

FACTORY OVERHEAD COST BUDGET

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Abstract

Every field of production activity must have a goal to be achieved by the company. Generally the main goal of a company is to get a large profit or profit. Every production activity requires production costs because production costs are aimed at obtaining a higher economic value of the product. Therefore, each company needs raw material costs, direct labor costs and factory overhead costs. Raw material costs, direct labor costs and factory overhead costs are very important because they are one of the techniques for implementing policies on product loading. Is part of the planning process to determine actions for production activities in the future. Provides information to determine actions for production activities.

Keywords: *Company, Activities, Cost And Budget*

1. INTRODUCTION

All production costs other than direct material costs and direct labor costs. Or more precisely all production costs that are included in indirect material costs, indirect labor costs, and other production costs that are not easily identified or distinguished directly in a production process. So that BOP is often also referred to as indirect production costs.

1.1. Cost of auxiliary materials

Is the cost of materials used to assist the completion of a relatively small number of products. For example glue in a printing company, varnish and nails in a furniture company.

1.2. Indirect labor costs

Is wages paid to factory employees who are not physically related to the product manufacturing process. Included in this group are the wages of the foreman, the salary of the factory administration staff, etc.

1.3. Cost depreciation of factory fixed assets

Is the cost of depreciation on fixed assets used in the factory for the completion of products either directly or indirectly, for example the depreciation cost of factory buildings, machinery, factory vehicles.

1.4. Factory repair and maintenance costs

Is the cost incurred for the repair and maintenance of machinery, factory buildings and other factory equipment.

1.5. Insurance fee

Are costs incurred to overcome risks that occur in the production process, factory building insurance costs, factory employee insurance costs.

1.6. Costs incurred due to the use of services of other parties

Are costs incurred due to the use of services of other parties to complete and smooth the production process, for example the cost of electricity and water for factory needs.

1.7. Expenses incurred in the support department

In companies that have auxiliary departments, such as a workshop or power plant department, all costs incurred in these auxiliary departments are treated as factory overhead costs (BOP).

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2.LITERATURE REVIEW

2.1.Classification of factory overhead costs according to their nature

In companies whose production is based on orders, factory overhead costs are production costs in addition to raw material costs and direct labor costs. Production costs included in factory overhead costs are grouped into the following groups:

a) Cost of auxiliary materials.

Auxiliary materials are materials that are not part of the finished product or materials that, although they are part of the finished product, have a relatively small value when compared to the cost of the product. In a printing company, for example, the auxiliary materials include: adhesives, correction ink and typewriter tape.

b) Repair and Maintenance Costs.

Repair and maintenance costs in the form of the cost of spare parts, the cost of consumables (factory supplies) and the cost of services acquired from external parties for the purposes of repairing or maintaining yards, housing, factory buildings, machinery and equipment, vehicles, laboratory equipment and other fixed assets used for factory purposes.

c) Indirect Labor Costs.

Indirect labor is factory labor whose wages cannot be calculated directly for certain products or orders. These costs consist of wages, benefits and welfare costs incurred for the indirect labor. Indirect labor consists of:

- Employees working in auxiliary departments, such as power generation, steam, workshop and warehouse departments.
- Certain employees who work in the production department, such as heads of production departments, factory administrative employees and foremen.

d) Costs incurred as a result of the valuation of fixed assets.

Costs included in this group include depreciation costs for factory premises, factory buildings, machinery and equipment, laboratory tools, work tools and other fixed assets used in factories.

e) Expenses incurred as a result of the passage of time.

Costs included in this group include the costs of building and emplacement insurance, machinery and equipment insurance, vehicle insurance, employee accident insurance, and amortization costs for trial-run losses.

f) Other factory overhead costs that directly require cash outlay.

Overhead costs included in this group include repair costs handed over to outside parties, PLN electricity costs and so on.

2.2.Classification of factory overhead costs according to their behavior in relation to changes in production volume

Judging from the behavior of the elements of factory overhead costs in relation to changes in the volume of activity, factory overhead costs can be divided into three groups:

- Fixed Factory Overhead, is a costfactory overhead that does not change over a given range of changes in the volume of activity.
- Variable Factory Overhead Costs are factory overhead costs that change in proportion to changes in the volume of activity.
- Semivariable Factory Overhead Cost, is a factory overhead cost that changes not in proportion to changes in the volume of activity.

For the purposes of determining factory overhead rates and for cost control, semi-variable

factory overhead costs are broken down into two elements: fixed costs and variable costs.

Classification of factory overhead costs according to their relationship to the department

If in addition to having a production department, the company also has auxiliary departments (such as a power plant department, a repair department and a water department). Judging from its relationship with the departments in the factory, factory overhead costs can be classified into two groups:

* Departmental direct BOP is factory overhead costs that occur in certain departments and the benefits are only enjoyed by that department. For example: the salary of the production department foreman, the cost of machine depreciation and the cost of auxiliary materials.

Departmental indirect BOP is factory overhead costs whose benefits are enjoyed by more than one department. Example: depreciation, maintenance and insurance costs for factory buildings.

Fee Type	Live BOPs			Indirect BOP		
	Preparation & Section Formation	Decoration Section	Finishing Section	Electrical Section	Repair Department	Building Section
Material per g	Anti Fungus	nails, Nuts & Bolts	Paints, Colors & Thinners	Diesel, Oil, Lubricants	Parts	Office supplies
kindergarten No Directg	Head of supervisory department	Head supervisors section	Head supervisor s section	Head supervisors section	Head supervisor s section	Head supervisor s section
Depreciation	Dep. Building Dep. Machinery Dep. Equipment	Dep. Building Dep. Machine Dep. Equipment	Dep. Building Dep. Machinery Dep. Equipment	Dep. Building Dep. Machine Dep. Equipment	Dep. Building Dep. Machinery Dep. Equipment	Dep. Building Dep. Machinery Dep. Equipment
Etc	Stationery Water & Electricity Tax Insurance policy	Stationery Water & Electricity Policy. Insurance Tax Si	Stationery Water & Electricity Tax Polis.Asuransi	Stationery Water & Electricity Policy. Insurance Tax si	Stationery Water & Electricity Tax Polis.Asuransi	Stationery Water & Electricity Tax Polis.Asuransi

3.RESULTS AND DISCUSSION

3.1.Cost Accounting

Cost accounting is the process of recording, classifying, summarizing and presenting the costs of making and selling products or services, in certain ways, as well as the interpretation of them (Mulyadi, 2005: 7). Cost accounting is a field of accounting that studies how to record, measure, and report on the cost information used (Bustami & Nurlela, 2007:2). It can be concluded that cost accounting is a field of accounting for recording, classifying, summarizing, and reporting on all matters relating to costs used.

3.2.Fees

Costs can be referred to as something that is measured using a unit of exchange rate, sacrificed to carry out certain activities with the hope of providing benefits in the future, as stated by several experts, as follows:

- Cost, in a broad sense, is the sacrifice of economic resources, measured in units of money, that has occurred or is likely to occur for a particular purpose. In a narrow sense, costs can be interpreted as sacrifices of economic resources to acquire assets (Mulyadi 2005:8-9).
- Costs are defined as resources sacrificed or released to achieve certain goals (Horngren, et al, 2008:31)
- Cost is defined as an exchange rate, expenditure, or sacrifice, which is done to ensure the acquisition of benefits (Carter, 2009:30).
- Cost is cash or cash equivalent value sacrificed to obtain goods or services that are expected to provide current or future benefits for the organization (Hansen & Mowen, 2009:46).
- Cost reflects the monetary measurement of the resources spent to achieve a goal such as making goods or delivering services (Raiborn & Kinney, 2011:34). The term cost is often used as another word for expense. Cost differs from load. Expenses can be defined as measurable outflows of goods or services, which are then matched with income to determine profit (Carter, 2009:30). Expenses include all expired costs, which are deductible from revenue. In other words, every expense is a cost, but not all costs are expenses.

3.3.Production Costs

Costs related to the production or manufacturing process are called production costs. Production costs are costs incurred to process raw materials into finished products that are ready for sale (Mulyadi, 2005:14). Production costs are the costs required to obtain raw materials (raw) from suppliers and turn them into finished products ready for sale (Sugiri & Sulastriningsih, 2004:15).

3.4.Factory Overhead Cost (BOP)

Factory overhead costs can be regarded as indirect costs, because these costs cannot be directly assigned to one product. In general, factory overhead is defined as the cost of indirect materials, indirect labor, and all other factory costs that cannot be easily identified with or assigned directly to certain orders, products, and or other cost objects (Carter, 2009: 438). Unlike direct materials and direct labor, factory overhead is an invisible part of the finished product. There is no evidence of material requisitions or employee time cards indicating the amount of overhead used by an order or product. Nevertheless,

3.5.Cost of Production

The cost of production is the total production cost of goods that have been completed and transferred to finished goods inventory during one period (Raiborn & Kinney, 2011: 56). The cost of production includes all production costs starting from direct raw material costs, direct labor costs, and factory overhead costs (Jusup, 2005:410). The cost of production is not recorded in the cost account, but is charged to the products produced and reported in the balance sheet as inventory. The new cost of production appears in the profit and loss statement if the product in question is sold, and is reported as Cost of Goods Sold.

4. CONCLUSION

All production costs other than direct material costs and direct labor costs. Or more precisely all production costs that are included in indirect material costs, indirect labor costs, and other production costs that are not easily identified or distinguished directly in a production process. So that BOP is often also referred to as indirect production costs.

- 1) Cost of auxiliary materials
- 2) Indirect labor costs
- 3) Depreciation and amortization of plant fixed assets
- 4) Repair and maintenance of factory fixed assets
- 5) Cost of electricity, factory water
- 6) Factory insurance costs
- 7) Other Overhead Costs

Prepare BOP budget

In preparing the BOP budget, attention must be paid to the level of activity that will be used as the basis for the BOP assessment. There are three types of capacity that can be used as the basis for making a BOP budget, including:

- A. Theoretical Capacity
- B. Practical Capacity
- C. Normal Capacity
- D. Capacity

Actually Calculating BOP
rates:

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