

DETERMINATION OF COST OF PRODUCTION WITH THE FULL COSTING METHOD IN THE PERSPECTIVE OF ISLAMIC ECONOMICS

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Abstract: Trading business is a business whose production and price determination depends on the owner and management, and does not dominate the market where the trading business is located. The formulation of the problem in this study is how to determine the cost of the product in determining the selling price in terms of Islamic economic perspective. The method used in this study is the descriptive method of literature and the application of a simple calculation formula using the excel application which we call the full costing method. In the view of Islamic economics prices can only be regulated if market conditions do not allow for justice for both parties. And there is no arbitrary price increase in a condition that will tyrannize the buyer himself.

INTRODUCTION

The basic principle of trade according to Islam is that there is an element of freedom in conducting exchange transactions, but this activity is still accompanied by the hope of obtaining the pleasure of Allah SWT and prohibiting coercion. Therefore, in order to obtain harmony in the trading system, a moral trade is needed.

Rasulullah SAW clearly has given many examples of this moral trading system. Namely trading that is honest, fair, not detrimental to both parties, such as trading that contains dishonesty, coercion or fraud and hoarding goods at the expense of the interests of many people, intercepting sales on the way to the market, hiding information for greater profits and reducing weight and so on unclean. (Tim Reality, 2008)

In trading we are familiar with the term price, pricing is one of the important aspects of trading activities. Price is very important to note, considering the price determines whether or not a product behaves in trade. Wrong in determining the price will be fatal in the product offered later. Price is the only element in trade that generates profit and income from the sale of goods and services, therefore the price set by the seller must be proportional to the value offered to consumers. (Abu Malik Kamal Bin Assayid Salim, 2007)

Islamic economist, Ibn Taimiyah said that prices are determined by the forces of demand and supply, he said that price fluctuations are not always caused by unfair actions of some people involved in transactions. In the Islamic concept, the meeting between buying and selling must occur voluntarily and willingly, no party feels forced to make a transaction at that price level. For example, sellers do not want to sell their goods except at a higher price, even though consumers or buyers need these goods. (Buhari Alma, 2007)

According to Islamic commercial law, trading or commerce is a profitable business that generates profits, namely excess left after reasonable compensation after the presence of factors of production. So, profit according to Islamic teachings is a reasonable profit in trading and not usury. To get the desired profit, there are many ways that sellers do in an effort to influence consumers to buy the goods they sell and this is very reasonable to do. (Rambat Lupiyoadi dan Hamdani, 2007)

There are still many ordinary people who do not understand what factors must be considered in determining how much profit can be taken in trading. So that a lot happens is the price is determined according to the will of each individual regardless of whether the profits taken from the goods sold are appropriate or not according to Islam. (Rambat Lupiyoadi dan Hamdani, 2007)

Mechanism is a collection of a system that runs something regularly to produce a pattern. (Wiliem J. Stanton, 1987).

While the mechanism in the pricing method there are several methods namely

1. Competitive pricing methods are always applicable in goods markets where there are many producers or sellers.
2. Determine the breakthrough price. This method is used when launching new items, which determines the price at a cheap/low level in the hope of maximizing sales volume.
3. Setting prices based on demand in this way is practiced by service companies.
4. This kind of price leadership applies to oligopoly markets.

5. Selling quality goods at low prices, this method is done to attract customers.
6. Short term high price policy, this method is carried out when new goods are issued and because there is no competition.
7. By setting the price as cheap as possible but still in profitable condition. (Rambat Lupiyoadi, 2006)

Based on this background, it can be seen that the method used in this research is descriptive literature, by collecting library data. in this writing technique uses a descriptive method of primary data and secondary data. thus, the researcher is interested in conducting research with the title "Determination Of Cost Of Production With The Full Costing Method In The Perspective Of Islamic Economics". Based on the introduction above, the author is interested in discussing the problem of how to determine the cost of products using the full costing method in an Islamic economic perspective. Which the purpose of this paper is to find out the comparison of results in determining the cost of goods using the full costing method in an Islamic economic perspective.

THEORETICAL STUDY

A. Price Sense

Price is the value of an item or service as measured by the amount of money spent by the buyer to obtain a number of combinations of goods or services and their services. (Sayid Sabiq, 2006)

According to Sayyid Sabiq, price is what is mutually agreed upon the two parties that interact whether the price is higher, smaller or the same. (Kurniwan Saifullah, 2006)

Even buyers can carry out a reaction that can bring down the good name of the seller, if the price authority does not rest with the business actor but lies with the government's obligations, then setting prices that are not desired by buyers (in this case part of the public) can result in a reaction of rejection by many people or some groups, the rejection reaction can be expressed in various actions that sometimes lead to anarchic or violent actions that violate legal norms. (Adiwarman Karim, 2002)

Buchari Alma said that in economic theory, the notions of price, value and utility are the concepts most related to what is meant by:

- a. Utility is an attribute attached to an item, which allows the item to meet needs (needs), wants (wants) and satisfy consumers (satisfaction).

- b. Value is the value of a product to be exchanged for other products, this value can be seen in barter situations, namely the exchange of goods for goods. Currently, our economy does not practice bartering anymore, but uses money as a measure, which is called price, which is the value of an item expressed in money.

The definition above gives the meaning that a price is an amount of money that is used to assess to get the product or service that consumers need. (Buchari Alma, 2005)

In other words, the set price level affects the turnover of goods sold, the quantity of goods sold affects the costs incurred in relation to the procurement of goods for trading companies and production efficiency for companies. Manufacture. So the price affects the total income and total costs, so that in the end the price affects the operating profit and position of a business or business entity. (Adiwarman Karim, 2002)

Prices are the figures of a formula or an agreement regarding how much it costs. While pricing is how a company transforms the benefits available to consumers into benefits that can be obtained. Pricing differs from what is considered ideal depending on the knowledge of different prices different sources including perception. (Gary Amstrong, 1987)

B. Price Law

The Jumhur Ulama are of the opinion that in principle it is not justified to fix prices because it is tyranny and acts of tyranny are forbidden. They based their argument on the hadith of Anas bin Malik, "During the time of the Prophet Muhammad, the price of goods had skyrocketed. People also said, "O Messenger of Allah, if only you want to fix/stabilize prices"
Prophet Muhammad answered : (Nurul Huda, 2008)

أَقْبَلَ الْإِنْسَانُ بِرُؤْسِهِ لَأَعْلَى اللَّهِ مَا أَقْبَلَ أَنْتَ رِعْسُ رِعْسَلِ رُؤْسِ رُؤْسِ اللَّهِ يَأْتِيهِ اللَّهُ وَاللَّهُ وَمَلَسْنَا إِلَهُهُ
أَرِعْسَلِ أَضْبَاقًا أَطْسَابًا أَرَفْرَا أَوْلَى يَنْرُوجُ نَأُ اللَّهُ يَأْتِيهِ أَيْدِي مَكْنَمِ دَحْمَةٍ مَلْظَمِي يَنْبَلَا
يَفْدَمُ وَأَمَلَالِ

It was narrated from Anas RA, a friend said "O Messenger of Allah the prices of goods. So the Prophet said: Verily, Allah SWT is the One who determines the price, the one who holds, the one who releases, and the

one who gives sustenance. I really hope to meet Allah SWT without any of you charging me with tyranny in blood and wealth

C. Cost Classification

Several groups of specifications are useful in costing a manufacturing company:

1. Production Cost

- a. Raw material costs, in order to produce certain finished products require the cost of purchasing raw materials to be used.
- b. Direct labor costs are costs directly involved in the stages of production paid to workers.
- c. Indirect costs or factory overhead, grouped:
 1. Cost of supporting materials (indirect materials), namely to realize certain products requires additional materials.
 2. The cost of auxiliary labor (indirect labor), which is used in the process of producing an item but is not directly involved in the production stages.
 3. Other production costs are to produce products other than supporting materials require additional costs and additional labor costs. Such as electricity bills, water bills, factory building depreciation and machine depreciation, etc. (Rudianto, 2013)

2. Operating or Non-Production Costs

- a. Selling and marketing costs are all costs sent to consumers that are necessary to process consumer orders and obtain products or services.
- b. Administrative and general expenses, including executive, organizational and administrative costs related to the general management of the organization.(Etty Indriani, 2018)

D. Cost Behavior

Costs can be grouped into the following:

- a. Variable costs are changes in the level of company activity that are in line with costs that will always fluctuate. The cost pool will increase

proportionally if the level of activity increases. There will be no more costs if the level of company activity is stopped. (Rudianto, 2013)

- b. Fixed costs are expenses that do not change in total when the activity changes within the relevant scope. (Etty Indriani, 2018)
- c. Semi-variable costs, namely one type does not all contain variable components because half contain fixed properties. Electricity and telephone costs are examples of semi-variable costs. Half of the electricity and telephone costs are fixed (monthly subscription fee) and half are variable (usage rate). (Rudianto, 2013)

Costs in manufacturing companies are generally grouped as in the following table: (Rudianto, 2013)

Table 2.1
Cost Behavior Group

Fee Type	Behavior Cost	
Production Cost		
1. Raw Material Costs	Variable	
2. Direct Labor Costs	Variable	
3. Overhead Costs	Variable	Fixed
Operating Cost		
1. Marketing Costs	Variable	Fixed
2. Administration and General Costs		Fixed

E. Full Costing Method

1. Understanding Full Costing Method

Purchase or manufacture of products including costs incurred in the cost of goods manufactured. (L.M. Samryan, 2001)

It was explained that the full costing method is the determination of the cost of production of a production activity, where all costs used are written down and included in the cost of production, both variable and fixed.

2. Elements of The Cost Of The Full Costing Method

In a book entitled cost accounting, according to Mulyadi, there is an element of cost in the full costing method:

- a. Raw material costs.
- b. Direct labor costs.
- c. Variable factory overhead costs and d. Fixed factory overhead costs. (Mulyadi, 2014)

.3. The Advantages and Disadvantages of The Full Costing Methods

a. The Advantages

The advantages obtained when using the full costing method are as follows:

1. Very indirectly displays the amount of fixed and variable overhead costs.
2. When the product is not sold can delay overhead costs.
3. To reduce or increase the cost of goods, the imposition of overhead costs on goods that have not been sold can be shifted.

b. The Disadvantages

In the variable cost method, the selling price will be lower than the full costing method. Because the full cost method assumes that consumers are willing to pay whatever they want to buy. The full costing method is suitable for businesses engaged in the manufacture of common people's staples.

4. Differences in Full Costing and Variable Costing Methods

The following are some differences between the full costing method and variable costing:

a. The Calculation Of The Cost Of Production Is Different

The most obvious difference between the two is that the full costing method uses fixed and variable factory overhead loads. Variable costing only includes variable overhead expenses.

b. Financial results on profit and loss

The full costing method of overhead costs when the product has been sold will be reported. Variable costing whether the product is sold or not, for overhead costs the company's total revenue will still be reduced because it is still being reported.

c. Cost per period

In the full costing method, the cost per period is considered as a cost that is not related to manufacturing costs, but company profits must be described. In production period costs according to variable costing are also charged. (Agni Haryanto, 2021)

5. Calculation of Pricing Using the Full Costing Method

a. Calculation of Cost of Production

All costs incurred in processing raw materials into products are the cost of production. (Muyadi, 2007). The purpose of determining the cost of production :

1. Determine the selling price of the product
2. Monitor the realization of production costs
3. Calculating periodic profit and loss (Mulyadi, 2009)

The following is a calculation regarding the full costing method according to Mulyadi in the Cost Accounting book: (Mulyadi, 2009)

Fee Type	Total Costs
Raw Material Costs	Xx
Direct Labor Costs	Xx
Variable Factory Overhead Costs	Xx
Fixed Factory Overhead Costs	<u>Xx+</u>
Product Base Costs	Xx

b. Selling Price Calculation

The price that can cover all costs (production and non-production costs) plus a reasonable profit, generally these costs do not determine the selling price of a product or service is called the selling price. (Mulyadi, 2009). The purpose of setting the selling price is as follows (Rambat dan Hamdani, 2008) :

1. The goal is profit-oriented.
2. Quantity-oriented goals.
3. The aim of stabilizing the selling price.
4. Set prices to prevent order entry and maintain customer loyalty, support resale or avoid government intervention.

The general approach in determining the selling price, according to Krismiaji and Aryani, is interpreted as follows:

Adding the estimated profit (markup) to the cost of goods is called the general approach in determining the selling price. the difference between the base price production and selling price in the form of a certain percentage of the cost of the product is called markup, because the markup percentage is determined by the selling price, this approach is called cost plus pricing. Here's how to calculate with markup: (Tri Elia Ningsih, 2018)

The principle of the selling price, according to Mulyadi, is as follows: (Tri Elia Ningsih, 2018)

F. Islamic Economics

1. Understanding of Islamic Economics

Islamic economics in Arabic is Al-iqtishad Al-Islami. Al-iqtishad in language means Al-qashdu, namely middle and justice. The application of Shari'a in economic activity is the essence of Islamic economics. This definition is very accurate for use in describing the problems of economic activity in the center of society. For example, people's consumption attitudes are shaded by Islamic teachings, fiscal and monetary policies related to zakat, credit systems

and investments related to the prohibition of usury. (Dr. Rozalinda, M.Ag, 2015)

2. The Scope of Islamic Economics

The scope of Islamic economics is Muslim people and Muslim countries, seen from the ethical design of Islamic welfare to the administration of scarcity of human resources. Islamic economics is not only about the origin of welfare supplies, but also about non-supply things that comply with what Islam prohibits regarding consumption and production. (Abdul Rahmat, 2021)

3. Principles of Islamic Economics

The following will describe the principles of Islamic economics as follows:

- a. Tauhid, believes that everything on this earth belongs to Allah SWT, so that all human activities including their economic activities are noticed by Allah SWT and will be accounted for before Allah in the afterlife.
- b. Morally, the form of practicing the main qualities of the prophets and messengers in all economic activities, namely shidiq (correct), tabliq (transmitting truth), amanah (trustworthiness), and fathanah (reasoning).
- c. Balance is a basic value influencing all aspects of Muslim economic behavior. Balance in the economy is manifested in simplicity, thrifty, free from trash and immorality.
- d. Individual freedom and economic freedom are the main pillars of the Islamic economic structure, because everyone's economic freedom will form a market mechanism in a just economy.
- e. Justice, the application of the principle of justice in all economic activities can be seen:
 1. In the field of production it is forbidden to make other people's mistakes or use unfair regulations to obtain wealth, but Islam legalizes fair and honest procedures in obtaining assets.
 2. In the field of consumption, to fulfill simple necessities of life, such as reasonable and legal needs to use assets certified by Islam in a rational manner. (Dr. Rozalinda, M.Ag, 2015)

4. Islamic Economic Goals

The goal of Islamic economics is to provide mashlahah (income) to humans. Namely carrying out all activities through efforts to realize things that are beneficial to mankind, or through activities that can directly realize their own benefits. Another benefit activity is avoiding anything that could harm the underworld for mankind. (Ika Yunia Fauzia, 2014)

5. Sources of Islamic Economic Law

The following are sources of Islamic economic law . (Ika Yunia Fauzia, 2014) :

- a. Al-Quran is a book written in a mushaf revealed by Allah to the Prophet Muhammad SAW through the intermediary of the angel Gabriel and the Prophet Muhammad conveyed it to humans in a mutawatir way.
- b. Sunnah are the sayings, deeds, and decrees of the Prophet.
- c. Ijma is a syar'i law regarding the agreement of the mujtahidin on an event or case among Muslims after the death of Rasulullah SAW.
- d. Qiyas is connecting a study that does not have a text to other events that have a text, in the law that has been determined by the text.

G. Full Costing in the Perspective of Islamic Economics

1. Cost in Islam

In Islam, costing is carried out for activities without gharar, that is, there must be clarity in each activity. Examples of activities that contain gharar such as betting or gambling where the amount and size cannot be ascertained. (Ni'ma Khoirunnisa, 2019)

2. Costing System

In Islamic Accounting, the capital used in doing business may be obtained from debt from both bank and non-bank institutions on the grounds that the debt does not contain elements of usury. (Ni'ma Khoirunnisa, 2019)

3. Unrecognized Expenses

The following expenditures cannot be considered as expenses in Islamic Accounting: (Ni'ma Khoirunnisa, 2019)

- a. Purchasing together is illegal, for example a company buying alcohol for a purpose. Expenses used to obtain alcohol cannot be counted as costs but are counted as losses by Islam forbid the use of alcohol even if not for drinking.
- b. Insurance, hai'ahKibaril Ulama (MajeIis Ulama Besar) and Majma'Al-FiqhAl-Islami (International Fiqh Council) stipulate that all types of insurance that operate regarding forms of trade, be it life insurance, goods, etc., are forbidden because they contain elements of loans or gambling.
- c. Cost of Bribery, Risywah (Bribery), Islam strictly prohibits bribery. Rasulullah SAW cursed people who gave bribes or bribes
- d. people who take bribes. Considered as a loss so that the expenses used cannot be recognized as expenses.

- e. Infaq, Alms and Waqf, are not considered as costs of all that we give to others whether it is in the form of money or not money.
- f. Deposits of bank interest, cannot be counted in the form of costs but in the form of losses, it is clear that bank interest is classified as usury, which is forbidden.
- g. Zakat, the poor and other groups are entitled to receive zakat from the assets we have so that the payment of zakat cannot be considered as an expense

4. Activities that are prohibited by Islamic Law

Islam has rules/obligations that must be met, not all expenses in business activities are listed as business expenses. If in business activities there is a failure in the production of goods, then these expenses should not be included as costs but as losses. (Ni'ma Khoirunnisa, 2019)

5. Fair Pricing and Profit in the Perspective of Islamic Economics

Fair for traders in the view of Ibn Tamiyah, means traders are not forced to sell their wares beyond their low profit limit.(Adiwarman Azwar Karim, 2002)

As a result of the interaction between the forces of demand and supply that occurs naturally, Ibnu Tamiyah reminds buyers not to refuse a fair price. .(Adiwarman Azwar Karim, 2002)

RESEARCH METHOD

The research method used is to use the descriptive method of literature. Experiments on processing library data in the Full Costing method with experiments using simple application methods with Microsoft Excel media which are designed from several formulas in them.

The following is an example of the method of using the application: An example of using a simulation of a Micro Small Business and the following example is entered in the application formula directly to the HPP, then you will immediately get the selling price plan along with the profits.

- 1 Nama Brand XXX
- 2 Owner :FADHIL

No	Menu	HPP Produk	Rencana Harga Jual	Keuntungan
1	Ice cream	Rp 4.305	Rp 8.000	Rp 3.695
2	Burger	Rp 8.000	Rp 13.000	Rp 5.000
3	Ayam Spicy			Rp -
4	diisi aja			Rp -
5	diisi aja			Rp -

6 diisi aja

Rp

-

Notes :

Profit = Hpp-Selling Price

DISSCUSSION AND RESEARCH RESULTS

So from the simulation above, the business can also be predicted regarding sales targets and monthly profits

No	Nama Akun			Diisi aja	Diisi aja	Diisi aja	
1	Menu	Ice cream	burger				Total
2	Target Perhari	21	25				
3	Harga Jual	8000	13000				
4	Jumlah Hari						
4	Jualan	25	25				
	HPP (1bulan)	Rp 2.260.125	Rp 5.000.000	Rp -	Rp -	Rp -	Rp -
5	Omset 1 Bulan	Rp 4.200.000	Rp 8.125.000	Rp -	Rp -	Rp -	Rp -
	Total Omset						12325000
6	profit kotor	Rp 1.939.875	Rp 3.125.000	Rp -	Rp -	Rp -	Rp -
	Total Profit kotor						Rp 5.064.875
7	Fixed + Variabel Cost	Rp 2.930.000					
	Total fix + Variabel cost						Rp 2.930.000
8	Profit bersih	Rp 2.134.875					

CONCLUSION

From the whole material or idea, the writer can conclude:

1. Calculation of pricing using the full costing method in determining the Cost of Products, namely calculating the overall costs in the product

manufacturing process, transportation costs and general administrative costs.

2. Pricing in the perspective of Islamic Economics using the full costing method or using the company method is appropriate in the perspective of Islamic Economics, because the profits obtained are balanced without reducing the seller's normal profits.

SUGGESTION

The determination of the cost of the product should involve all costs in the process of making the product, it must be known by every business trader, whether he or she has an Islamic economic perspective, because the Full Costing method for determining HPP is in accordance with the perspective of Islamic Economics.

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