

The Cost of Goods Sold Calculation for Pork Cutting Industry Products in the Darmasaba Village, Abiansemal, Badung

Ni Ketut Sariani^{1*}, Ketut Sudarmini², Eka Sri Jayanthi³
Fakultas Ekonomi dan Bisnis Universitas Warmadewa

Corresponding Author: Ni Ketut Sariani sarianiketut217@gmail.com

ARTICLE INFO

Keywords: Cost of Goods Sold, Product Price, Products, Service Quality

Received : 22, Augustus
Revised : 24, September
Accepted: 26, October

©2023 Sariani, Sudarmini, Jayanthi:
This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

Darmasaba Village in the Abiansemal District, Badung Regency is renowned for its pork-cutting industry, which processes pork into various types of products, ranging from selling raw pork to processed products such as sausages, crackers, red meat, and others. The pricing strategy employed by this pork-cutting industry group, in determining the selling price to consumers, is not yet based on the components that constitute the product; they rely solely on estimation. Therefore, to enhance customer loyalty, it is essential to provide satisfactory service quality through pricing that aligns with product quality, and competitive pricing. To address this situation, the outreach team has undertaken the task of assisting in the formulation of the cost of goods sold for products.

INTRODUCTION

Desa Darmasaba, situated within the Abiansema District of the Badung Regency, is renowned for its thriving pork processing industry. This village specializes in the transformation of pork into a diverse range of products, spanning from the sale of raw pork to the production of processed items such as sausages, crackers, and various cuts of red meat. One notable entity within this industry is the pork cutting group led by Mr. Risky. This group not only engages in the processing of pork but also plays a pivotal role in the local pork supply chain by providing pork for cutting and distributing their processed products in local markets.

Furthermore, Mr. Risky's group has fostered strategic collaborations with larger-scale pork processing enterprises. These partnerships enable them to tap into a broader network and cater to a wider customer base. The cooperation with larger industry players has not only expanded their reach but also streamlined their operations. In the following, we present some pictures examples of the diverse range of products that this industry group has successfully developed and introduced into the market.



Picture.1 The Produced Products



Picture.2 The Workplace Situation

Among the various groups operating in the pork cutting industry, another group engages in the processing of pork. However, an intriguing aspect emerges when it comes to the determination of selling prices, as there is considerable variability in the pricing strategies adopted by different groups. This divergence in pricing approaches can potentially lead to an environment of unhealthy competition from an ethical standpoint. Notably, one of the underlying issues is the lack of comprehensive cost of goods sold calculations. In the world of commerce, pricing is a paramount factor, greatly influencing consumer purchase decisions. As business entities, it is imperative to exercise prudence in the establishment of selling prices. In the case of this particular pork cutting group, the process of pricing is not grounded in a thorough analysis of the cost of sales or the projection of expected profits. Instead, they rely on rough estimates to determine the prices they charge for their products. Moreover, the quality of customer service is of paramount importance within this group's operational philosophy. They recognize that providing exceptional service is not just an ethical imperative but also a strategic one. A high level of service satisfaction translates into customer loyalty, and loyal customers often become brand advocates who recommend the products to others. This positive word-of-mouth can significantly benefit the industry, resulting in the attraction of new customers, higher sales, and increased profits.

The competition in this market segment is notably robust, with prices differing from one group to another. Given that price is a primary criterion in consumers' decision-making process, the need to enhance customer loyalty becomes evident. This is achieved through the provision of excellent service, coupled with competitive pricing that is reflective of product quality. In consumer decision-making, price and the quality of service provided are pivotal factors. Consumers weigh these elements carefully when deciding to purchase a product. Thus, the determination of a product's selling price should ideally be rooted in a comprehensive cost analysis, encompassing the cost of production and an appropriate profit margin. Unfortunately, the same cannot be said for the pork cutting industry group under consideration. Rather than basing their pricing strategy on a detailed cost analysis, they rely solely on rough estimates. This pricing strategy, based on estimation rather than a rigorous cost calculation, underscores a significant issue within the industry. Consequently, our educational institution has taken an active role in providing guidance in the realm of cost of goods sold analysis for sales pricing strategies. This initiative aims to equip businesses with the knowledge and tools necessary to make well-informed, ethical, and strategic decisions concerning their pricing structures and service quality. By doing so, the industry can strive to meet consumer expectations and needs more effectively, ultimately fostering consumer satisfaction and loyalty.

In a competitive market landscape, the pricing of products is not only an economic decision but also an ethical one. Ensuring that prices are reflective of both the production costs and the service quality offered is essential for fostering trust and long-term relationships with consumers. This, in turn, can lead to not only sustainable business growth but also a positive reputation for the industry as a whole. Based on the issues at hand, the problem can be formulated as follows: How can the determination of the cost of goods sold of a product be established as the foundation for determining the selling price?

The general objectives sought to be achieved through this community engagement program are as follows:

1. To provide assistance in the cost of goods sold calculation for the products of the pork cutting industry group in Banjar Taman Village, Darmasaba, Abiansema District, Badung Regency.
2. To empower the partner groups in enhancing their sales by determining competitive selling prices through the accurate cost of goods sold calculation, as per accounting principles.
3. To create additional employment opportunities for the local community.

The primary aim of our community engagement endeavors is to extend support and guidance to the local community outside the academic realm. In this particular case, our focus is directed towards the pork cutting industry groups located in Banjar Taman, Darmasaba Village, within the Abiansema District of Badung. These industry groups, while contributing significantly to the local economy, face challenges that can be addressed through the application of advanced scientific and technological knowledge. Our overarching goal is to facilitate their capacity to tackle these challenges more effectively by harnessing the advancements in science and technology. This involves equipping them with the knowledge and skills required to leverage science and technology, ensuring that the outcomes are not only measurable but also imbued with substantial significance. Furthermore, we aim to foster a sustainable and enduring impact on the local pork cutting industry.

To achieve this, our program takes the form of active mentorship and guidance extended to these industry groups. We anticipate that this mentorship will not only boost their understanding of the relevant scientific and technological aspects but also enhance their practical skills in utilizing these advancements. By doing so, we aspire to empower these groups to leverage science and technology to address their challenges, contribute to their long-term growth, and create a meaningful, sustainable impact within the local pork cutting industry.

IMPLEMENTATION AND METHODS

The community engagement activities are conducted in collaboration with the pork cutting group located in Darmasaba Village, Abiansema District, within the jurisdiction of Badung Regency. In order to provide comprehensive support for this community engagement initiative, the project team employs a combination of qualitative and quantitative data sources, primarily derived from primary data collection methods. This primary data is gathered through direct observation and interviews conducted with members of the pork cutting

industry group in the neighboring Darmasaba Village, also situated in the Badung Regency. By using both qualitative and quantitative data, our approach is designed to offer a holistic and well-informed perspective for this community engagement initiative.

In the assistance provided for the cost of goods sold calculation of products for the pork cutting industry group in Banjar Taman, Darmasaba Village, Abiansema District, Badung Regency, several methods are employed as follows: Firstly, the team conveys to the group's leader the importance of cost of goods sold calculation for their products, as it serves as the foundation for determining the selling prices. Price, being the primary factor considered by consumers when making purchase decisions, is of utmost significance. The offered prices for the products of the pork cutting industry group in Darmasaba must be competitive in comparison to other pork cutting groups. The team also imparts training on how to determine the cost of goods sold, using a specific product, sausage as an example. Detailed guidance is provided on the components to be included when calculating the cost of sausage, such as the quantity of minced meat, pork intestines, seasonings, oil, labor, and packaging materials, right up to the point where the sausage is ready for sale.



Picture.3 Assistance in the Cost of Goods Sold Calculation

RESULTS AND DISCUSSION

Table.1 Partner Program Achievement Indicators

No	Description	Year 2022 (Before)	Year 2023 (After)	Progress
1	Assets	Rp 205.000.000	Rp 400.000.000	95%
2	Average Sales/month	Rp 350.000.000	Rp 650.000.000	86%
3	Product sold	5500 Kg	9500 Kg	73%

Following the implementation of the support and guidance provided, the pork cutting industry group in Darmasaba Village, Abiansema Subdistrict, experienced several notable advantages. One of the primary advantages was the ability to offer competitive selling prices for all product variants. This competitive pricing strategy was made possible through a meticulous analysis and formulation of the cost of sales, enabling the group to position their products favorably in the market. This, in turn, led to an increase in the quantity of products sold, thus augmenting their overall profitability. The positive impact of this pricing strategy on their financial performance was evident, as it not only resulted in higher profits but also contributed to the expansion of the group's assets. This expansion of assets can be observed in the group's balance sheet, with an impressive 95% increase in asset value, signifying a substantial growth in their financial resources.

Furthermore, the effect of the assistance extended to the group is also evident in their sales performance. The data, as illustrated in Table 3.1, underscores the significant progress achieved. For instance, the average monthly sales exhibited a substantial 86% growth. This substantial increase in sales is a testament to the effectiveness of the support provided and the group's adeptness in positioning themselves within the market. Moreover, the impact of the assistance extended to the group extended beyond the financial realm. It also translated into enhanced production capabilities, with a notable 73% increase in production levels. This surge in production not only aligns with the group's financial growth but also underscores their improved efficiency and capacity to meet market demand. In summary, the provision of guidance and support had a multifaceted positive effect on the pork cutting industry group in Darmasaba Village. It enabled them to offer competitive prices, which in turn boosted sales, profitability, and asset growth. The data, as depicted in Table 3.1, illustrates a commendable increase in asset value, a substantial rise in sales figures, and an impressive surge in production levels. These outcomes collectively highlight the tangible benefits of the support provided and the significant improvements within the group's operations and financial performance.

The mentoring provided by the service and community engagement team has yielded valuable insights. These insights have proven essential in scholarly investigations, particularly regarding the cost of goods sold calculation which should be based on more than mere estimations. Notably, the group leader's feedback has exposed weaknesses in their record-keeping system, leading to a practice of selling products without an accurate cost basis. However, post-mentoring, the group has displayed heightened motivation and commitment to establishing an accurate cost structure for their products. This transformation is clearly reflected in the progress observed in our collaborative partners.

The selling price of a product plays a pivotal role in consumer purchasing decisions, especially in a competitive market. This is particularly relevant to the products manufactured by the pork cutting industry in Banjar Taman, Darmasaba Village, Abiansema, as the processed pork industry is saturated, offering consumers numerous choices. To remain competitive, pricing is a crucial consideration. To establish an appropriate selling price and ensure profitability,

it's essential to first calculate the cost of goods sold for their products accurately. However, several challenges hinder this process:

1. Limited understanding of accounting principles among some group members results in estimated, rather than precise, cost of goods sold calculations.
2. A lack of motivation among group members to learn and comprehend transaction recording related to cost of goods sold components.
3. Group members' lower educational backgrounds pose challenges in explaining accounting principles during mentorship, particularly those related to the cost of goods sold.

These challenges impact the group's ability to implement a competitive pricing strategy effectively. The key strength of this activity lies in the enthusiastic participation of the attendees throughout the entire socialization event, particularly during the discussion sessions. These discussions were engaging, featuring meaningful interactions between the community service team and the participants. These interactions encompassed the sharing of experiences, addressing challenges, and engaging in question-and-answer sessions to deepen their understanding of the material. Additionally, the organizing team expresses their gratitude to all parties who provided moral and financial support. The chairman's motivation and the advancements in technology have expedited the communication of information, including the cost of goods sold calculation for products.

The mentoring team's keen observation allows them to gauge the partners' responses effectively. To inspire the partners in their business development efforts, the team provides simple training on recording all income and expenses related to their business activities in a daily cash book. This training equips the partners with a better understanding of the methods involved in calculating the cost of their products, serving as the foundation for setting their product prices. Furthermore, the mentoring team recommends that the group leader continually communicate these methods until the partners have a solid grasp of them. This repetition is integral to the learning model, as it is a requisite for developing soft skills.

The participants, hailing from the pork cutting industry, predominantly possess educational backgrounds ranging from middle school to high school. Their involvement in the mentorship program has proven to be a transformative experience. Specifically, they have derived significant benefits from the program, particularly in their ability to accurately compute the cost of goods sold. This newfound proficiency has empowered them to make well-informed decisions, allowing them to ascertain their expected profits with a high degree of certainty. Moreover, the mentorship has instilled a keen sense of the value of technology in information acquisition, enabling participants to stay updated with industry trends and relevant data. Looking forward, the participants express their anticipation for continued mentorship. This sentiment is underscored by their aspiration to attain complete self-sufficiency in their endeavors. The program has imbued them with a strong sense of empowerment, fostering a proactive attitude towards their own development and progress. With the spare time at their

disposal, all members of the group have recognized the opportunity for mutual learning. In this regard, the group leader, who has already mastered the art of cost pricing, plays a pivotal role. He imparts his knowledge to the members who are not yet proficient, doing so in a manner that is non-formal and accessible. This approach not only facilitates knowledge transfer but also enhances its effectiveness.

Additionally, this model of peer-led learning encourages and reinforces intensive communication among all group members. This collaborative atmosphere nurtures a sense of interdependence and shared responsibility. The outcome is a closely-knit pork cutting industry group that thrives on mutual support and continuous learning. As this dynamic unfolds, the group's collective aspiration is for growth and an increase in their sales turnover. Their journey toward self-reliance and competitiveness within the market is well on its way, thanks to the mentorship program and the spirit of cooperation that defines their collective efforts.

CONCLUSIONS AND RECOMMENDATIONS

The partnership program, featuring mentorship on cost of goods sold calculation has resulted in significant enhancements for the pork cutting industry group in Banjar Taman, Darmasaba Village, Abiansema Subdistrict, Badung Regency. Firstly, there has been a notable increase in their overall assets due to informed financial decision-making. This, in turn, promises long-term financial sustainability. Secondly, sales performance has seen a substantial boost, contributing to the group's profitability and the improved socio-economic status of its members. Lastly, the program has optimized production processes, increasing the group's efficiency and capacity. The team recommends that the group continues its efforts to further develop the business, given the promising prospects for financial growth and socio-economic improvement.

ACKNOWLEDGMENT

The service and community engagement team would like to express their gratitude to all parties who provided moral support and financial backing, especially the Community Partnership Institution of Warmadewa University. Their support ensured the successful and smooth execution of this program.

REFERENCES

- Armstrong, and P. Kotler, *Dasar-Dasar Pemasaran* (Jakarta: Intermedia, 1996)
Kotler, *Manajemen Pemasaran* (Jakarta: PT. Prehalindo, 2002).
P. Kotler, and Keller, *Manajemen Pemasaran, Jilid I, Edisi Kedua belas* (Jakarta: PT. Indeks, 2013).
Rangkuti, *Measuring Customer Satisfaction* (Jakarta: Penerbit PT Gramedia Pustaka Utama, 2002).
Sutisna, *Perilaku Konsumen & Komunikasi Pemasaran, Cetakan Ketiga* (Bandung: PT Remaja Rosdakarya, 2003).
Tjiptono, *Manajemen Jasa* (Yogyakarta: Andi Offset, 2000)
Tjiptono, *Strategi Pemasaran* (Yogyakarta: Andi, 1999).