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Accepted: 2023-10-15**APPLICATION OF TARGET COSTING TO REDUCE PRODUCTION COSTS AND INCREASE PROFITS AT CV. TIGA PUTRA PERKASA**Gabriella Anatasya Maria KAROUWAN¹, Stanly W. ALEXANDER², Natalia Y. T. GERUNGAI³^{1,2,3}Sam Ratulangi University, Manado, Sulawesi Utara, Indonesia

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E-mail: gabykarouwan@gmail.com**Abstract:**

Target Costing is a method or strategy that allows companies to target product costs based on the selling price expected by consumers. This study aims to determine whether the application of target costing can be a tool to reduce production costs and increase profits at CV. Tiga Putra Perkasa. The analysis method used in this research is descriptive qualitative analysis. Namely, data collected through interviews and then described, and the type of research used is descriptive qualitative. This research will describe the application of target costing to CV. Tiga Putra Perkasa to compare production costs and profits obtained before and after implementing target costing. The company can save production costs of Rp 7,456,700. The results of this research showed that the impact on the increase in profits earned by the company from 37.4% before the application of target costing can increase to 42.7%, which shows that the company's expected profit target of more than 40% can be achieved by using target costing. The research results show that the company can reduce production costs so that the profit increase reaches 5% using target costing.

Keywords: Target Costing, Production Cost, Profit

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**INTRODUCTION**

Indonesia's various types of natural resources make it a country rich in culinary diversity, especially in North Sulawesi, famous for its typical culinary delights, encouraging people to enter the business field by utilizing food and beverages as capital to improve the culinary world, affecting economic growth. Economic growth can increase with the increasing number of Micro, Small, and Medium Enterprises created by people who want to start a small business.

Micro, Small, and Medium Enterprises (MSMEs) are a group of businesses with the most significant number in the Indonesian economy. Based on Government Regulation (PP) No. 7 of 2021, which includes MSMEs according to the criteria of annual sales results, namely micro businesses that have annual sales results of a maximum of IDR 2,000,000,000 (two billion rupiahs), small businesses have annual sales results of more than IDR 2,000,000,000 (two billion rupiahs) up to a maximum of IDR 15,000,000,000 (fifteen billion rupiahs) and medium-sized businesses have annual sales results of more than IDR 15,000,000,000 (fifteen billion rupiah) with a maximum nominal value of up to IDR 50,000,000,000 (fifty billion rupiah). MSMEs are business entities that aim to build the economy by growing their businesses. MSMEs can help the Indonesian economy by opening up jobs to tackle unemployment in Indonesia. Another essential role of MSME actors is that they help improve welfare where MSMEs need raw materials for production from local producers, which in turn can improve the community's welfare with the occurrence of economic turnover. MSME players have a significant role in Indonesia's economic development.

In this era of globalization, competition in MSMEs continues to increase. In facing this competition, companies are expected to produce products with quality and prices acceptable to the market and consumers but still have to consider the level of profit that can be obtained. In addition, companies must know and recognize market and consumer conditions. The variety of consumer needs is both a challenge and an opportunity for the company. Therefore, companies must manage costs to help them compete and achieve the expected profit level.

Companies can use various strategies to determine the best price for the products. Target costing is a method or strategy for determining the desired cost for a product based on a specific competitive price so that the product will get the desired profit (Blocher, 2019). Target costing allows companies to plan product prices before production and design products that meet consumer needs while meeting profit goals. However, most MSMEs still use traditional methods in their operational activities, making achieving the expected profit targets difficult. The disadvantage of the traditional method is that the consumer element needs to be considered during the pricing process, making it less helpful in competing and achieving maximum profit.

Research on target costing has been conducted in many MSMEs in Indonesia, one of which is research by Octaviani and Setyaningsih (2022), which states that the application of target costing can increase profits from Batara Batik Banyuwangi to 31% from the previous 25%. In addition, research conducted by Tambunan (2021) shows that by implementing target costing at MSMEs Trendy Fried Chicken, there can be savings in production costs of IDR 280.5/unit, which was previously IDR 7,763.6/unit to IDR 7,483.4/unit after implementing target costing. It shows that the research results from the application of target costing can be used to estimate better production costs and to increase the company's profit projections by reducing costs incurred during production. However, only some still conduct this study on MSMEs in North Sulawesi, hoping it can help MSMEs develop more, especially in North Sulawesi, to improve the Indonesian economy.

CV. Tiga Putra Perkasa is one of the MSMEs that produces various souvenirs typical of North Sulawesi, especially from North Minahasa. The company, which produces various snacks from processed fish typical of North Sulawesi, such as Nike fish, Cakalang fish, and Roa fish, is a manufacturing company. With several materials considered too expensive to produce snacks that are typical souvenirs of North Sulawesi and distributed through gift shops and supermarkets and with increasingly fierce competition, products with high production costs could be more efficient. CV. Tiga Putra Perkasa is a small company that can use the target costing method.

This research involved a CV. Tiga Putra Perkasa as a sample of MSME actors in North Sulawesi. The researcher conducted this research to provide solutions to the difficulties in managing production costs given the high price of raw materials and to help increase the desired profit of the company. Researchers present a method that allows CV. Tiga Putra Perkasa to determine the selling price of products with the desired profit and product quality that is well maintained, but production costs can be reasonably reduced. The researcher plans to implement target costing to reduce total costs from the previous total costs to obtain maximum profit without increasing the selling price.

METHODS

This research is a type of qualitative research using descriptive methods. Descriptive qualitative research is research on problems in the form of current facts from a population, which includes an assessment of attitudes or opinions towards individuals, organizations, circumstances, or procedures (Anggito & Setiawan, 2018). This research will describe the application of target costing at CV. Tiga Putra Perkasa to compare production costs and profits earned before and after implementing target costing.

Place and Time of Research. This research was conducted at CV UMKM. Tiga Putra Perkasa, which is located in Kawangkoan Baru Jaga XII Kec. Kalawat Kab. North Minahasa, North Sulawesi, Manado. This research was conducted for about two months, from May to June 2023.

Type of Data. The data type used in this study is Quantitative Data, which is data obtained from the section that manages financial and production reports at CV. Tiga Putra Perkasa, where researchers requested a report for May 2023.

Data Source. The data source of this research is Primary Data, which must be obtained directly from the owner and employees of CV. Tiga Putra Perkasa through interviews. Researchers conduct meetings directly and are supported by discussions via the WhatsApp application with the owner.

Data Collection Methods. The data collection method in this research consists of:

1. An interview involves exchanging information or ideas through a question-and-answer process by two people who meet. In this study, interviews were conducted by asking structured and unstructured questions to the owner of the CV. Tiga Putra Perkasa about the management of production costs.
2. Observation is a data processing technique with unique characteristics compared to other techniques. The results of this study were obtained by making direct observations of activities at CV. Tiga Putra Perkasa, which is the object of this research.
3. Documentation is a record of past events. The documentation can be in the form of writings, pictures, or monumental works of a person. Written documents include financial statements, transaction records, and other supporting documents. The documents required in this study are financial statements and supporting documents from CV. Tiga Putra Perkasa.

Methods and Analysis Process. Target Costing is a method of determining the desired cost of a product based on a specific competitive price so that the product will get the desired profit (Blocher, 2019). The data analysis method used to calculate target costing in this study is qualitative descriptive analysis, a process where events or phenomena are analyzed, described, and summarized from data collected through interviews or direct observation in the field. The stages of research data analysis are:

1. Make a list of questions and conduct interviews to obtain data from the owner of the CV. Tiga Putra Perkasa.
2. Visiting the location of the research object during the production process to make observations and obtain information related to the research.
3. Conduct data validity testing using triangulation.
4. Make calculations and details of production costs incurred in the production process as an initial comparison.
5. Apply Target Costing as the second alternative comparison.
6. Comparing initial production costs with alternative calculations.
7. Analyze and determine conclusions from the use of Target Costing at CV. Tiga Putra Perkasa.

RESULT AND DISCUSSION

The researcher has classified the costs required to carry out the production process in the company. In addition, researchers also analyzed the selling price of products determined by the company, the selling price of products from competing companies, and market prices. They will apply target costing to reduce production costs and increase profits from the company. Researchers took one month's production report data, May 2023, as the data to be analyzed. The following are the results of research conducted by researchers.

Total Production and Total Sales. CV. Tiga Putra Perkasa produces for five working days a week. On the first three days of the week, Nike Tore is produced as a product with the highest

demand. So, in May 2023, the company produced a Nike Tore for 15 working days. Roa Tore production is carried out for three working days per May 2023 report, and Cakalang Tore production is only carried out for one working day according to the level of demand the company receives. While there are still working days left in May, the company carries out production for other products according to consumer demand. Details of the total production carried out by the company are as follows:

Table 1. Total Production of CV. Tiga Putra Perkasa

Product Type	Total per Day	Total per Month
Nike Tore	260 pouches	3,900 pouches
Roa Tore	210 pouches	630 pouches
Cakalang Tore	260 pouches	260 pouches
TOTAL		4,790 pouches

Source: CV. Tiga Putra Perkasa (2023)

Table 1 displays the total production of CV. Tiga Putra Perkasa. The company produced 3,900 pouches of Nike Tore packaging during May 2023 from 15 working days. Next, the company produced 630 pouches of Roa Tore packaging during May from 3 working days. Then, the company produced 260 pouches of Cakalang Tore packaging during May 2023 from 1 working day. If calculated, then during May 2023, the company can produce as many as 4,790 pouches of superior products.

Table 2. Total Sales of CV. Tiga Putra Perkasa

Product Type	Total Production	Total Sales in May
Nike Tore	3,900 pouch	3,863 pouch
Roa Tore	630 pouches	598 pouches
Cakalang Tore	260 pouches	232 pouches
Total	4,790 pouch	4,693 pouch
Difference		97 pouches

Source: CV. Tiga Putra Perkasa (2023)

Table 2 displays the total sales of CV. Tiga Putra Perkasa in May 2023. From the total sales during May 2023, the company sold 3,863 Nike Tore products, 598 Roa Tore products, and 232 Cakalang Tore products. The difference of 97 pouches of unsold products in May 2023 consisting of 37 pouches of Nike Tore products, 32 pouches of Roa Tore products, and 28 pouches of Cakalang Tore products will be stored by the company and sold the following month. If we calculate the total products sold with the selling price per pouch of Rp 30,000 for each product, the revenue in May earned by the company is IDR 140,790,000.

Production Costs, Direct Raw Material Costs.

Nike Tore. The primary raw material used to produce Nike Tore is nile fish, obtained directly from Tondano Lake suppliers. The company uses Nike fish from Lake Tondano to preserve the typical wealth of Minahasa by utilizing it in one of the souvenirs so that the wider community can better know it. In addition to Nike fish, other raw materials are needed, such as flour as an essential ingredient to form dough and various spices that give flavor to the product.

Table 3. Nike Tore Direct Raw Material Cost

Raw Material Name	Quantity	Price	Total per Day		Total per Month	
Nike Fish	25 kg	IDR 75.000	IDR	1.875.000	IDR	28.125.000
Wheat Flour	17 kg	IDR 12.750	IDR	216.750	IDR	3.251.250
Cooking Oil	25 L	IDR 23.400	IDR	585.000	IDR	4.680.000
Salt	4 kg	IDR 11.500	IDR	46.000	IDR	690.000
Sugar	1,5 kg	IDR 14.900	IDR	22.350	IDR	335.250
Pepper	250 sets	IDR 1.000	IDR	250.000	IDR	3.750.000
Garlic	4 kg	IDR 40.000	IDR	160.000	IDR	2.400.000
Red Onion	3 kg	IDR 48.000	IDR	144.000	IDR	2.160.000
Total			IDR	3.299.100	IDR	45.391.500

Source: CV. Tiga Putra Perkasa (2023)

Table 3 shows the direct raw material costs spent by the company to produce Nike Tore during May 2023. The total direct raw material costs spent on production for one day amounted to IDR 3,299,100. At the same time, the total cost for one month's production amounted to IDR 45,391,500 for 15 working days during May, whereas the Nike Tore production process was only carried out for three days a week.

The company requires 25 kg of Nike fish in one production for IDR 75,000/kg offered by suppliers directly from Tondano so that the total cost incurred by the company for Nike fish ingredients in one day of production is IDR 1,875,000 and the total for production during May is IDR 28,125,000. Furthermore, for wheat flour, the company requires 17 kg for IDR 12,750/kg for the Kompas brand, so the total cost incurred by the company for wheat flour in one day of production is IDR 216,750, and the total for production during May is IDR 3,251,250. Next, for cooking oil, the company requires 25 L for IDR 23,400/L for the Camar brand, so the total cost incurred by the company for cooking oil in one day of production is IDR 585,000. The total for production during May is IDR 4,680,000, calculated from 8 cooking oil changes during May because cooking oil is only limited to 2 uses. Then, for salt raw materials, the company requires 4 kg for IDR 11,500/kg for the Dolphin brand, so the total cost incurred for salt in one day of production is IDR 46,000, and the total for production during May is IDR 690,000. Then, for sugar raw materials, the company needs 1.5 kg for IDR 14,900 / kg for the Gulaku brand, so the total cost incurred by the company for sugar in one day of production is IDR 22,350, and the total for production during May is IDR 335,250.

Furthermore, 250 sachets of pepper are needed by the company for IDR 1,000/sachets for the Ladaku brand, so the total cost incurred by the company for pepper in one day of production is IDR 250,000, and the total for production during May is IDR 3,750,000. Next, the company needs 4 kg of garlic for IDR 40,000/kg, so the total cost incurred for garlic in one day of production is IDR 160,000, and the total for production during May is IDR 2,400,000. Moreover, finally, the company needs 3 kg of shallots for IDR 48,000/kg, so the total cost incurred for shallots in one day of production is IDR 144,000, and the total for production during May is IDR 2,160,000.

Roa Tore. The primary raw material used to produce Roa Tore is roa fish, obtained directly from suppliers on the island of Nain. The roa fish obtained by the company is roa fish that has been processed into smoked roa fish and is calculated per kilogram.

Table 4. Direct Raw Material Cost of Roa Tore

Raw Material Name	Quantity	Price	Total per Day	Total per Month
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Roa Fish	18 kg	IDR 110.000	IDR 1.980.000	IDR	5.940.000
Wheat Flour	16 kg	IDR 12.750	IDR 204.000	IDR	612.000
Cooking Oil	15 L	IDR 23.400	IDR 351.000	IDR	702.000
Salt	2 kg	IDR 11.500	IDR 23.000	IDR	69.000
Sugar	1 kg	IDR 14.900	IDR 14.900	IDR	44.700
Pepper	110 sets	IDR 1.000	IDR 110.000	IDR	330.000
Garlic	2 kg	IDR 40.000	IDR 80.000	IDR	240.000
Red Onion	1,5 kg	IDR 48.000	IDR 72.000	IDR	216.000
Total			IDR 2.834.900	IDR	8.153.700

Source: CV. Tiga Putra Perkasa (2023)

Table 4 shows the direct raw material costs spent by the company to produce Roa Tore during May 2023. The total cost of direct raw materials spent on production for one day is IDR 2,834,900. The total cost for production during May 2023 amounted to IDR 8,153,700, whereas the Roa Tore production process was only carried out for three days according to the level of demand.

The company requires 18 kg of roa fish in one production for IDR 110,00/kg offered by suppliers directly from smoked roa fish makers so that the total cost incurred by the company for roa fish ingredients in one day of production is IDR 1,980,000 and the total for production during May is IDR 5,940,000. The types and prices of the following raw materials used by the company are still the same as the ingredients in the production of Nike Tore. Furthermore, wheat flour requires 16 kg, so the total cost of one day of production is IDR 204,000, and the total for production during May is IDR 612,000. Next, for cooking oil, the company needs 15 L, so the total cost incurred by the company for cooking oil in one day of production is IDR 351,000, and the total for production during May is IDR 702,000, which is calculated from 2 changes of cooking oil for three days of production. Then, for salt raw materials, the company needs 2 kg, so the total cost incurred for salt in one day of production is IDR 23,000, and the total for production during May is IDR 69,000. Then, for raw material sugar, the company requires 1 kg, so the total cost incurred for sugar in one day of production is IDR 14,900, and the total for production during May is IDR 44,700.

Furthermore, the company requires 110 sachets of raw material pepper, so the total cost incurred for pepper in one day of production is IDR 110,000, and the total for production during May is IDR 330,000. Next, the company needs 2 kg of garlic, so the total cost incurred for garlic in one day of production is IDR 80,000, and the total for production during May is IDR 240,000. Moreover, finally, the company needs 1.5 kg of shallots, so the total cost incurred for shallots in one day of production is IDR 72,000, and the total for production during May is IDR 216,000.

Cakalang Tore. The primary raw material used to produce Cakalang Tore is roa fish obtained from suppliers of fellow MSME players. The tuna obtained by the company has been processed into smoked tuna and is calculated per kilogram.

Table 5. Direct Raw Material Cost of Tore Skipjack

Raw Material Name	Quantity	Price (Rp)	Total per Day	Total per Month
Skipjack Fish	25 kg	IDR 85.000	IDR 2.125.000	IDR 2.125.000
Wheat Flour	17 kg	IDR 12.750	IDR 216.750	IDR 216.750
Cooking Oil	25 L	IDR 23.400	IDR 585.000	IDR 585.000
Salt	4 kg	IDR 11.500	IDR 46.000	IDR 46.000

Sugar	1,5 kg	IDR 14.900	IDR 22.350	IDR 22.350
Pepper	250 sets	IDR 1.000	IDR 250.000	IDR 250.000
Garlic	4 kg	IDR 40.000	IDR 160.000	IDR 160.000
Red Onion	3 kg	IDR 48.000	IDR 144.000	IDR 144.000
Total		IDR 3.549.100	IDR 3.549.100	

Source: CV. Tiga Putra Perkasa (2023)

Table 5 shows the direct raw material costs spent by the company to produce Cakalang Tore during May 2023. The total direct raw material costs spent on production during May 2023 amounted to IDR 3,549,100, where the company only produced for one day during May according to the demand received.

The company requires 25 kg of skipjack in one production for IDR 85,000/kg offered directly from the smoked skipjack maker so that the total cost incurred by the company for skipjack ingredients in one day of production, which is also the total during May is IDR 2,125,000. The types, brands, and prices of further raw materials used by the company are still the same as the ingredients in the production of Nike Tore. Furthermore, wheat flour requires 17 kg, so the total cost is IDR 216,750. Next, the company needs 25 L for cooking oil, so the total cost is IDR 585,000. Then, for salt raw materials, the company needs 4 kg, so the total cost incurred is IDR 46,000. Then, for sugar raw materials, the company needs 1.5 kg, so the total cost incurred is IDR 22,350.

Furthermore, the company needs 250 packets of raw materials for pepper, so the total cost is IDR 250,000. Next, the company needs 4 kg of garlic, so the total cost is IDR 160,000. Moreover, finally, the company needs 3 kg of shallots, so the total cost incurred is IDR 144,000.

Direct Labor Costs. CV. Tiga Putra Perkasa has five workers who work to produce. The workers' production process is still carried out simultaneously by helping each other in every process, from preparation, washing, seasoning and mixing, frying to packaging. The total wages the company gives to employees are calculated per one working day, where each worker gets IDR 100,000, and the payroll system applied by the company is that employees are given wages once a week according to a collective agreement.

Table 6. Direct Labor Cost

Product Type	Number of Working Days	Number of Employees	Cost per Person	Total per Day	Total per Month
Nike Tore	15 days	5 people	IDR 100.000	IDR 500.000	IDR 7.500.000
Roa Tore	3 days	5 people	IDR 100.000	IDR 500.000	IDR 1.500.000
Cakalang Tore	1 day	5 people	IDR 100.000	IDR 500.000	IDR 500.000
Total				IDR 9.500.000	

Source: CV. Tiga Putra Perkasa (2023)

Table 6 shows the direct labor costs of employees producing Nike Tore, Roa Tore, and Cakalang Tore during May 2023. If the employee wage per one day of production is IDR 100,000/person, then for May 2023, with 19 working days, the total labor cost the company must incur is IDR 9,500,000. For the production of Nike Tore, the company incurs direct labor costs of IDR 7,500,000 with a total of 15 working days. While producing Roa Tore, the company incurs direct

labor costs of IDR 1,500,000 for 3 working days. Then, for the production of Cakalang Tore, the company incurs direct labor costs of IDR 500,000 with a total of 1 working day.

Factory Overhead Costs. Production costs incurred by CV. Tiga Putra Perkasa is not only direct raw materials and direct labor but also consists of factory overhead costs. Factory overhead costs are costs outside raw materials and direct labor but are required in production. Factory overhead costs in producing Nike Tore at CV. Tiga Putra Perkasa consists of 2 groups: packaging costs and fixed costs. The following is a cost breakdown of the two groups of factory overhead costs:

1). Packaging Cost. The company uses standing pouch packaging made from aluminum foil in the Nike Tore production process so that the quality of the product is more guaranteed and well maintained. The product packaging provided is also printed with a unique design made by the company so that it can describe the product as a typical souvenir of North Sulawesi.

Table 7. Breakdown of Packaging Costs

Description	Price	Quantity	Total per Day	Total as of May 2023
Nike Tore	IDR 3.500	260 pouches	IDR 910.000	IDR 13.650.000
Roa Tore	IDR 3.500	210 pouches	IDR 735.000	IDR 2.205.000
Cakalang Tore	IDR 3.500	260 pouches	IDR 910.000	IDR 910.000
Total		730 pouches	IDR 2.555.000	IDR 16.765.000

Source: CV. Tiga Putra Perkasa (2023)

Table 7 shows details of the total product packaging costs of CV. Tiga Putra Perkasa of IDR 16,765,000 for one month of production during May 2023 with a total packaging of 730 pouches at IDR 3,500/pouch for one production. The total packaging cost of Nike Tore products is IDR 13,650,000 for 260 pouches per day, with 15 working days of production during May 2023. Next, the total packaging cost of Roa Tore products is IDR 2,205,000 for 210 pouches per day, with three working days of production during May 2023. Finally, the total packaging cost of Cakalang Tore products is IDR 910,000 for 260 pouches per day, with one working day of production during May 2023.

2). Fixed Costs. Costs included in the fixed costs of CV. Tiga Putra Perkasa consists of water, electricity, and gas costs that help during the production process.

Table 8. Breakdown of Fixed Costs

Description	Total per Day	Total per Month
Water Cost	IDR 13.158	IDR 250.000
Electricity Cost	IDR 26.316	IDR 500.000
Gas Cost	IDR 90.000	IDR 1.710.000
Total	IDR 140.000	IDR 2.460.000

Table 8 shows the fixed costs spent by the company for production activities during May 2023, with 19 working days to produce Nike Tore, Roa Tore, and Cakalang Tore. The total fixed cost required by the company is IDR 2,460,000. The company incurs costs for water amounting to IDR 250,000/month, so the water required in one day of production is Rp 13,158. As for electricity costs, the company spends IDR 500,000/month, so the electricity costs required in one day of production amount to IDR 26,316. Furthermore, the company spent five gas cylinders with a size of 3 kg for one

day of production for IDR 18,000/tube, so the total cost of gas was IDR 90,000, and the total for production during May amounted to IDR 1,710,000.

Based on the details of the two groups included in the factory overhead costs of the company's production activities above, the total factory overhead costs are as follows.

Table 9. Factory Overhead Cost

Description	Total as of May 2023	
Packaging Cost	IDR	16.765.000
Water Cost	IDR	250.000
Electricity Cost	IDR	500.000
Gas Cost	IDR	1.710.000
Total	IDR	19.225.000

Source: CV. Tiga Putra Perkasa (2023)

Table 9 shows the total factory overhead costs incurred by the company for one month of IDR 19,225,000 during May 2023. The company spent IDR 16,765,000 on packaging costs. In addition, the company spent IDR 250,000 on water costs. Then, the company spent IDR 500,000 on electricity costs. Moreover, finally, the company spent IDR 1,710,000 on gas costs.

Non-Production Costs. Costs incurred by CV. Tiga Putra Perkasa is not only production and non-production costs for the company's operational activities. Non-production costs are costs that have no relationship to the production process.

Table 10: Non-production costs

Description	Total per Day		Total per Month	
Promotion Cost	IDR	26.315	IDR	500.000
Shipping Cost	IDR	65.000	IDR	780.000
Other Costs	IDR	52.632	IDR	1.000.000
Total	IDR	143.947	IDR	2.280.000

Source: CV. Tiga Putra Perkasa (2023)

Based on Table 10, the total non-production costs incurred by the company consist of 3 types of costs: promotion costs, shipping costs, and other costs. Promotion is needed to support the company's product marketing activities through media such as websites, so the company spends IDR 500,000/month, and if calculated for one month for 19 working days, the company spends IDR 26,315 per day. Furthermore, the company provides product delivery services to consumers according to orders to further support marketing activities. The shipping costs incurred by the company amounted to IDR 65,000 per day and IDR 780,000 per month in May 2023 because the company made deliveries every Friday and Saturday. If calculated during May 2023, it consisted of 12 days. Then, the company uses other costs of IDR 52,632 per day and IDR 1,000,000 per month, calculated as 19 working days, as unexpected costs.

Production Cost Calculation. CV. Tiga Putra Perkasa uses the traditional method to determine the selling price of each product, which first determines the product's selling price by calculating the production cost required. Based on the description of the previous cost details, the total production costs required by the company per month are as follows:

Table 11: Total Production Cost of Nike Tore

Description	Total
Nike Fish	IDR 28.125.000
Wheat Flour	IDR 3.251.250
Coconut Oil	IDR 4.680.000
Salt	IDR 690.000
Sugar	IDR 335.250
Pepper	IDR 3.750.000
Garlic	IDR 2.400.000
Red Onion	IDR 2.160.000
Total Direct Raw Material Cost	IDR 45.391.500
Direct Labor Costs	IDR 7.500.000
Total Direct Labor Cost	IDR 7.500.000
Packaging	IDR 13.650.000
Water	IDR 197.368
Electricity	IDR 394.737
Gas	IDR 1.350.000
Total Factory Overhead Cost	IDR 15.592.105
Total	IDR 68.483.605

Source: Processed Data (2023)

Table 11 shows that the total production cost required by the company for Nike Tore in a month is IDR 68,483,605 to produce 3,900 pouches of packaging based on total production from the research results. Then, the production costs incurred by the company for each product packaging are as follows:

$$\begin{aligned}
 \text{Cost per Nike Tore product} &= \frac{\text{Total Cost of Production of Nike Tore}}{\text{Total Nike Tore Production}} \\
 &= \frac{\text{IDR } 68.483.605}{3.900 \text{ pouch}}
 \end{aligned}$$

$$\text{Cost per Nike Tore product} = \text{IDR } 17.560$$

Table 12: Total Production Cost of Roa Tore

Description	Total
Roa Fish	IDR 5.940.000
Wheat Flour	IDR 612.000
Coconut Oil	IDR 702.000
Salt	IDR 69.000
Sugar	IDR 44.700
Pepper	IDR 330.000
Garlic	IDR 240.000
Red Onion	IDR 216.000
Total Direct Raw Material Cost	IDR 8.153.700
Direct Labor Costs	IDR 1.500.000

Total Direct Labor Cost	IDR	1.500.000
Packaging	IDR	2.205.000
Water	IDR	39.474
Electricity	IDR	78.947
Gas	IDR	270.000
Total Factory Overhead Cost	IDR	2.593.421
Total	IDR	12.247.121

Source: Processed Data (2023)

Table 12 shows that the total production cost required by the company for Roa Tore in a month is IDR 12,247,121 to produce 630 pouches of packaging based on the total production from the research results. Then, the production costs incurred by the company for each product packaging are as follows:

$$\begin{aligned}
 \text{Cost per Roa Tore product} &= \frac{\text{Total Production Cost of Roa Tore}}{\text{Total Production of Roa Tore}} \\
 &= \frac{\text{IDR } 12.247.121}{630 \text{ pouches}}
 \end{aligned}$$

Cost per Roa Tore product = IDR 19.440

Table 13: Total Production Cost of Skipjack Tore

Description		Total
Skipjack Fish	IDR	2.125.000
Wheat Flour	IDR	216.750
Coconut Oil	IDR	585.000
Salt	IDR	46.000
Sugar	IDR	22.350
Pepper	IDR	250.000
Garlic	IDR	160.000
Red Onion	IDR	144.000
Total Direct Raw Material Cost	IDR	3.549.100
Direct Labor Costs	IDR	500.000
Total Direct Labor Cost	IDR	500.000
Packaging	IDR	910.000
Water	IDR	13.158
Electricity	IDR	26.316
Gas	IDR	90.000
Total Factory Overhead Cost	IDR	1.039.474
Total	IDR	5.088.574

Source: Processed Data (2023)

Table 13 shows the total production cost required by the company for Cakalang Tore in a month, which is IDR 5,088,574, to produce 260 pouches of packaging based on the total production

from the research results. Then, the production costs incurred by the company for each product packaging are as follows:

$$\begin{aligned} \text{Cost per product of skipjack tote} &= \frac{\text{Total Production Cost of skipjack tote}}{\text{Total production of skipjack tote}} \\ &= \frac{\text{IDR } 5.088.574}{260 \text{ pouches}} \end{aligned}$$

$$\text{Cost per product of Skipjack Tote} = \text{IDR } 19.571$$

Based on the results of interviews conducted by researchers, the following is an income statement that CV can use. Tiga Putra Perkasa:

Table 14. Income Statement Before the Application of Target Costing

CV. Tiga Putra Perkasa		
Income Statement		
As of May 31, 2023		
Sales	IDR	140.790.000
HPP	(IDR	85.819.300)
Promotion Cost	(IDR	500.000)
Shipping Cost	(IDR	780.000)
Other Costs	(IDR	1.000.000)
Net Profit	IDR	52.690.700

Source: Processed Data (2023)

Table 14 shows that in May 2023, the company earned a profit of IDR 52,690,700 or 37.4%, with the percentage calculation as follows:

$$\begin{aligned} \text{Net profit} \times 100\% &= \frac{\text{IDR } 52.690.700 \times 100\%}{\text{Sales}} \\ &= \frac{\text{IDR } 140.790.000}{\text{IDR } 140.790.000} \\ &= 37,4\% \end{aligned}$$

Application of Target Costing. Target costing can be applied to companies to reduce production costs and increase profits at the desired target. The steps that researchers take in implementing target costing are as follows:

1. Conduct market price analysis to determine competitive selling prices,
2. Determine the company's desired profit,
3. Determine production cost targets,
4. Perform product value engineering

Profit Target. The next stage in applying target costing is to set the profit target that the company wants from the product. When viewed from the previously calculated income statement, the company wants to increase profits to more than 40% from the original 37.4%. So, the researcher provides a solution to increase company profits by using the target costing method as an alternative. The following is the calculation of the company's desired profit target:

$$\text{Target Profit per Product} = \text{Selling Price} \times 40\%$$

$$\begin{aligned} \text{Target Profit} &= \text{IDR } 30.000 \times 40\% \\ \text{Target Profit per Product} &= \text{IDR } 12.000 \end{aligned}$$

Table 15. Comparison of Nike Tore Costs Before and After Target Costing Implementation

Description	Amount Before Target Costing	Amount After Target Costing
Nike Fish	IDR 28.125.000	IDR 28.125.000
Wheat Flour	IDR 3.251.250	IDR 2.907.000
Cooking Oil	IDR 4.680.000	IDR 3.660.000
Salt	IDR 690.000	IDR 648.000
Sugar	IDR 335.250	IDR 315.000
Pepper	IDR 3.750.000	IDR 3.750.000
Garlic	IDR 2.400.000	IDR 2.400.000
Red Onion	IDR 2.160.000	IDR 2.160.000
Total Direct Raw Material Cost	IDR 45.391.500	IDR 43.965.000
Direct Labor Costs	IDR 7.500.000	IDR 7.500.000
Total Direct Labor Cost	IDR 7.500.000	IDR 7.500.000
Packaging	IDR 13.650.000	IDR 9.360.000
Water	IDR 197.368	IDR 197.368
Electricity	IDR 394.737	IDR 394.737
Gas	IDR 1.350.000	IDR 1.350.000
Total Factory Overhead Cost	IDR 15.592.105	IDR 11.302.105
Total	IDR 68.483.605	IDR 62.767.105
Total Production	<i>3.900 pouch</i>	
COGS per Unit	IDR 17.560	IDR 16.094

Source: Processed Data (2023)

Table 15 shows the total cost of Nike Tore before and after implementing target costing. There was a reduction in the cost of production costs of IDR 5,716,500. For direct labor costs, there was no change because the researcher had determined after discussing with the company that the costs that could be value-engineered were only for some raw material costs and packaging costs. The cost of goods produced per unit can be reduced from IDR 17,560 to IDR 16,094, which meets the specified cost target of IDR 18,000.

Table 16. Comparison of Roa Tore Costs Before and After Target Costing Implementation

Description	Amount Before Target Costing	Amount After Target Costing
Roa Fish	IDR 5.940.000	IDR 5.940.000
Wheat Flour	IDR 612.000	IDR 547.200
Cooking Oil	IDR 702.000	IDR 549.000
Salt	IDR 69.000	IDR 64.800
Sugar	IDR 44.700	IDR 42.000

Pepper	IDR	330.000	IDR	330.000
Garlic	IDR	240.000	IDR	240.000
Red Onion	IDR	216.000	IDR	216.000
Total Direct Raw Material Cost	IDR	8.153.700	IDR	7.929.000
Direct Labor Costs	IDR	1.500.000	IDR	1.500.000
Direct Labor Costs	IDR	1.500.000	IDR	1.500.000
Packaging	IDR	2.205.000	IDR	1.512.000
Water	IDR	39.474	IDR	39.474
Electricity	IDR	78.947	IDR	78.947
Gas	IDR	270.000	IDR	270.000
Total Factory Overhead Cost	IDR	2.593.421	IDR	1.900.421
Total	IDR	12.247.121	IDR	11.329.421
Total Production		630 pouches		630 pouches
COGS per Unit	IDR	19.440	IDR	17.983

Source: Processed Data (2023)

Table 16 shows the total cost of Roa Tore before and after the implementation of target costing. There was a reduction in the cost of production costs of IDR 917,700. For direct labor costs, there was no change because the researcher had determined after discussing with the company that the costs that could be value-engineered were only for some raw material costs and packaging costs. The cost of goods produced per unit can be reduced from IDR 19,440 to IDR 17,983, which meets the specified cost target of IDR 18,000.

Table 17. Comparison of Tore Skipjack Costs Before and After the Application of Target Costing

Description		Amount Before Target Costing	Amount After Target Costing
Skipjack Fish	IDR	2.125.000	IDR 2.125.000
Wheat Flour	IDR	216.750	IDR 193.800
Cooking Oil	IDR	585.000	IDR 457.500
Salt	IDR	46.000	IDR 43.200
Sugar	IDR	22.350	IDR 21.000
Pepper	IDR	250.000	IDR 250.000
Garlic	IDR	160.000	IDR 160.000
Red Onion	IDR	144.000	IDR 144.000
Total Direct Raw Material Cost	IDR	3.549.100	IDR 3.394.500
Direct Labor Costs	IDR	500.000	IDR 500.000
Total Direct Labor Cost	IDR	500.000	IDR 500.000
Packaging	IDR	910.000	IDR 624.000
Water	IDR	13.158	IDR 13.158
Electricity	IDR	26.316	IDR 26.316
Gas	IDR	90.000	IDR 90.000
Total Factory Overhead Cost	IDR	1.039.474	IDR 753.474

Total	IDR 5.088.574	IDR 4.647.974
Total Production	260 pouches	260 pouches
COGS per Unit	IDR 19.571	IDR 17.877

Source: Processed Data (2023)

Table 17 shows the total cost of Cakalang Tore before and after implementing target costing. There was a reduction in production cost of IDR 440,600. After discussions with the company, direct labor costs have stayed the same because researchers have determined that the costs that can be value-engineered are only for some raw material costs and packaging costs. The cost of goods produced per unit can be reduced from IDR 19,571 to IDR 17,877, which meets the specified target cost of IDR 18,000.

Table 18. Comparison of Income Statement Before and After Implementation of Target Costing

CV. Tiga Putra Perkasa			
Income Statement			
As of May 31, 2023			
		Before TC	After TC
Sales	IDR 140.790.000	IDR 140.790.000	
HPP	(IDR 85.819.300)	(IDR 78.362.600)	
Promotion Cost	(IDR 500.000)	(IDR 500.000)	
Shipping Cost	(IDR 780.000)	(IDR 780.000)	
Other Costs	(IDR 1.000.000)	(IDR 1.000.000)	
Net Profit	IDR 52.690.700	IDR 60.147.400	
Profit Percentage	37,4%		42,7%

Source: Processed Data (2023)

Table 18 shows the company's income statement before and after implementing target costing. In addition to having an impact by reducing production costs from IDR 85,819,300 to IDR 78,362,600 or a reduction of IDR 7,456,700, the application of target costing carried out with value engineering also has an impact by increasing profits from IDR 52,690,700 to IDR 60,147,400. The percentage of profit obtained after applying target costing also reached the company's desired profit target, which exceeded 40% with the achievement of the desired profit target of CV. Tiga Putra Perkasa explains that the target costing method can be an alternative solution to reduce production costs and increase company profits. However, it is returned to the company's decision to use target costing.

CONCLUSION

This study aims to determine the application of target costing to reduce production costs of superior products and increase company profits. The results showed that the company can use the application of target costing. The company can save production costs of IDR 7,456,700. It also impacts the increase in profits earned by the company from 37.4% before the application of target costing to 42.7%, which shows that the company's expected profit target of more than 40% can be achieved using target costing.

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