost Traceability
- 2) Cost Behaviour

- 3) Value-Adding Attributes
- 4) Financial Reporting

From several classifications that have been mentioned, the class of costs needed in conducting CVP analysis is cost behaviour, because cost behaviour is a cost that is related to changes in the volume of activities within the company which inevitably affects the profit that the company will achieve. The reaction of costs to business activities is shown by cost behaviour, if activities increase or decrease, certain costs will increase or decrease and can also remain (Garisson, Noreen, and Brewer 2014: 30). Cost behaviour consists of fixed costs, variable costs, and semi variable costs.

Profit Planning

According to Welsh, Hilton Gordon (1996: 3) in Dahlia HB (2011) states that profit planning is a process of developing company goals and selecting activities to be carried out in the future to achieve these goals. The measure used for the success of a company's management is the level of profit earned by the company. Profit planning in the company aims to determine the profit target to be achieved. The profit target will describe the level of sales volume and costs that the company must budget for in order to achieve the expected profit for the planned period.

Management planning must be able to maximise the benefits of planning in management, namely by means of CVP analysis and BEP analysis in making profit planning calculations in order to produce clear and accurate planning.

Cost Volume Profit Analysis

Hansen and Mowen (2009: 4) state that cost volume profit analysis (CVP analysis) is a very useful tool for planning and decision making. Because cost volume profit (CVP) analysis emphasises the relationship between costs, quantity sold, prices, and all the company's financial information contained therein.

CVP can be based on historical or projected data, but cannot be taken directly from the income statement, which is based on the calculation of all costs, which can impact each activity on costs that cannot be determined directly. Companies can use CVP analysis to set sales goals, to find out if potential projects are likely to be profitable and to see the maximum potential profit or loss of a particular project, as well as where the break-even point is not appropriate (Punniyamoorthy, 2017).

Break Even Point Concept

The starting point in many business plans is how to determine the break even point, which is the point where revenue equals total costs and the profit is zero (Blocher, et al 2010: 510). BEP will help managers set sales goals that can generate expected profits from ongoing operations. To determine BEP, managers must understand the costs the company incurs and its revenue. If the company's situation is not in loss or profit, BEP can be concluded that the costs incurred by the company are equal to its revenue. BEP can be calculated by the contribution margin equation or method.

Margin of Safety Analysis

Margin of safety analysis shows how many sales can fall from a certain amount of sales where the company has not lost or is in a state of break even. The margin of safety figure provides guidance on the maximum amount of decrease in sales volume that does not result in a loss. Margin of safety is an element to measure the level of security of the company's sales.

Garrison et al. (2010: 348), state that the formula that can be used to calculate the margin of safety is as follows.

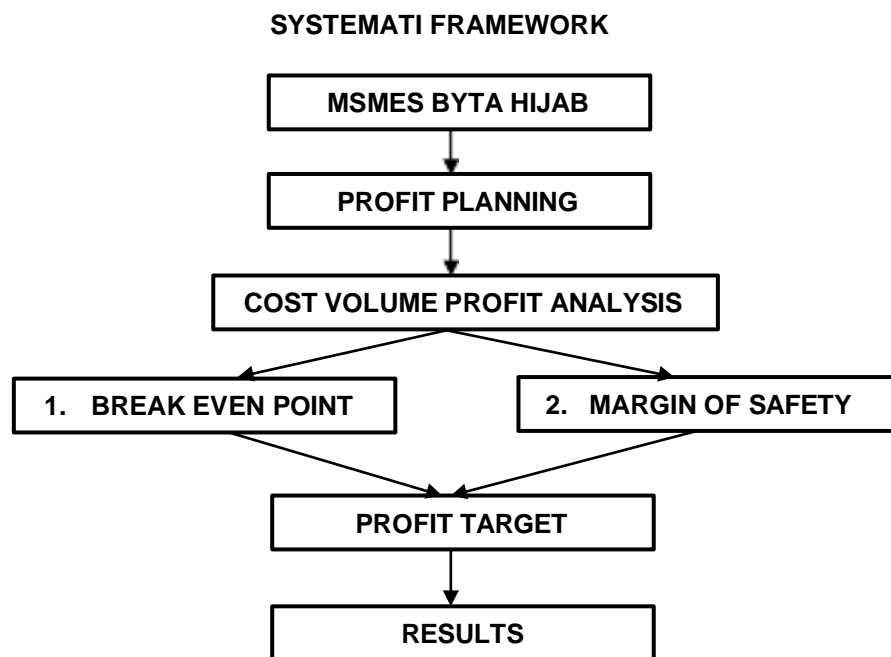
$$\text{MOS (\%)} = \frac{(\text{Total Actual Sales} - \text{Sales at Break-even Point})}{(\text{Total Actual Sales})} \times 100\%$$

THINKING FRAMEWORK

Cost volume profit (CVP) analysis can be used in MSMEs, the author intends to conduct research using one of these management tools in MSMEs owned by one of the Trunojoyo Madura University students. This MSME is engaged in the production of rectangular hijab and pashmina. The reason that makes Byta Hijab MSMEs worthy of research is because this business has experienced a decline in sales and profits. So the author needs to use CVP analysis as a research tool to increase profits.

Cost volume profit analysis is a technique for calculating the impact of changes in selling prices, sales volume, and costs on profits, to assist management in profit planning. In cost volume profit analysis, there are analytical methods for profit planning, namely: break even point (BEP) analysis and margin of safety.

Break even point analysis aims to determine whether rupiah and sales break even or whether the company does not experience profit or loss at a certain level of sales. Meanwhile, the margin of safety is used to calculate the company's safe sales position and is expressed in per cent



RESEARCH METHODS

Research location

Byta hijab is a micro, small and medium enterprise that produces hijab which is the subject of this research. This small industry is located in Bangkalan, Madura. The study was conducted from early October to late October.

Data Collection

This research uses primary data and secondary data. The primary data obtained through interviews with interested parties, including the owners of Byta hijab MSMES. Secondary data is obtained from literature, financial reports and cash flows of Byta hijab MSMES, as well as related research books.

Data processing and analysis methods

In this study using quantitative descriptive data processing methods, this data processing is used to make conclusions.

The steps that must be taken to process the data obtained are as follows:

1. Checking the operating costs incurred and the number of sales made by MSMES.
2. Dividing all costs incurred by the company into fixed costs, semi-variable costs, and variable costs, for mixed costs a separation is made between variable costs and fixed costs.
3. Make a CVP analysis so that the company or what steps to take.

RESULTS AND DISCUSSION

Break Event Point Analysis and Margin Of Safety in 2023

Based on research conducted at the Byta Hijab business, the following analysis results are applied in the company, as follows:

Bytahijab fixed costs and variable costs are known as follows:

Fixed costs = IDR. 430,000

Variable costs = IDR. 35,000

Based on the variable costs above, the variable costs per unit incurred to produce Byta Hijab products are:

1. **Byta Hijab product variable cost** = Variable cost / number of units produced
= IDR. 35,000 / 50
= IDR. 700 / unit

Break Event Point on Bytahijab business in 2023 based on break-even point units

2. **Byta Hijab product break even point unit** = Fixed cost / (Price - variable cost unit)
= IDR.430.000/(IDR.20.000 - Rp. 700)
= 22 units {rounded off}

Meanwhile, the amount of Break Event Point in the Byta Hijab business in 2023 based on sales volume is :

3. **Break-even point sales** = Fixed cost X Price / (price - variable cost per unit)
= IDR. 430,000 X IDR. 20,000/ (IDR. 20,000 - IDR.700)
= IDR. 445,595

And the amount of Margin Of Safety in the Byta Hijab business in 2023 based on sales volume is:

4. **Margin of Safety** = Sales - BEP Sales
= IDR. 1,450,000 /IDR. 445,595
= IDR. 1,004,405
5. **Product MOS** = $\frac{(\text{Total actual sales} - \text{sales at break-even point})}{\text{Total actual sales}} \times 100\%$
= $\frac{(\text{IDR. 1,450,000} - \text{IDR. 445,595})}{\text{IDR. 1,450,000}} \times 100\%$
= 69,26%

The amount of Break even point and Margin Of Safety that has been determined in the Byta Hijab business in 2021 can be proven in the following financial statements:

Sales	IDR. 1.450.000
Variabel Cost	(IDR. 35.000)
Contribution Margin	IDR. 1.415.000
Fixed Costs	(IDR. 430.000)
Operating Profit	IDR. 985.000

The profit earned by the Bytahijab business in the 2023 period was IDR 985,000.

Profit Planning

Byta Hijab business wants an increase in profit, but Byta Hijab does not determine how much profit increase it wants. Therefore, we can only consider it an increase. The projected profit increase is 5%, 10% and 15%.

Discussion

Sales of Bytahijab products experienced fluctuating changes from January to September 2023. In the second quarter, from April to June 2023, there was a decrease of 23.19%. And in the third quarter, from July to September 2023, there was a significant decline of 56.61%.

The company's operational costs at Byta Hijab consist of fixed costs and variable costs. The fixed costs incurred are tailor salaries. then the variable costs incurred are shipping costs from Bojonegoro-Madura.

Judging from the break event point per quarter, the BEP in the 2023 period for the Byta Hijab business was 445,595 with a break-even point unit of 22 product units. And the margin of safety on Byta Hijab products is 1,004.05 tau with a percentage figure of 69.26% of total product sales in the 2023 period.

The projected profit planning increases profits by 5%, 10%, and 15% for the first, second, third and fourth quarters so that the company can determine how many sales units must be sold to achieve the desired profit target by the Byta Hijab business.

CONCLUSIONS AND IMPLICATIONS

This Byta Hijab business should understand the company's future planning. Planning can also be made price planning and cost planning which greatly affects the company's profit target to be achieved. In the cost planning section, the party responsible for the finance department should separate costs based on the total cost method which is separated into fixed costs and variable costs so that there is a separation that will be objective in planning.

This Byta Hijab business should use Cost Volume Profit analysis to determine the number of product units that must be achieved in order to achieve the desired profit target for the company. This Byta Hijab business also requires strategies from various fields, including the marketing department which must map potential market shares to achieve the company's desired sales targets.

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