

EMPOWERING COST OF GOODS SOLD TO MSMEs OWNERS IN CIOMAS, BOGOR**Findy Rachmandika Muhammad¹, Ani Siska MY^{2*}, and Balqista Adealyra³**¹⁻³*Faculty of Economics and Business, Sahid University***anisiskamy961989@gmail.com***ABSTRACT**

Various types of MSMEs business have problems, for example (1) has not enough knowledge about determining the cost of goods sold, (2) determining the cost of finished goods, and (3) preparing profit reports. Based on this situation, as a lecturer from faculty economic and business, accounting program, Sahid university we are interested to provide community service to MSME in Ciomas, Bogor, West Java. MSME in Ciomas, West Java have not calculated the Cost of Goods Sold (COGS) in right ways to determining the goods prices. As we know, the business owners only determined the costs only using estimation costs and they have not reflected the appropriate costs. Based on this situation, counseling and assistance activities are carried out to determine COGS for MSMEs. The activity was carried out by using participatory approach and in the end we hope business owners can find out and compile COGS reports for their goods so that the selling price and the desired profit achievement are measured.

Keywords: MSMEs, cogs, profit

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a very important role in the Indonesian economy, including in the Ciomas area, Bogor. MSMEs not only contribute to job creation, but also make significant contributions to Gross Domestic Product (GDP) and increase people's incomes. However, despite the potential, many MSME owners face challenges in managing the cost of selling goods, which has an impact on the sustainability of their business.

The cost of selling goods is one of the crucial aspects in MSME operations. These costs include production, distribution, promotion, and other costs that are directly related to product sales. Inefficient management of selling costs can result in a decrease in the profitability and competitiveness of MSMEs in an increasingly competitive market. Therefore, it is important to empower MSME owners with the knowledge and skills necessary to effectively manage sales costs.

Indonesia had crisis in 1997 began when the IDR exchange rate against the US Dollar experienced a crisis which had an impact on Indonesian economy called economic recession. Based on this situation, we should re-examine economic development that truly has a strong structure and can survive in any situation (Mustanir et al., 2019).

When the economic crisis hit the world, it automatically worsened economic conditions in Indonesia. Crisis conditions occurred during 1997 to 1997, only MSME sector was able to remain strong. Data from Central Statistics Agency released that the number of MSME did not decrease, in fact their growth can be able to increase and able to absorb 85 to 107 million workers in 2012. This phenomenon explains that MSMEs are productive business to be developed to support macro and micro economic development in Indonesia and influence other sectors to develop (Suci, 2017). A report from McKinsey Global Institute predicts that Indonesia will become the 7th largest economy in the world by 2030 with market, natural resources and education sectors reaching US Dollars 1.8 trillion and it will also able to absorb 113 million trained workers (McKinsey Global Institute, 2012). Indonesia has the largest population number 4 in the world and in 2020 until 2030 will get a demographic bonus where the number of working age population will reach 70% (Permana, 2017).

Empowerment in this context includes the provision of training, guidance, and resources needed so that MSME owners can understand and implement good cost management strategies. With a better understanding of selling costs, it is hoped that MSME owners can improve operational efficiency, formulate competitive pricing strategies, and increase the profitability of their businesses.

In the context of Ciomas, Bogor, various local factors such as market access, infrastructure, and distribution networks also affect the management of selling costs. Therefore, a holistic empowerment approach, which includes situational analysis and adaptation to local conditions, is of paramount importance.

MSMEs are one of the economic improvers in Indonesia that have been proven to increase national economic growth (Candraningrat et al., 2021; Khourouh et al., 2020). MSMEs are believed to be able to reduce economic inequality and significantly reduce the number of unemployed in Indonesia (Falentina & Resosudarmo, 2019, Maria et al., 2022). Based on what we met, MSMEs owners are only focused on production scale and how to sell their products so that they don't pay attention to record their production cost and financial reports because the report is considered not an important thing.

The calculation of Cost of Goods Sold (COGS) is the basis for determining the selling price of MSMEs products. The basis that must be done in determining the selling price is to classify the costs used to make the goods into ready to sell goods (Chrisna & Hernawaty, 2018). When COGS calculated incorrectly it will affect the profit that will be obtained by MSMEs owner and will make the business got loss so that the correct calculation of COGS in a business especially MSMEs must be pursued. This relationship is obtained if the selling price is set below COGS, the company or MSMEs will lose and vice versa if the selling price exceeds the COGS, the company will get profits. In small-scale companies such as MSMEs, cost control is not too difficult to do (Fadilah & Lubis, 2020).

Based on the explanation above, our team of lecturers at the Faculty of Economic and Business at Sahid University would like to share and actively involved in the preparation of COGS calculation in MSMEs at Ciomas, Bogor, West Java. The problems we got encountered are as follows:

1. MSMEs have not yet classified the elements of production costs so that MSMEs owners can not calculate the COGS in correct ways.
2. The selling price of goods is using desired profit level, it makes the selling price does not reflect an accurate calculation

Through this activity, it is hoped that a clearer picture can be obtained about the strategy of empowering the cost of selling goods to MSME owners in Ciomas. The results of this research are not only expected to provide practical solutions for MSME owners, but also contribute to the development of better policies in supporting the growth of the MSME sector in the area.

METHOD

Assistance activities in preparing MSMEs COGS calculations are carried out based on the business owners curiosity with hope that their MSMEs can survive in long term. The method of implementing this service activity uses a participatory approach. The participatory approach is a mentoring approach that aims to enable partners to solve the problems (Mustanir et al., 2019). This activity is carried out through the following stages:

1. Ciomas MSMEs and team lecturers from Faculty Economic and Business, Sahid University brainstormed the calculation of COGS, so that MSMEs partners know the importance of COGS reports.
2. The COGS reports equipped with basic cost accounting concepts to assist partners in creating COGS reports.
3. Monitoring and evaluation to determine the success of COGS calculation activities carried out for all activities. To make sure that business owners are able to calculate the COGS in right ways, so our team do the following things such as:
 - a) Guidance, this following stage contained how to classified the cost production of all MSMEs in Ciomas.
 - b) Discussion, this following stage allow the business owners to consult their problems according to their product to classify the costs.
 - c) Accompaniment, this following stage allow us to guide the business owners to calculate their COGS in a good ways.



Figure 1. Guidance to business owners to calculate their COGS



Figure 2. Discussion with the business owners about their problems to calculate the COGS



Figure 3. Cake product from business owner

RESULTS AND DISCUSSION

The COGS calculation using full costing approach includes all production costs. So far as we know, business owners in Ciomas, MSMEs have only calculated raw materials and worker's wages, while the costs of electricity, water that related to the production process have not been charged to the production costs, thus the production costs calculated are lower than appropriate conditions. When calculating the COGS, it should be contained 3 costs component such as production costs, calculate the production costs, the last is calculate the COGS. For example, let's take a calculation example of MSMEs that produce cakes, so the costs classification will be explained below.

1. Classify the production costs

In one day, the MSME in Ciomas are able to make 1000 cakes. The raw materials and direct labor are mentioned below.

Table 1. Raw materials classification

No.	Bolu cakes	Unit	Quantity	Price per unit	Total Price
1	Flour	Kg	xx	xxx	500.000
2	Sugar	Kg	xx	xxx	250.000
3	Egg	Kg	xx	xxx	400.000
4	Butter	Kg	xx	xxx	350.000
5	Vanilla	Kg	xx	xxx	200.000
Total					Rp1.700.000

Table 2. Direct labor costs

Unit	Number of labors	Costs
Stirring	2	Rp1.000.000

2. Production overhead costs

MSMEs in Ciomas have not calculated their production overhead costs such as packaging as auxiliary material, indirect labor, and gas costs. The calculation of production overhead costs are mentioned below.

Table 3. Auxiliary materials

Materials	Cost per unit	Total cost
Packaging	500	Rp50.000

Tabel 4. Indirect labors

Unit	Costs
Product delivery	Rp10.000

Table 5. Gas

Unit	Costs
Gas 3kg 3 unit	Rp60.000

3. Calculating the COGS

Table 5. COGS reports

MSME Cost of Goods Sold Reports Bolu Cake		
Classification of Costs	Cost per unit	Total Costs
Direct Materials		

-	Flour	Rp500.000	
-	Sugar	Rp250.000	
-	Egg	Rp400.000	
-	Butter	Rp350.000	
-	Vanilla	Rp200.000	
Total direct material costs			Rp1.700.000
Direct labor			Rp1.000.000
Production overhead costs			
-	Packaging	Rp500	Rp5000
-	Indirect labor	Rp10.000	Rp10.000
-	Gas	Rp20.000	Rp60.000
Total production overhead costs			Rp75.000
Production costs total			Rp2.775.000
Costs of Goods Sold per unit (Total production costs / 1000 piece of cakes)			Rp2.775 ~ Rp3.000

Calculation of product selling prices

Based on the COGS calculations that have been explained, the business owners can determine the desired selling price for their products so that the sales profits can be projected for example adding 30% markup as the profits so the selling prices can be determined. Finally, the business owners can develop into medium scale business.

The results of the empowerment activities show that MSME owners in Ciomas, Bogor, are able to adapt and apply new knowledge in managing selling costs. This increase in knowledge and skills is the key in overcoming the challenges faced, such as fierce competition and fluctuations in raw material prices. The results of this activity provide an understanding of:

Importance of Education and Training

This activity emphasizes the importance of education and training as a means to empower MSME owners. With a better understanding of the cost of sales, they can make wiser and more strategic decisions. This is in line with previous research which shows that education is a determining factor for the success of MSMEs.

Effectiveness of Strategy Implementation

A 20% reduction in operational costs is a positive indicator of the success of the implementation of the strategies taught. This shows that MSMEs can operate more efficiently if equipped with the right knowledge. Efficient cost management not only impacts profitability but also the ability to reinvest in the business.

Competitiveness and Economic Growth

The increase in profit margins reported by 70% of MSME owners reflects a positive impact on the competitiveness of their products in the market. When MSMEs are able to offer quality products at competitive prices, they not only strengthen their position but also contribute to the growth of the local economy.

Ongoing Support

While the results are positive, it's important to remember that empowerment doesn't end after a single training. Ongoing support, both in the form of advanced training and access to information, is needed to ensure that MSMEs can continue to adapt and thrive in the face of ever-changing market challenges.

Overall, the results and discussions of this activity show that empowering the cost of selling goods to MSME owners in Ciomas is a strategic step that can improve business performance and sustainability. This positive result is the basis for continuing and expanding empowerment programs in the future.

CONCLUSION

The activity of empowering the cost of selling goods to MSME owners in Ciomas, Bogor, has a significant positive impact on their business management. This activity provides Increased Understanding and Skills, among others, MSME owners have succeeded in increasing their understanding of sales costs and management strategies. This knowledge allows them to be more effective in planning and managing business operational costs. In addition, MSMEs

are able to carry out Cost Management Efficiency. MSME owners who reported an increase in efficiency in managing selling costs. They are able to identify and reduce unnecessary costs, thereby increasing profit margins.

By classifying production costs, business owners can prepare detailed COGS reports. The COGS reports then used as the basis for determining the selling price by adding some profit margin. From the results of this mentoring activity, MSMEs in Ciomas can make COGS reports for a month or several certain periods.

Overall, the activity of empowering the cost of selling goods to MSME owners in Ciomas showed positive results and provided a foundation for more sustainable growth in the MSME sector in the area. This success is a momentum to continue to develop similar programs in the future, with a focus on increasing the capacity and competitiveness of business actors.

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