

DIFFERENTIAL COST ANALYSIS IN THE DECISION TO MAINTAIN OR DISCONTINUE A PRODUCT. (Case Study at PT. Modern Keramik Jaya in Surabaya)

Nur Halimatus Fatmasari¹, Diana Zuhro², Sutini³, Annisa Rachmawati⁴, Achmad Daeng GS⁵
^{1,2,3,5}Universitas 45 Surabaya

⁴Universitas 17 Agustus 45 Surabaya

Email: jurnaleko45@gmail.com

Info Article

History Article:

Submitted

Revised

Accepted

Keywords:

Differential costs, decision to maintain or discontinue, ceramic trading sector

Abstract

This research focuses on soap dispenser products which experienced a decline in production and sales volume, resulting in declining profits from period to period, with the aim of finding out how the company should make decisions when using differential cost analysis. The research method used is descriptive qualitative, the nature of which is to reveal and discuss problems by explaining, interpreting and describing the conditions and events that occurred when the research was taking place and a conclusion was drawn. The types of data used are primary data and secondary data collected by observation techniques, interviews, online data search methods, documentation, and literature studies. The object used in this study is PT. Modern Keramik Jaya in Surabaya. The study used production data and sales data for September 2017-April 2018. From the results of the data, it can be seen that there is a problem of decreasing production volume and sales of one of the products, resulting in the company experiencing losses from time to time. Therefore, an analysis of which decision is more profitable is to continue the soap dish product or stop it. The company's policy is to make the decision to stop the production of ceramic soap dishes based only on the profit / loss report without any further analysis because in the period September 2017-April 2018 there was a continuous decline in sales. In addition, the company also experienced a loss of Rp.(222,524,000) in the period September-December 2017 and Rp.(143,486,000) in the period January-April 2018. Based on the results of the differential cost analysis in September 2017-April 2018, the company should maintain the production of soap dispensers, this is because there are unavoidable fixed costs that are greater than the loss of contribution margin, so that by maintaining the production of soap dispensers, the company will reduce the losses experienced by the company. To overcome the decline in production, the company should improve the quality of its products or create new designs that can attract more consumers. Meanwhile, to overcome the high production costs, the company should emphasize spending production costs as minimally as possible.

This study aims to analyze the financial performance of PT. Bank Jatim using the common size method based on its financial statements for the period 2023-2024. The research adopts a descriptive quantitative approach with secondary data derived from audited financial reports. The common size method was applied to both the balance sheet and income statement to evaluate changes in the proportion of assets, liabilities, equity, revenues, and expenses relative to their totals.

INTRODUCTION

Background

The primary goal of a company is profit-oriented, where the company expects its profits to increase each period. The goal of increasing profits is to ensure its survival. Increasing company profits will have a positive impact on the prosperity of the company's owners and employees, as well as to meet the company's obligations in running its business. The success or failure of a company is generally determined by the management's ability to foresee future possibilities and opportunities, both short-term and long-term. Therefore, management's task is to plan for the company's future, ensuring that all future possibilities and opportunities are recognized and planned for now.

In the day-to-day running of a company, management often faces various challenges. One such challenge is decision-making. Decisions are made based on various alternatives that will be implemented in the future, both before and after the event occurs. Decisions can involve two or more alternatives. Decision makers need various kinds of information that can help them make decisions.

According to Gordon B. Davis (2013:15), information is data that has been processed into a form that is useful to the recipient and has value for current or future decision-making. This information can come from within or outside the organization. Only differential information should be collected in order to select existing alternatives. This information can increase understanding or reduce the risk of uncertainty regarding the alternatives that might be chosen.

If a manager chooses one alternative among the various alternatives available, he actually faces a risk, because the chosen alternative may not be the best alternative or even the alternative cannot solve the existing problem. To facilitate and support the smoothness of carrying out duties as a manager or company leader, the manager needs cost information that will be presented as a basis and tool in evaluating a decision, as a manager must be able to separate and distinguish which costs are more useful to use. Thus, accounting information must be able to provide data that can help management in distinguishing relevant and irrelevant costs.

According to Sunarto (2010:60), "Differential Costs are the various cost differences among a number of alternative choices that a company can use." Differential costs are various possibilities that can occur and can be used by a company in calculating the costs that will be incurred by the company. Basically, differential costs are costs that require current or future cash outlays that must occur if a project is implemented or expanded beyond its originally determined size.

According to Henry Simamora (2012:218) he stated: "Differential cost analysis is an approach to relevant cost analysis that focuses on different costs in a series of alternatives."

According to Henry Simamora (2012:237): "Differential cost analysis is useful in deciding to reduce selling prices in special short-term decisions" Differential cost analysis is used to determine the increase in revenue, costs, and profits in relation to several possible ways to use fixed facilities or available capacity. In differential cost

analysis, variable costs are very relevant because they are usually avoidable when the project is still in the evaluation stage and are not avoided. Conversely, fixed costs are usually unavoidable under any circumstances, therefore they are not relevant to every decision regarding the relative costs or profitability of various alternatives. However, if fixed costs are forced to increase, for example because of the decision to rent additional space, purchase additional facilities or other causes of extra expenditure then such fixed costs can be classified as differential costs.

According to Mulyadi (2010:11) It is important that a type cost can grouped as cost differential or cost relevant:

1. These costs are future costs. Relevant costs are not costs that the company has incurred in the past or historical costs, but are costs that the company will incur in the future, therefore they are sunk cost.

According to Hilton (2013) sunk Cost is a cost that has occurred and cannot be changed by any decision, either now or in the future, and cannot be grouped as a differential cost.

2. These costs differ across alternatives. Future costs must be costs that differ across alternatives. If the company's future costs don't differ across alternatives, they cannot be classified as relevant costs, for example, depreciation of fixed assets for the next month in which the project will be implemented.

PT. Modern Keramik Jaya is a company engaged in manufacturing and industry that produces various kinds of ceramic products. Such as floor ceramics, jars and soap dishes. Of the three types of products, specifically for soap dish products in the last eight months (September 2017-April 2018) experienced a decline in sales. With the decline in sales, there will be a decline in production, causing the company to be unable to develop because the profits obtained are limited. The decline in sales is due to declining consumer demand. Therefore, PT Modern Keramik Jaya is thinking about various alternatives to be able to develop its business, including continuing the production of soap dishes or vice versa. However, a decision has not been made yet, in making a decision, a manager must pay attention to whether fixed costs can be financed if the production is stopped and vice versa if the manager chooses the alternative of maintaining the product, then he must pay attention to the minimum sales volume that can cover the fixed costs.

According to Rudianto (2013:39), fixed costs are unavoidable under any circumstances, making them irrelevant to any decision regarding the relative costs or profitability of various alternatives. This allows the company to achieve the desired profits and welfare for its employees. Based on the reasons above, this scientific paper has chosen the following title:

"DIFFERENTIAL COST ANALYSIS IN THE DECISION TO MAINTAIN OR DISCONTINUE A PRODUCT AT PT. MODERN KERAMIK JAYA IN SURABAYA"

LITERATURE REVIEW

Theoretical basis

Definition and Purpose of

Management Accounting

According to Halim and Supomo (2012:3) the definition of "Management accounting is an activity that produces financial information for management to make economic decisions in carrying out management functions"

According to Rudianto (2013:9); Management accounting is an accounting system where the information it produces is aimed at internal parties of the organization, such as financial managers, production managers, marketing managers, and so on for the purpose of making internal organizational decisions.

Management accounting is the study of decision-making in a company. Management accounting is also a type of information intended to represent the information generated by processing financial information. Information is a fact, observational data, or something else that adds to knowledge. Humans need information to reduce uncertainty in decision-making. Decision-making always concerns the future, which is inherently uncertain, and always involves selecting an alternative course of action from among many available alternatives.

According to Baldrice (2013:1) Management accounting (management accounting) is the process of identifying, measuring, accumulating, preparing, analyzing, interpreting, and communicating economic events that are used by management for planning, controlling, decision-making, and performance assessment in an organization.

The Management Accounting System has three general objectives, namely:

- a. Provide information used in calculating the cost of services, products, and other objectives desired by management.
- b. Provide information used in planning, controlling, evaluating, and continuous improvement.
- c. Providing information for decision making

Definition and Purpose of Cost

Accounting

According to Firdaus and Wasilah (2012:17) cost accounting is explained as: "Cost accounting is a special field of accounting which is primarily concerned with the accumulation and analysis of costs to determine the cost of the products produced, as well as to assist management in planning, controlling and decision making."

According to Mulyadi (2012), cost accounting is the process of recording, classifying, summarizing and presenting the costs of making and selling service products, in certain ways, as well as interpreting them.

On the other hand, Mulyadi (2010:7) said that cost accounting has three main objectives as follows:

1. Determination of product cost
2. Cost control
3. Special decision making

Understanding Costs

According to Firdaus and Wasilah (2012:22), the definition of costs in the broad sense is: "Costs are expenses or sacrifices to obtain goods or

services that are useful for the future or have benefits beyond one accounting period."

Understanding cost according to Siregar et al (2014:23) namely " costs is sacrifice source economy For get goods or expected services give benefit Now or the future come ".

According to Dunia and Abdullah (2012:22) " cost is productions or value sacrifice for obtain goods or useful service for the time to come or have benefits exceed one period accounting".

Whereas understanding cost according to Mulyadi (2015:8) is " sacrifice" source measured economics in monetary units, which have been happening, is happening happen or possibly will happen for objective certain ".

Cost Classification

Based on the explanation of costs above, costs are classified to provide cost information to serve different managerial needs. According to Siregar (2014:25), the cost classification is as follows:

1. Relationship between costs and products
2. Relationship between costs and activity volume
3. Production cost elements
4. The main function of the company
5. The relationship between costs and basic managerial processes

Differential Cost Concept

Basic Concepts of Differential Accounting

According to Bambang Supomo (2012: 11) the meaning accountancy differential is information accounting that presents information

about estimate income, costs and or different assets If something action certain selected, compared with alternative other actions ".

Accountancy differential is estimate difference assets, income, and/ or cost in alternative action certain compared to with alternative other actions. Information accountancy differential has two elements main points:

1. Is future information come and be different between alternatives faced by the taker decision.
2. Information This required by management for taking decision about election alternative best course of action between available alternatives. Because taking decision always concerning the future, then information relevant accounting is future information come too. Because of the taking decision always concerning election alternative between various available alternatives, then information useful accounting is information different accounting between each alternatives that will chosen.

Draft Information Accountancy Differential

The concept of differential accounting information is accounting information related to the selection of a particular course of action compared to another. In other words, this information is needed by management to make decisions regarding the selection of the best course of action among the available alternatives. As previously stated, one of the primary

functions of management is planning. Within a company, management is faced with making decisions concerning the selection of various course of action. In the decision-making process, management often faces uncertainty. Therefore, management requires relevant and reliable information to reduce the uncertainty faced and enable management to make the right choice.

According to Bambang Supomo (2012: 11), the definition of differential accounting information is information regarding estimates of income, costs and/or assets that differ if a particular action is chosen, compared to other alternative actions.

Understanding Differential Costs

The definition of differential costs according to Bambang Supomo (2012:103) is "Differential costs are costs that are different in one condition, compared to other conditions".

According to Rudianto (2013:39) the definition of differential costs is "Differential costs are the various cost differences between a number of alternative choices that a company can use." Differential costs are various possibilities that can occur and can be used by a company in calculating the costs that the company will incur.

As Future Costs and Different Between Alternatives

According to Rudianto (2013:39) the important criteria for a type of cost to be grouped as a differential cost or relevant cost are:

- a. Cost the is cost the future come

- b. Cost the different between a number of alternative

Differential costs are future costs that are expected to differ or be affected by a decision made between various alternatives. Therefore, these costs are relevant to management's analysis in decision-making.

Differential Costs with Relevant Costs

According to Baldrick (2013: 55) it is " Cost relevant is different future costs between One alternative and alternative other ".

Cost relevant is costs that will be happen Because A decision, whereas cost differential concerning information that will be come and be different between alternatives that will selected and of a nature unique. By Because that, can taken conclusion that term cost differential different its meaning with cost relevant, because term cost relevant is a general term, which is not always relate with taking decision. Meanwhile cost differential always relate with taking decision.

Cost Differential with Cost Variables

According to Kamaruddin (2011:89) "variable costs are total variable costs proportional to changes in volume/capacity, the greater the capacity used, the greater the total variables, and vice versa."

According to Kartika Dewi (2013:30) "variable costs are costs that vary in direct distribution based on changes in activity levels".

From the definition of variables according to the experts above, it can be concluded that variable costs are costs that can change according to the company's production activities.

Differential Costs with Fixed Costs

According to Carter and Usry (2012:68) "fixed costs are costs that do not change in total when business activity increases or decreases."

According to Mulyadi (2012:465) "fixed costs are costs whose total amount remains constant within the range of changes in activity volume, fixed costs or capacity costs are costs to maintain the company's ability to operate at a certain capacity level."

Difference between Full Cost and Differential Cost

The form of differential cost disclosure according to Bambang Supomo (2012:105) is "The difference between full costs and differential costs can be viewed from 3 aspects, namely: nature of costs, data sources, and time perspective".

Still according to Bambang Supomo (2012: 106) the following are the differences between full costs and differential costs which are presented in table form.

Difference Table between Cost Full with Cost Differential

	Cost the total amount charged to the product or object costs, okay direct and No direct.	Differential Cost
Cost Properties	Originate from system accountancy costs, which in general arranged For measurement and reporting cost full routinely.	Different full cost elements under certain conditions.
Data source		There is no specific cost accounting system for collecting differential costs. Only when necessary for alternative selection is differential cost information collected from full cost information and other information.
Time Perspective	Generally related to historical cost information. For some purposes, such as determining normal selling prices, historical cost data is adjusted to reflect future estimates.	Always related with the future come.

Special Decision Making

Decisions taken management covering various type and term time, for example decision in activity routine operations or decisions taken in problems special. Taking

routine decisions in general happened and related with implementation activity operation companies that are regular and routine. Taking decision specifically in general nature No regular time occurrence compared to with

decision operation company in a way periodic, of a nature special and even outside normal.

Retrieval decision special Lots its type, which will discussed in chapter This is taking decision specifically related with:

1. Accept or reject order sale special
2. Subtraction or addition type product or department
3. Make it yourself or buy from outside something component
4. Rent or sell / use Alone facility company
5. Sell or processing more carry on results production.

According to Hansen and Mowen the steps decision-making.

- a. Identification problem
- b. Identification a number of alternative
- c. Identification costs and benefits every alternative if
- d. Calculate total costs and benefits
- e. Assess factors qualitative

Connection Cost Differential with the Election Decision Alternative Maintain or Stop Product

Cost differential is future costs come and be different between alternatives that have benefit For taking decision term short companies that include:

- a. Buy/Make Alone
- b. Selling/Further Processing a Product
- c. Stopping or Continuing Production of Certain Products.

- d. Accepting/Rejecting Special Orders.

Differential costs are accounting information related to the selection of alternatives. Because decision-making always involves selecting between available alternatives, useful accounting information is accounting information that differs between each alternative being chosen.

External environmental factors may result in the emergence of problems faced by a company. These problems include:

1. Decreasing sales volume
2. Decrease in sales of a product as a percentage of total sales
3. Decreasing market share
4. Increase in various costs without being offset by an increase in sales

One of the benefits of using differential costs is choosing alternative activities whether the company will maintain or discontinue a product. By using differential costs, companies can make good, precise decisions that do not require a long time. With the right decision-making, companies will be able to optimize the profits they will earn. Therefore, differential costs can help in making decisions related to maintaining or discontinuing certain products that are experiencing declines.

So with differential costs, costs in the production process can be reduced to maximum savings, so that companies can produce a number of outputs using minimal inputs or produce the most output from available inputs. Products that experience declines are products that may be profitable if they can be truly calculated in terms of production costs, because the product is part of the production

cost aspect. The product concerns the quality and quantity of the product itself. Therefore, the use of differential costs is very necessary to calculate the production costs incurred whether they are balanced with the results or profits that can be obtained. In other words, differential costs can be used to determine whether the production of products that experience declines can benefit the company. The research model or framework is intended to further clarify the essence of the discussion of previous research results and the theoretical basis used in the research, including the relationship between influential variable (Dewi, Rina, Zuhro, Diana, et al. 2024:142-160). the research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question. (Asep Iwa Soemantri, 2020:5). Standard of the company demands regarding the results or output produced are intended to develop the company. (Istanti, Enny, 2021:560). Time management skills can facilitate the implementation of the work and plans outlined. (Rina Dewi, et al. 2020:14). Saat mengumpulkan sumber data, peneliti mengumpulkan sumber data berupa data mentah. Metode survei adalah metode pengumpulan data primer dengan menggunakan pertanyaan tertulis(Kumala Dewi, Indri et al, 2022: 29). The Research model or framework is intended to further clarify the essence of the discussion of previous research result and the theoretical basis in the research, including the relationship between influential variables. (Enny Istanti, et al. 2024: 150). This research will be conducted in three phases: measurement model (external model),

structural model (internal model), and hypothesis testing. (Pramono Budi,et al., 2023 ; 970).

RESEARCH METHODS

Research Scope

The scope of research is a boundary that defines the focus of the research so that it does not stray into other areas. This way, a researcher knows exactly what data to collect and what not to.

The scope of this research is:

1. The subject of the research is PT. Modern Keramik Jaya which operates in the ceramics trading sector.
2. The object of the research is the decision to maintain or discontinue a product based on differential cost analysis in September 2017 - April 2018.

Data Types and Sources

The data used in this research is qualitative and quantitative.

1. Qualitative data, namely data presented in the form of sentences rather than in the form of numbers, which includes qualitative data in this study, namely a general description of the research object, including a general description of PT. Modern Keramik Jaya, namely regarding the brief history of the company, the company's organizational structure.
2. Quantitative data is a type of data in the form of numbers that can be measured or calculated

directly. Based on the source, the data used is classified as primary data and secondary data.

- a). Primary data is data obtained directly in the field by the researcher as the object of the writing. Examples of primary data in this study are the results of interviews with relevant parties in the company, including: the accounting department and the administration department.
- b). Secondary data is data obtained or collected by researchers from all existing sources, meaning the researcher acts second-hand. Examples of secondary data in this study are:
 1. Report on the separation of costs for soap dispenser products.
 2. Comparative profit report if the company stops or continues the soap dispenser product.

Analysis Techniques

To answer the problem formulation that was proposed at the beginning, the steps in the data analysis technique for the problem of maintaining or stopping are as follows:

- a. Recognize and define specific problems.
- b. List and consider various feasible alternative solutions. This step involves

analyzing the differential costs if the company discontinues one of its products and analyzing the differential costs if the company continues the product using the contribution margin approach.

- c. Identify the costs and benefits associated with each feasible alternative.
- d. Calculate the total costs and benefits relevant to each feasible alternative. These include:
 - 1) Adding up the costs associated with each alternative under consideration. Accounting information related to the alternative choice of maintaining or discontinuing a product is collected in tabular form.
 - 2) Identifying costs that do not differ between two alternative choices. In this step, the author determines unavoidable costs and avoidable costs.
 - 3) Eliminate unavoidable costs cost), therefore irrelevant costs are considered.
- e. Compare the results of the differential cost analysis of the two alternatives of continuing or stopping the product.
- f. Deciding to choose the alternative that offers the greatest overall benefit, deciding whether to

maintain or discontinue after calculating all relevant costs and benefits for each alternative. If the soap dispenser's margin segment is positive, the company continues soap dispenser production. Conversely, if the soap dispenser's margin segment is negative, the company discontinues soap dispenser production.

DISCUSSION

Production Process and Production

Results

Production process

Production process is activity for create or add utility something goods or service with use existing factors like power work, machines, materials standards and funds to be more beneficial for need man.

The production process in the company is taking land clay as material base manufacturing ceramics in the material unit standard with use machine walk, then land see sent to machine preparation body, in this unit land see if it is ground, after pass machine preparation body, land clay enter to machine spray dryer, in this unit land see made powder, after become ground powder clay sent to machine press on this unit land see what's already into powder molded use forming press machine, after land clay printed Then sent to glazing and decoration For material base from glaze is clay, feldspar and sand in this unit land see what's already shaped various product ceramics, such as ceramics floor, jar, place soap, ready to be given layer glaze to become white and decorated For

choose the motif to be produced, after product ceramics are given layer glaze and motif are then sent to the kiln unit, in this unit product ceramics are inserted to machine baking to form a shape product ceramics become hard and color still stick strong on the surface product ceramics so that color No fade, after That product ceramics sent to the sorting unit For sorting various type product ceramics that are of quality 1 and fail (reject), then product ceramics sent to warehouse storage.

Production result

The results of ceramic product production which are the final products of the company are as follows:

1. Floor Ceramics
2. Jar
3. Soap dispenser

Production cost

For any company operating in the industrial sector, production costs are crucial, as they are used to manufacture goods that are then sold to consumers. Production costs are all costs incurred by a company to finance the production process of processing raw materials or semi-finished materials into finished products ready for use by consumers. For PT. Modern Keramik Jaya, there are two types of costs:

- a. Variable costs are costs that are directly related to the volume of activity, the size of which is influenced by the volume.
- b. Fixed costs are costs whose total amount does not change with changes in volume.

- c. Activities within a certain range of activity volume changes.

The costs incurred by the company include labor costs, factory overhead costs, and raw material costs.

Problems that occur

According to information through interviews and direct observation at the location at PT. Modern Keramik Jaya Surabaya, its main products are ceramic products, namely floor tiles, vases, and soap dishes. Of these three types of products, specifically soap dishes in the last eight months (September 2017–April 2018) showed a decline. With the decline in production, the company cannot grow because the profits obtained are very limited. Based on this decline in revenue, the company will make a decision to maintain the soap dish product or discontinue it. The problems that cause the decline in ceramic production are:

1. High production costs

2. Weakening market demand

Cost Analysis in Decision Making to Maintain or Discontinue One Type of Product.

In maintaining or discontinuing the soap dispenser product, the author uses differential cost analysis. cost differential intended for observe behavior that occurs between cost fixed cost with cost variable (variable cost) if associated with estimate increase income (earnings). Cost behavior analysis is based on a comparison of fixed costs and variable costs. Fixed costs are further separated into avoidable fixed costs, which are fixed costs that are not paid if production of the Soap Dish is stopped, and unavoidable fixed costs, which are fixed costs that still have to be paid even if production of the Soap Dish is stopped. The following details the separation of production costs for the Soap Dish in the period September - December 2017 & January - April 2018.

Table PT. Modern Keramik Jaya Surabaya Separation of Soap Dish Product Costs September-December 2017.

Type of Fee	September - December 2017				
	Continue			Stop	
	Fixed Costs	Variable Costs	Total cost	Fixed Costs Inevitable	Fixed Costs Avoidable
Raw Material Costs		584,541,000	584,541,000		
Salary and Wages	249,560,000	14,000,000	263,560,000	199,960,000	49,600,000
Electricity and Water Costs	2,440,000	1,542,800	3,982,800	1,800,000	640,000
Administrative costs	12,400,000	18,274,920	30,674,920	7,920,000	4,480,000
Cost of Sales	25,412,000	91,052,000	116,464,000	12,844,000	12,568,000
Amount	289,812,000	709,410,720	999.222.720	222,524,000	67,288,000

Data Source: PT. Modern Keramik Jaya in Surabaya.

From the table of separation of product costs of soap dish in September - December 2017 above, it can be seen that by separating product costs, this analysis shows that by continuing the Soap Dish product, the total cost incurred is Rp.999,222,720, where the total fixed cost is Rp.289,812,000, and the total variable cost is Rp.709,410,720, if the production of the

Soap Dish is stopped, there are unavoidable fixed costs or fixed costs that must be incurred of Rp.222,524,000 and avoidable fixed costs, namely fixed costs that are not incurred of Rp.67,288,000, so the difference in costs that must be incurred if the company continues its product and if the company stops its product is Rp.67,288,000.

Table PT. Modern Keramik Jaya Surabaya Separation of Soap Dish Product Costs January-April 2018.

Type of Fee	January-April 2018				
	Continue			Stop	
	Fixed Costs	Variable Costs	Total cost	Fixed Costs Inevitable	Fixed Costs Avoidable
Raw Material Costs		584,541,000	584,541,000		
Salary and Wages	249,560,000	14,000,000	263,560,000	119,960,000	129,600,000
Electricity and Water Costs	2,130,200	1,222,000	3,352,200	1,530,000	600,200
Administrative costs	13,450,000	15,350,400	28,800,400	8,205,000	5,245,000
Cost of Sales	23,802,000	72,300,000	96,102,000	13,791,000	10,011,000
Amount	288,942,200	687,413,400	976,355,600	143,486,000	145,456,200

Data Source: PT. Modern Keramik Jaya in Surabaya.

From the table of separation of product costs of soap dish in January - April 2018 above, it can be seen that by separating product costs, this analysis shows that by continuing the Soap Dish product, the total cost incurred is IDR 976,355,600, where the total fixed cost is IDR 288,942,200, and the total variable cost is IDR 687,413,400, if stopping the production of Soap Dishes there are unavoidable fixed costs or fixed costs that must be incurred of IDR. 143,486,000, and avoidable fixed costs, namely fixed costs that are not incurred

of IDR. 145,456,200, so the difference in costs that must be incurred if the company continues its product and if the company stops its product is IDR 145,456,200.

The following is an explanation of the types of costs in the table above, namely:

a. Raw material costs

Raw materials here are the basic ingredients in producing ceramic products. Based on their behavior, these costs are included in variable

costs because the amount of these costs fluctuates along with the use of materials. The more production and the larger the shape, the more raw materials used and automatically the costs incurred are higher. However, this holds on to the assumption that raw material prices are relatively stable. So these costs can be avoided, so when making a decision to stop or continue one of the products, these costs are relevant to consider.

b. Labor costs

These fixed labor costs are the salaries or wages that the company must pay in production. However, if the company chooses to stop production (soap dish), then this cost will still have to be paid. This is because even though the company does not produce soap dishes, it still incurs salary costs to pay its staff (employees) and directors, because the production activities of other

products are still ongoing. Meanwhile, if it continues production of soap dishes, there are employees who are given additional responsibilities and burdens for the continuation of soap dish production, so that there must be an additional fixed salary for these employees. This additional cost is relevant to the decision between the two alternative choices of stopping or continuing the soap dish production, because this additional cost differentiates the two alternative choices.

Cost power work of a nature variables Labor costs are costs directly related to production activities. Therefore, the more products produced or the more hours worked, the higher the wages and salaries incurred. Therefore, when making a decision between maintaining or discontinuing a product, labor costs are relevant to consider because these costs differ in the two alternatives, as can be seen in the following table.

Table PT. Modern Keramik Jaya Surabaya Comparison of Employee Costs September-December 2017

Cost	September-December 2017		
	Continue Soap Dispenser Production	Stop Soap Dish Production	Difference
Still	249,560,000	199,960,000	49,600,000
Variables	14,000,000	0	14,000,000
Total	263,560,000	199,960,000	63,600,000

Data Source: PT. Modern Keramik Jaya Surabaya

From the table in September - December 2017 it is known that if the production of soap dish is continued then the employee costs incurred are fixed costs of Rp.249,560,000 and

variable costs of Rp.14,000,000, whereas if the production of soap dish is stopped then the fixed costs incurred are Rp.199,960,000, and variable costs of Rp.0, so there is a difference in fixed

costs incurred of Rp.49,600,000, and variable costs of Rp.14,000,000, so the total difference that occurs is Rp.63,600,000.

Through this process, employees are provided with training and development relevant to their job performance, which is expected to enable them to carry out their work responsibilities as effectively as possible (Abdul Aziz Sholeh et al., 2024:82). Choosing constitutes part of a problem-solving effort as well as part of the decision-making process; therefore, an appropriate purchasing decision is required (Kristiawati Indriana et al., 2019:28). Cooperation among the government, industry, research institutions, and civil society in designing and implementing such efforts is essential, and strong commitment and collaboration among all stakeholders are key to the success of these initiatives (Gazali Salim et al., 2024:63). The SERVQUAL model includes calculating the difference between the values given by customers for each pair of statements related to expectations and perceptions (Diana Zuhro et al., 2024:98). In a competitive business environment, credit marketing strategies play an important role in customer acquisition and retention (Mahjudin et al., 2025:2659–2672). This research approach represents the entire thought process, starting from the broad determination of the subject matter to be studied, in order to achieve optimal results (Sutopo et al., 2021:83–92). Promotion is carried out by providing consumers with knowledge of the company's product quality, thereby attracting consumer interest in using its rental services (Firdaus, Fikri, et al., 2021:76–82). The primary objective of

every regional economic development effort is to increase the number and variety of employment opportunities for the local population. To achieve this objective, local governments and communities must jointly undertake regional development initiatives (Bambang S. Irianto, 2021:1–10). Human resources constitute a resource that plays a vital role within an organization, as human resources utilize other resources to achieve organizational objectives. It is therefore important to manage them effectively and optimally in order to attain those objectives (Aulia, Tresna, et al., 2022:176–197).

Conclusion

1. The company's policy is to make a decision to stop the production of ceramic soap dishes based only on the profit/loss report without any further analysis because in the period of September 2017-April 2018, sales continued to decline. In addition, the company also experienced a loss of Rp.(222,524,000) in the period of September-December 2017 and Rp.(143,486,000) in the period of January-April 2018.
2. Based on the results of the differential cost analysis, the company should maintain the soap dish product compared to stopping production of the soap dish, because:
 - a. For the period of September-December 2017, if the company continues the production of soap dispensers, the company will get a contribution margin of

Rp.152,789,280, while still having to pay fixed costs of Rp.289,812,000. Meanwhile, if the company stops the production of soap dispensers, the company will lose a contribution margin of Rp.152,789,280 and the company also cannot avoid the fixed costs that must still be paid by the company of Rp.222,524,000 with an amount greater than the loss of contribution margin. So the difference in losses borne by the company between the alternatives of stopping or maintaining the soap dispenser product is Rp.67,288,000.

- b. Meanwhile, for the period of January – April 2018, if the company continues the production of soap dish, the company will get a contribution margin of Rp.61,187,500, while still having to pay fixed costs of Rp.288,942,200. Meanwhile, if the company stops the production of soap dish, the company will lose a contribution margin of Rp.61,187,500, and the company also cannot avoid the fixed costs that must still be paid by the company of Rp.143,486,000 with an amount greater than the loss of contribution margin. So the difference in losses borne by the company between the alternatives of stopping or maintaining the

soap dish product is Rp.145,456,200.

From the analysis above in September 2017 - April 2018, the company should maintain the production of soap dishes, this is because there are unavoidable fixed costs that are greater than the loss of contribution margin, so by maintaining the production of soap dishes, the company will reduce the losses experienced by the company. Because if the company chooses to stop the soap dish product, the company will experience greater losses and the company also provides opportunities for other companies to dominate the market and increase the production of soap dishes.

Suggestion

Based on the results of this research, the author has put forward suggestions for consideration by the company, namely:

- a. When deciding whether to maintain or discontinue soap dispenser production, companies should use differential cost analysis correctly. By using differential cost analysis, companies will know which alternative is more profitable: maintaining or discontinuing the soap dispenser product.
- b. To address declining production, companies should improve product quality or create new designs that are more appealing to consumers. This will prevent consumers from switching to other products, allowing companies to compete with other companies.

- c. To overcome high production costs, companies should emphasize minimizing production costs and controlling production costs so that productivity can be increased and defective products can be reduced, so that company losses can also be reduced.
- d. The results of the common size analysis reveal several important trends in PT. Bank Jatim's financial performance between 2018 and 2020.

REFERENCES

- Agus Sartono. (2010). *Manajemen Keuangan Teori Dan Aplikasi*. Cetakan Keempat. Edisi Keempat. BPFE-Yogyakarta: Yogyakarta.
- Alan Jayaatmaja. 2010. *Modul Akuntansi Intermediate*. Edisi 1. Bandung: Universitas Widyatama.
- Aulia, Tresna, et al. 2022. Pengaruh Pemberian Tunkin Terhadap Kesejahteraan Personel Guna Meningkatkan Profesionalisme Di Akademi Angkatan Laut, *SAINTEK: Jurnal Sains Teknologi dan Profesi AAL* Vol. 15 No. 2, Desember 2022, Halaman: 176 - 197.
- Aziz Sholeh, Abdul et. Al. 2024. Kompensasi Terhadap Motivasi Kerja Karyawan pada PT. Insolent Raya di Surabaya, *Journal Of Management and Creative Business* Vol. 2 No. 1 Januari 2024, Halaman: 82 - 96
- Bambang S. Irianto, 2021. Kebijakan Poros Maritim Dan Strategi Ekonom Serta Keamanan Laut, *Jurnal Justiciabelen* Volume 4, No.1, p-ISSN: 2654-3419, e-ISSN: 2654-3311. Halaman: 1-10.
- Baradwan, Zaki. 2012. *Intermediate Accounting*. Edisi 7. Yogyakarta: BPFE.
- Dewi, Rina, Zuhro, Diana, et. al (2024). Service Design Performance Based On Consumer Preferences. *International Journal of Economics and Management Sciences* Vol. 1 No. 3 August 2024, Page 142-160, DOI: <https://doi.org/10.61132/ijems.v1i3.131>.
- Enny Istanti¹), Bramastyo Kusumo²), I. N. (2020). IMPLEMENTASI HARGA, KUALITAS PELAYANAN DAN PEMBELIAN BERULANG PADA PENJUALAN PRODUK GAMIS AFIFATHIN. *Ekonomika* 45, 8(1), 1–10
- Firdaus, Fikri, et al. 2021. Kualitas Produk dan Promosi Dalam Mempengaruhi Keputusan Konsumen Menggunakan Jasa Penyewaan Produk Alat Berat. *Jurnal Akuntansi, Ekonomi dan Manajemen Bisnis* Vol. 1 No. 3 November 2021, Page: 76-82.
- Hanafi dan Abdul Halim. 2013. *Analisis Laporan Keuangan*. Yogyakarta: AMP YKPN.
- Ikatan Akuntansi Indonesia. 2016. *Standar Akuntansi Keuangan Tahun 2016*. Jakarta: Salemba Empat.
- Ikatan Akuntan Indonesia. 2016. *Exposure Draft Pernyataan Standar Akuntansi Keuangan, PSAK No 14*. Diakses dari: <http://www.warsidi.com>, tanggal 21 Februari 2017.
- Istanti Enny et al. 2024. Service Design Performance Based On Consumer Preferences, *International Journal Of Economics and Management Sciences* Vol 1 No. 3 August 2024, Page 142 - 160
- Iwa Soemantri, Asep et al. 2020. Entrepreneurship Orientation Strategy, Market Orientation And Its Effect On

Business Performance In MSMEs. Jurnal EKSPEKTRA Unitomo Vol. IV No. 1, Hal. 1-10.

Kristiawati, et al. 2019. Citra Merek Persepsi Harga dan Nilai Pelanggan Terhadap Keputusan Pembelian Pada Mini Market Indomaret Lontar Surabaya. Jurnal Ilmu Ekonomi dan Manajemen (JMM 17) Vol. 6 No. 2, September 2019, Hal. 27- 36.

Kumala Dewi, Indri et al, 2022 Peningkatan Kinerja UMKM Melalui pengelolaan Keuangan, Jurnal Ekonomi Akuntansi, UNTAG Surabaya, Hal ; 23-36

Mahjudin, et. al. 2025. Analysis of Credit Marketing Strategy, Lending Procedures, and Service Quality on Customer Satisfaction of Rural Banks. Jurnal Ilmiah Manajemen Kesatuan, Vol. 13 No. 4 2025, Page: 2659 - 2672, DOI: 10.37641/jimkes.v13i4.3296.

Perputaran persediaan menurut para ahli.2014. Diakses dari: <http://adaddanuarta.blogspot.co.id>. tanggal: 20 Febuari 2017

Pramono Budi,Istanti Enny, Daengs GS,Achmad, Syafi'i, Bramastyo KN,RM,2023, Impact of Social Media Marketing and Brand Awareness on Purchase Intention in coffe shop culinary in Surabaya, International Journal of Entrepreneurship and Business Decelopment, Volume. 5 Number 6 November 2022, Page. 968 - 977

Jusup Al Haryono. 2004. Dasar-Dasar Akuntansi. Jilid 2 Edisi Ke Enam. Yogyakarta: STIE YKPN.

Kieso,Donald E., J. Weygandt, and T./warfield. 2016. Intermediate Accounting Jilid 1. Edisi keesepulu. Jakarta: Erlangga

Munawir. 2010. Analisis Laporan Keuangan.Yogyakarta: Liberty.

Rina Dewi, et al. 2020. Internal Factor Effects In Forming The Success Of Small Businesses. Jurnal SINERGI UNITOMO, Vol. 10 No. 1, Hal. 13-21

Salim Gazali et al. 2024. Ikan Nomei, Merdeka Belajar Kampus Merdeka, Halaman: 1 - 98

Sitty Zochra Yahya. 2013. Analisis Perhitungan Persediaan Menurut PSAK dan Perpajakan Serta Dampaknya Terhadap Laporan Laba Rugi.studi kasus di PT. Menara Tiga (M3). Jurnal. Gorontalo: Universitas Negeri Gorontalo.

Sutopo, et al. 2021. Peranan Prinsip Konsistensi Dalam Metode Pengakuan Pendapatan Terhadap Laporan Laba Rugi Pada PT. INDO ZINC DIECASTING di Gresik. Jurnal Akuntansi, Ekonomi dan Manajemen Bisnis Vol. 1 No. 3 November 2021, Page: 83-92.

Uma Sekaran. 2006. Metodologi Penelitian Untuk Bisnis. Jakarta: Salemba Empat.

Warren, Reeve, dan Fess. 2014. Pengantar Akuntansi. Edisi Dua Puluh Satu.Jakarta: Salemba Empat

Zuhro Diana et al. 2024. Impact Of Measurement Of Service Quality Using The Servqual Method, Digital Innovation: International Journal of Management Vol. 1 No. 3 July 2024, Page 94-114.