



## Cost Analysis is Relevant in Making Decisions to Accept or Reject Special Orders to Increase Profits at the Wingko Babat Lamongan Company

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### ABSTRACT

The problem in this research is how the application of the relevant costs on companies Wingko in decisions to accept or reject the special order to increase profits. The purpose of this study is to find out about the relevant cost calculation made by the company to accept or reject special orders as well as to analyze the relevant costs in relation to decisions on accepting or rejecting special orders. The method used is quantitative descriptive. The results showed that the company is still less appropriate to analyze the use of the relevant costs. The analysis of special order in 2017 from Mr. Ali, 2018 from Mr. Hasan, 2019 from Mrs. Ida, 2020 from Pondok yaysan Iman, and Mrs. Siti, and the last in 2021 of Mrs. Rini and Mrs. Ika acceptable. So that the company's profit would have increased from special orders are accepted

## **INTRODUCTION**

A company still often records inaccurately in calculating relevant costs, so that the management in making decisions is often wrong. Even though there are several alternatives that must be chosen from all activities, especially in special orders. Of course, expect profits between buyers and sellers. And one of the most important is in selecting cost information, where this has a big influence on future activities such as planning, decision making and policy, especially relevant costs.

According to Sutarti (2015), relevant costs are costs that will differ or be affected by decision making between the various alternatives that occur. To decide which alternative to choose, they often experience uncertainty.

The quality of information in supporting decision making has a huge influence on whether the decision is successful or not, whether it is correct, relevant, right on target and on time, so that when analyzing it, it can be accurate so that the resulting goals will be in line with increasing maximum profits.

According to Sutomo (2019), profit is "an increase in capital (net assets) originating from side transactions or transactions that rarely occur from a business entity, and from all other transactions or events that have a business entity during one period, except those arising from income (revenue) on the owner's investment".

## **LITERATURE REVIEW**

### **Understanding Costs**

According to Siregar et al, (2019:35), the definition of cost is the sacrifice of economic resources to obtain goods or services that are expected to provide benefits now or in the future. Meanwhile, Rantung and Mawikere (2019), stated that costs are all sacrifices to obtain goods or services so that they can provide value to users either now or in the future for the Company.

### **Understanding Relevant Costs**

According to Siregar et al, (2019:55) suggest that relevant costs are future costs that differ from one alternative to another. The following are two relevant cost criteria.

1. Future costs. Future costs mean those costs have not yet occurred. Costs that have already been incurred are not relevant costs.
2. Costs differ between alternatives. Different costs between alternatives mean that a particular cost element does not have the same amount between one alternative and another. Costs that differ between alternatives are also called differential costs.

### **Cost Behavior**

According to Siregar et al, (2019:73), cost behavior is a pattern that describes how the amount of costs varies with changes in business activities. Meanwhile, Hansen and Mowen (2018:98), cost behavior is a general term to describe whether costs change along with changes in expenditure.

### **Benefits of Using Relevant Costs**

According to Andry (2016), Relevant cost benefits are used in analyzing costs and are used as a basis for decision making, whether relevant or not relevant, where demand and supply are also taken into consideration in analyzing production routes or not, further processing or marketing policies and marketing strategies.

### **Application of Relevant Costs in Decision Making**

The application of relevant costs in decision making according to Rantung and Mawikere (2019) is as follows:

1. Create your own components to support decisions.
2. Whether or not production of certain products will continue.
3. Continue or not with alternative use of facilities.
4. Custom orders are accepted or rejected
5. Selling or further processing a product under decision

### **Decision to Accept or Reject Special Orders**

According to Andry (2016), once in a while a company needs to get the highest profits or reduce losses, but this is only in special cases where if it has idle capacity and the company is in optimal condition the company will incur large fixed costs for costs that are not proportional to income, even income will be disproportionate. And this causes special orders to compare between relevant costs that are special orders and relevant costs that are not special orders.

### **Profit**

According to Mustika (2005), relevant profits are future profits that differ between one alternative and another. Meanwhile, according to Siregar et al (2019:55), relevant income is future income that differs between one alternative and another. Relevant Profit Calculations are:

Relevant profit = Relevant revenue – relevant costs

## **METHODOLOGY**

### **Research Approach**

This research uses a quantitative descriptive approach in this case because it uses a lot of numbers for analysis and describes problems, reasons and solutions and can represent views about relevant costs so that conclusions can be drawn, especially relevant costs and their relationships as well as company cost acquisition. (Rantung and Mawikere, 2019).

### **Research Object**

The object of this research is the Wingko Babat Lamongan company, namely to find out the extent to which relevant costs are applied in making decisions to accept or reject special orders to increase profits at the Wingko Babat Lamongan company.

### **Data Types and Sources**

The types of data presented in writing this thesis are as follows: The type of data in this research is quantitative data. Quantitative data is data in the form of numbers (Tumilantouw, 2019). Meanwhile, the data source in this research is secondary data. According to Arikunto (2018:22), secondary data is data obtained from graphic documents (tables, notes) and others that can enrich primary data. Secondary data in this research is in the form of company documentation, namely: reports on raw material costs, direct labor costs and factory overhead costs for 2017, 2018 to 2021.

### **Research Instrument**

According to Arikunto (2018:203), research instruments are tools or facilities used by researchers to collect data so that their work is easier and the results are better. In the sense of being more careful, complete and systematic so that it is easier to process. The data collection methods that will be used to conduct this research are: Documentation is looking for data regarding things or variables in the form of notes, transcripts, books, and so on (Arikunto, 2018:274). This research documentation is in the form of a report on production quantities and production costs.

#### **1. Operational Definition of Variables and Variable Measurement**

To find out the operational definition of variables and variable measurement in this research, it can be explained as follows:

Table 1. Operational Definition of Variables and Variable Measurement

No	Variable Type	Definition	Measurement
1.	Relevant Costs	Relevant costs are future costs that differ from one alternative to another.	Using the least squares regression method as per the formula: $Y = a + b (X)$ Where : Y = Total semivariable costs X = Activity Level (independent variable) a = Total fixed costs b = Total variable costs per unit of activity To determine parameters a and b, the following equation can be used: $b = \frac{n\sum XY - (\sum X)(\sum Y)}{n\sum X^2 - (\sum X)^2}$ $a = \sum Y - b (\sum X)$ n
2.	Decision Making to Accept or Reject Special Orders	Decision making is choosing one of several existing alternative actions..	If relevant revenue per unit > Relevant cost per unit of the special order then the special order is accepted whereas if relevant revenue per unit < Relevant cost per unit of the special order then the special order is rejected.
3.	Corporate profits	Profit is an increase in capital (net assets) in a company that comes from transactions in a company.	Sales XXX Variable Costs XXX Contribution Margin XXX Fixed Fee XXX Net profit before tax XXX

### Data analysis method

The analytical method used in calculating relevant costs in the discussion of this thesis is (Andry, 2016):

1. Analysis of the separation of semi-variable costs into fixed costs and variable costs.
2. Analysis of selecting relevant cost alternatives with special orders and without special orders.
3. Analyze special orders by utilizing idle capacity in the company, if the selling price is higher than variable costs then the special order is accepted, whereas if the selling price is lower than variable costs then the special order is rejected.
4. Summarize special orders that occur at the company.

## RESULTS

### Research result

#### Cost Classification

This cost classification aims to make it easier to analyze a problem and make it easier if errors occur in recording, or the relevant costs are too high, which of course leads to precise decision making on whether to accept or reject the particular order. In the Wingko Babat company itself, cost classification is made according to the nature and relationship to the product, where the number of operations in the company is divided into two groups, namely:

1. Production costs which include raw material costs, direct labor costs and factory overhead costs.
2. Non-production costs which include machine depreciation costs, printing equipment depreciation and machine maintenance.

Table 2. Raw Material Costs for Producing Wingko in 2017-2021

Year	Coconut		Sugar	
	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost
2017	1.563,3	192.450.000	1.042,2	128.300.000
2018	1.562,5	195.000.000	1.093,7	136.500.000
2019	1.873,5	238.320.000	1.144,9	145.640.000
2020	2.180	283.185.000	1.193,8	155.077.500
2021	2.497	326.880.000	1.248,5	163.440.000

Source: Wingko Bambang Indrajaya Babat Company

Table 3. Raw Material Costs for Producing Wingko in 2017-2021 (Continued)

Year	Glutinous Rice Flour		Quantity (Cost Per Bag)
	Cost Per Bag	Total Cost	
2017	750,5	92.376.000	3.355,9
2018	791,5	98.800.000	3.447,8
2019	832,6	105.920.000	3.851,2
2020	871	113.274.000	4.245,8
2021	917	119.944.000	4.661,5

Source: Wingko Babat Company

Tables 2 and 3 show that the Wingko Babat company spent Rp. 3,355.9 for making 1 wingko bag and Rp. 413,126,000 for total raw material costs in 2017. In 2018 it showed Rp. 3,447.8 for making 1 wingko bag and Rp. 430,300,000 for total raw material costs in 2018. In 2019 it shows IDR 3,852.1 for making 1 wingko bag and IDR 489,880,000 for total raw material costs in 2019. 2020 shows IDR 4,245.8 for making 1 wingko bags and IDR 551,536,500 for total raw

material costs in 2020. 2021 shows IDR 4,661.5 for making 1 wingko bag and IDR 610,264,000 for total raw material costs in 2021.

Table 4. Direct Labor Costs for Producing Wingko in 2017-2021

Year	Peeling Coconut		Cooking Expert	
	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost
2017	245,6	30.240.000	429,8	52.920.000
2018	258,4	32.256.000	436	54.432.000
2019	269,4	34.272.000	439,8	55.944.000
2020	279,3	36.288.000	442,3	57.456.000
2021	292,6	38.304.000	450,4	58.968.000

Source: Wingko Babat Company

Table 5. Direct Labor Costs for Producing Wingko in 2017-2021 (Continued)

Year	Print the Dough		Packaging Gluing	
	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost
2017	573	70.550.000	245,6	30.240.000
2018	581,6	72.586.000	258,5	32.255.000
2019	586,5	74.593.000	269,4	34.271.000
2020	589,6	76.609.000	279,2	36.288.000
2021	600	78.624.000	292,6	38.305.000

Source: Wingko Babat Company

Table 6. Direct Labor Costs for Producing Wingko in 2017-2021 (Continued)

Year	Packaging	
	Cost Per Bag	Total Cost
2017	308	37.800.000
2018	323	40.320.000
2019	336,6	42.840.000
2020	348	45.360.000
2021	365,6	47.880.000

Source: Wingko Babat Company

Table 4, 5, 6 shows that the Wingko Tripe company employs 20 workers in the coconut peeling department, 4 people, 3 cooking experts, 4 dough molding workers, 4 people packaging gluing and 5 packaging people.

In 2018, he was given a monthly salary of IDR 630,000 for peeling coconuts, IDR 1,470,000 for cooking experts, IDR 1,470,000 for molding dough, IDR 630,000 for gluing packaging and IDR 630,000 for packaging, so TKL is for 1 year. reaching IDR 221,760,000 which must be spent by the company.

In 2018, they were given a monthly wage of IDR 672,000 for peeling coconuts, IDR 1,512,000 for cooking experts, IDR 1,512,000 for molding dough, IDR 672,000 for gluing packaging and IDR 672,000 for packaging, so if TKL works for 1 year, costs amounting to IDR 231,840,000. that must be paid by the company.

In 2019, he was given a monthly wage of IDR 714,000 for peeling coconuts, IDR 1,544,000 for cooking experts, IDR 1,544,000 for molding dough, IDR 714,000 for gluing packaging and IDR 714,000 for packaging, so the cost if TKL is for 1 year, amounting to IDR 241,920,000, which must be paid to the company.

In 2020, they will be given a monthly wage of IDR 756,000 for peeling coconuts, IDR 1,596,000 for cooking experts, IDR 1,596,000 for molding dough, IDR 756,000 for gluing packaging and IDR 756,000 for packaging, so if TKL is for 1 year , amounting to IDR 252,000,000. which the company must pay.

In 2021, they will be given a monthly wage of IDR 798,000 for peeling coconuts, IDR 1,638,000 for cooking experts, IDR 1,638,000 for molding dough, IDR 798,000 for gluing packaging and IDR 798,000 for packaging, so if TK is for 1 year Rp. 262,080,000 must be paid by the company.

Table 6. Factory Overhead Costs for Wingko Production in 2017-2021

Information	Year									
	2017(IDR)		2018(IDR)		2019(IDR)		2020 (IDR)		2021(IDR)	
Variable Factory Overhead Costs:	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag
Packaging Costs	18.465.000	150	24.960.000	200	31.800.000	250	35.722.500	275	39.270.000	300
Firewood Costs	10.264.000	83	13.000.000	104	15.888.000	125	16.451.700	127	17.161.200	131
Banana Leaf Cost	5.132.000	41	6.240.000	50	7.944.000	63	8.360.700	65	8.716.800	67
Electricity Cost	2.400.000	19	2.400.000	19	2.400.000	19	2.400.000	18	2.400.000	18
Water Costs	4.618.800	38	4.940.000	40	5.296.000	42	5.663.700	44	5.992.800	46
Machine Maintenance Costs	1.503.051	12,21	1.173.120	9,4	1.020.144	8,02	1.001.529	7,71	977.823	7,47
<b>Total Variable Costs</b>	<b>42.382.851</b>	<b>343,21</b>	<b>52.713.120</b>	<b>422,4</b>	<b>64.348.144</b>	<b>507,02</b>	<b>69.600.129</b>	<b>536,71</b>	<b>74.518.623</b>	<b>569,47</b>

Source: Wingko Babat Company

Table 6 shows the factory overhead costs of the Wingko Babat company, apart from that there is a classification of factory overhead costs such as

packaging package costs, firewood costs, banana leaf costs, electricity costs and water costs.

Table 7. Non-Production Costs 2017-2021

Information	Tahun									
	2017(IDR)		2018(IDR)		2019(IDR)		2020(IDR)		2021(IDR)	
Non-Production Costs:	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost	Cost Per Bag	Total Cost
Depreciation Costs For Grinding Machines	885.000	7	885.000	7	885.000	7	885.000	7	885.000	7
Printing Equipment Depreciation Costs	200.000	2	200.000	2	200.000	2	200.000	2	200.000	2
Machine Maintenance Costs	1.996.949	16	2.326.880	19	2.479.856	19	2.498.471	19	2.522.177	19
<b>Total</b>	<b>3.081.949</b>	<b>25</b>	<b>3.411.880</b>	<b>27</b>	<b>3.564.856</b>	<b>28</b>	<b>3.583.471</b>	<b>28</b>	<b>3.607.177</b>	<b>28</b>

Source: Wingko Bambang Indrajaya Babat Company

Table 7 Classification of non-production costs that cannot be released in wingko production. Details of machine depreciation costs, printing equipment depreciation costs and machine repair costs in the non-production cost group.

Table 8. Wingko Capacity in 2016-2020

Year	Production Amount	Production Capacity	Idle Capacity
2016	123.100	156.000	32.900
2017	124.800	156.000	31.200
2018	127.200	156.000	28.800
2019	129.900	156.000	26.100
2020	130.900	156.000	25.100

Source: Wingko Babat Company

Table 8 shows that the Wingko Babat Company carries out normal production by producing 156,000 bags of wingko for 2017-2021, where this cost has been budgeted for in the wingko production with the production capacity set at the beginning. unemployed who can receive special messages.

Table 9. Calculation of Cost of Goods Sold Using the Relevant Cost Analysis Method

No.	Fee Type	Relevant Cost Per Bag				
		2017	2018	2019	2020	2021
1.	Direct Raw Material Costs	3.356	3.448	3.854	4.246	4.662
2.	Direct Labor Costs	1.801	1.858	1.901	1.940	2.002
3.	Factory Overhead Costs:					
	Packaging Costs	150	200	250	275	300
	Firewood Costs	83	104	125	127	131
	Banana Leaf Cost	42	50	63	65	67
	Electricity Cost	19	19	19	18	18
	Water Costs	38	40	41	44	46
	Machine Maintenance Costs	12,22	9,5	8,03	7,72	7,48
	<b>Total</b>	<b>5.501,22</b>	<b>5.728,5</b>	<b>6.260,03</b>	<b>6.722,72</b>	<b>7.233,48</b>

Source: Processed Data

Table 9 shows the calculation of the cost of goods sold for special orders in 2017 amounting to 5,501.22 per bag of wingko, so that the Company makes a profit from special orders of 9,800 per bag of wingko. In 2018 it was 5,728.5 per bag of wingko, the same thing the company obtained from special orders was 10,000 per bag of wingko. In 2019 it was 6,260.03 per bag of wingko, therefore the Company made a profit from special orders of 10,400 per bag of wingko. In 2020 it was 6,722.72 per bag of wingko, so the company earned a profit from special orders of 10,400 per bag of wingko. In 2021, it is 7,233.48 per bag of wingko. Therefore, the company makes a profit from special orders of 11,200 per bag of wingko. So it is really necessary to eliminate some non-production costs.

## DISCUSSION

From the results of the 2017 2018 to 2020 research, it is no longer in line with the company's targets. This is because there is unemployed capacity with a very influential and quite large percentage in gaining profits. However, if you receive a special order using the relevant cost method, you will make a profit. So in 2017 in February, the company received a special order offer from Mr Ali for 700 wingko, in 2018 in April and August from Mr Hasan it was 400 wingko and 300 wingko, in 2019 the company received an offer as well as a special order from Mrs. Ida for 600 wingko in May, in 2020 the company received an order from the Jombang Islamic Boarding School for 600 wingko in June and Mrs. Siti ordered 600 wingko in September, and in 2021 the company received

an offer as well as a special order from Mrs. Rini in January 500 wingko and Mrs. Ika in April 500 wingko and in August 200 wingko.

In determining the selling price of Wingko, by looking at the calculation of the production cost per bag, it has a big influence on determining the selling price and if full costing is used, the company will not accept special orders. because the basic price per bag exceeds production costs. And conversely, if the cost analysis is relevant, which of course will eliminate several cost accounts such as indirect labor costs and non-production costs that have been determined for a one year period, the company can make a decision to accept custom orders so that the revenue target can be met.

In the analysis of increasing profits, the company must look at certain conditions, both looking at the amount of idle capacity in certain conditions. Apart from that, there are several aspects that must be looked at, such as whether the raw material costs at that time are stable or stable so that the company can use raw materials properly and appropriately.

## **CONCLUSIONS AND RECOMMENDATIONS**

From the results of research and discussion regarding the analysis of relevant cost calculations in making decisions to accept or reject special orders to increase profits at the Wingko Babat company, the conclusions are as follows:

1. In this case, the Wingko Tripe Company has carried out relevant costs well, in this case it can be seen in the relevant cost analysis, but there are several costs in the analysis that are still not quite right.
2. In making the decision whether this special order is rejected or accepted, there are several alternatives for the Company to obtain high profits.
3. Special orders from 2017 from Mr. Ali, 2018 from Mr. Hasan, 2019 from Mrs. Ida, 2020 from the Iman Foundation, and Mrs. Siti, and finally 2021 from Mrs. Rini and Mrs. Ika can be accepted.

## **FURTHER STUDY**

This research still has limitations, so further research needs to be carried out regarding the topic of the Analysis of the Use of Working Capital in Increasing Profits in Companies. to perfect this research and increase insight for readers.

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