

EDUCATION AND APPLICATION OF PROCESS COSTING FOR HOME INDUSTRY ACTORS IN DETERMINING COMPETITIVE PRODUCT PRICES

Nur Afni Yunita¹, Nurhasanah², Rany Gesta Putri Rais³, Sri Mulyati⁴,
Muhammad Yusra⁵

^{1,2,3,4,5} Accounting Study Program, Faculty of Economics and Business, Universitas Malikussaleh
E-mail: nurafni.yunita@unimal.ac.id¹

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Abstract

This Community Service Activity (PKM) was carried out to improve the understanding of home industry players in applying the process costing method as the basis for calculating production costs and determining competitive selling prices. A lack of understanding of cost allocation leads to inaccuracies in pricing and business performance measurement. Through training and mentoring activities, partners were trained to systematically identify, calculate, and accumulate production costs and compile simple financial reports. The results of the activities showed an increase in the partners' ability to manage costs, use resources efficiently, and accurately set product prices. The application of process costing has proven to support more professional, efficient, and competitive business management.

Keywords: *Process Costing, Cost of Goods Manufactured, Home Industry, Cost Efficiency*

INTRODUCTION

Determining the cost of goods manufactured is a crucial aspect of home industry operations, because the process of transforming raw materials into finished products involves various cost components that need to be carefully calculated. The cost of goods manufactured (COGM) in a manufacturing company is the total cost incurred during the production process to convert raw materials into finished products, which includes the cost of direct raw materials, direct labor costs, and factory overhead costs. COGS serves as the basis for determining selling prices, measuring production efficiency, and assessing the company's financial performance (Mulyadi, 2016; Hansen & Mowen, 2009; Bustami & Nurlela, 2013; Supriyono, 2018). In cost accounting, the cost of goods manufactured can be calculated using two methods, namely Job Order Costing and Process Costing. According to Honsen & Mowen (2010:115), there are two methods of cost allocation, namely process costing and job order costing. Process costing is a system of determining the cost of goods sold used in industries that carry out production activities for a particular product on an ongoing basis without being based on specific requests from particular customers (Samyrm, 2012:116). Meanwhile, job order costing is a method of determining production costs that collects costs per unique, separate, and custom-made production orders for each customer. However, since the PKM activity only focuses on process costing systems, the following discussion will be limited to this method only. According to Carter (2009:174), in the process costing system, raw materials, labor, and factory overhead are charged to cost centers. The cost charged to each unit is determined by dividing the total cost charged to the cost center by the total number of units produced. The cost accounting cycle in process costing is shown in Figure 1 below:



The limited understanding of home industry players regarding these costs has an impact on the determination of selling prices. Based on the initial survey results, the majority of home industry players set selling prices not based on production costs but rather on estimates alone. As a result, the profits obtained do not match the production costs that have been incurred, and home industry players have chosen to discontinue production. Based on the background description above, this Community Service activity aims to train home industry players in understanding, calculating, recording, and presenting production reports using the process costing method. Thus, knowledge of cost allocation can be applied appropriately and systematically, enabling business players to determine the accurate cost of production. The application of this method is expected to improve production process efficiency, the accuracy of sales price calculations, and the ability of home industry players to compile informative financial reports in accordance with cost accounting principles.

METHOD

The implementation of Community Service (PKM) activities began with an identification stage aimed at conducting an in-depth theoretical study related to the application of the process costing method in the production cost allocation system as the basis for determining the appropriate selling price. At this stage, a comprehensive analysis is also conducted on the procedures for preparing and presenting production reports and income statements, which serve as performance evaluation instruments and a basis for strategic decision-making by business partners. Next is the preliminary survey stage. The second stage aims to identify potential partners from among home industry players. In this phase, the implementation team conducts exploratory interviews, analyzes business characteristics, and comprehensively identifies the problems faced by partners so that they are in line with the focus and theme of PKM activities.

The third stage includes training activities designed to improve partners' knowledge and skills in production cost management. These activities aim to educate partners to be able to identify and classify cost items that arise during the production process, calculate cost allocations accurately, and accumulate and present them in informative production reports. In addition, this training also emphasizes the partners' ability to perform cost analysis as a basis for rational decision making, especially in setting competitive product prices in the market. In addition, partners also gained additional knowledge related to preparing income statements as part of improving their managerial capacity. This training aimed to enable partners to prepare financial records that accurately describe their business performance. By understanding income statements, partners are expected to be able to assess the financial condition of their businesses, identify development opportunities, and determine appropriate business strategies based on available financial information. The PKM activity ended with an evaluation stage that aimed to assess the partners' level of understanding and application of the material, as well as to obtain feedback on the effectiveness of the activity's implementation. This stage was carried out to measure the extent to which the activity's objectives had been achieved and as a basis for improving and developing similar programs in the future. The stages of the PKM activity can be summarized in Figure 2. The following

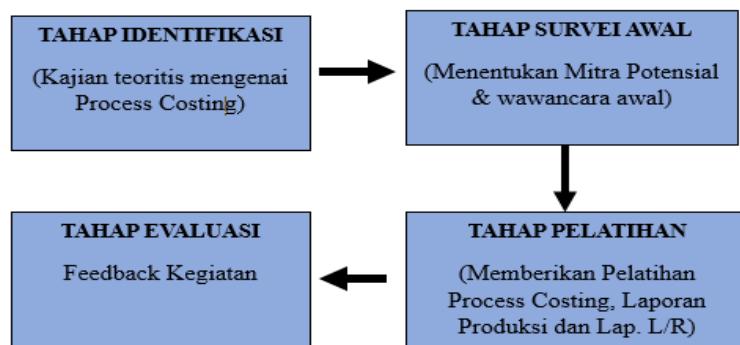


Figure 2. PKM Activity Stages



Figure 3. Process Costing Training



Figure 4. Identification Stage

RESULTS AND DISCUSSION

During the identification stage, the results obtained were a deeper theoretical understanding of the application of the process costing method in the production cost allocation system. Partners were able to understand the concept of cost classification, including raw material costs, direct labor costs, and factory overhead costs. The results of this stage had an impact on increasing partners' awareness of the importance of systematic cost management as the basis for setting rational selling prices and optimizing profits. The initial survey stage produced a comprehensive mapping of the actual conditions of partner businesses, including cost structures, financial recording systems, and obstacles encountered in production activities. The data and findings obtained formed the basis for the development of training programs tailored to the needs of partners. As a result, the training activities carried out were more targeted and effective in addressing the real problems faced by home industry players. During the training phase, the results achieved showed a significant improvement in the partners' knowledge and skills. Partners were able to identify cost items, calculate cost allocations using the process costing method, and systematically compile production reports and profit and loss statements. As a result, partners became more skilled at recording and analyzing business financial information, enabling them to make data-driven strategic decisions, such as setting competitive selling prices and planning for production cost efficiency.

Meanwhile, the evaluation stage shows that PKM activities have had a positive impact on the behavior and mindset of partners in running their businesses. The evaluation results show that partners have begun to implement routine financial recording, compile simple profit and loss statements, and use the results of these reports as a basis for assessing performance and determining future business strategies. Another impact is an increase in partners' confidence in managing their businesses in a more professional and sustainability-oriented manner. Overall, the PKM activity with the theme "Education and Application of Process Costing for Home Industry Players in Determining Competitive Product Prices" provided tangible results in the form of increased competence among partners in understanding and applying cost accounting, particularly the process costing method. Through this activity, home industry players were able to accurately identify, calculate, and accumulate production costs, as well as compile simple financial reports such as production reports and profit and loss statements. The long-term impact of this activity can be seen in positive changes in the governance of partner businesses, particularly in terms of resource efficiency and cost transparency. Partners have become more skilled at analyzing cost structures and determining product selling prices rationally and competitively based on accurate financial data. Thus, this PKM activity not only improves cost accounting literacy, but also encourages home industry players to develop more sustainable and competitive business strategies in the market.

CONCLUSION

The Community Service Activity (PKM) with the theme "Education and Application of Process Costing for Home Industry Players in Determining Competitive Product Prices" has been successfully implemented and has provided tangible results for partners. Through this activity, home industry players have gained increased knowledge and skills in understanding cost accounting concepts, calculating production costs, and applying the process costing method appropriately as a basis for determining product selling prices. In addition to improving technical competencies, this activity also had a positive impact on the management of partners' businesses, particularly in terms of resource efficiency, accurate cost recording, and the preparation of simple financial reports. Thus, this PKM activity contributed to improving cost accounting literacy and encouraged home industry players to develop more professional, efficient, and competitive business strategies. In order for the benefits of this activity to be sustainable, it is recommended that home industry players continue to apply the process costing method in their daily production activities and conduct regular evaluations of their cost structure and product pricing. In addition, further assistance is needed in preparing more comprehensive financial reports so that business players can have accurate financial data for business decision making.

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