

DECISION OF PT. S TO CONTINUE OR DISCONTINUE A SEGMENT OF CERTAIN PRODUCTS USING RELEVANT COST ANALYSIS

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ABSTRACT

PT. S is a company engaged in the fields of air conditioning service and general contractors in Surabaya. PT. S currently has four business segments, which became the supporting pillars of the company, among others: the individual services, the company services, spare parts sales service to individual, and spare parts sales service to companies. Efficiency is the key to be able to compete with other companies, so that author in this study using analysis of relevant costs combined with non-financial aspects (qualitative).

This research approach using qualitative methods. Interviews and the documentation is data collection techniques performed by the author, and the data validation technique used is member check. The results of the study data is based on analysis of the relevant costs, indicates that one business segment or individual services suffered a loss of Rp. 28.239.500,- but when the results of analysis of the relevant costs is combined with non-financial aspects (qualitative), it is known that the first business segment is a marketing tool used by PT. S to get customers in other segments, so that if the first business segment discontinued, it will affect the other business segments and increased promotional costs in other segment.

Based on these results suggested (1) PT. S update the fee structure so that the determination of the selling price and profit of each business segment is measured. (2) PT. S opened up opportunities to cooperate with other air conditioning companies, to expand the network of existing services.

Keywords: relevant costs, qualitative, cost structure, air conditioning service.

INTRODUCTION

According to a meteorology organization data in 2016, Surabaya has experienced an increase in temperature every year, for example in 2012 the average temperature in Surabaya reaches 28 degrees Celsius, and in 2016 the average temperature in Surabaya get to 31 degrees Celsius. With the increasingly hot city of Surabaya, it encourage AC (Air Conditioning) service business owners to think creatively and efficiently to win the competition on this business. Every AC service business owner strives to be the best by providing better service compared to other AC service companies, they are able to offer cheaper rates, 24-hour service, to after-sales service.

Related to the description, the authors conduct research on PT. S, which is a company engaged in the field of air conditioning services and general contractors with a range of areas in Surabaya and Sidoarjo by way of calculating the relevant costs to several sub areas in PT. S. Starting from the evaluated financial statements of the year 2015, PT. S experienced a period of stagnation, and turnover of this company from July 2015 to June 2016 did not experience a significant improvement. When the turnover did not increase, but the quality of service should continue to be improved then the efficiency should be applied, which is the efficiency in the use of materials such as freon, copper pipes, and other materials, so that these efficiency results can be diverted to improve the quality of services such as providing air freshener to the customer.

Customer of PT. S mapped into 4 products, Product 1 is an individual with air conditioning service type, including minor air conditioning improvements such as washing the air conditioner, repair the remote air conditioner. Product 2 is a company with air conditioning service type. Product 3 is an individual with *spare parts* sales services type, includes replacement-replacement tools or items contained in the AC as copper pipe replacement, replacement of the compressor, the addition of Freon. Product 4 is a company with *spare parts* sales service type.

In this study the authors will analyze by using qualitative methods using relevant costs analysis. Relevant cost is useful to see the potential of the 4 customer products, once it is known the potential of the 4 customer products it will be analyzed by using quantitative methods to determine the factors that affect the success of each product, so that PT. S may decide to continue or discontinue certain products. In this study the authors will conduct research using quantitative methods.

LITERATURE REVIEW

Previous research

Tumbol (2014) conducted a cost analysis research relevant to the purpose to determine the most appropriate decision that can be taken by management in making decisions to buy or make your own meatballs using differential accounting information analysis. In this study, the relevant cost calculation was done to compare the costs incurred if Bakso Pasuruan decided to make the meatballs independently and the costs incurred if Bakso Pasuruan decided to buy meatballs to the supplier. At the end of research Bakso Pasuruan decided to make their own meatballs.

Cost

Simamora (2012: 36), states that the cost is cash or cash equivalent value sacrificed for goods and services expected to benefit the present or the future for the organization. The cost accounting system is to accumulate costs by various natural classifications such as raw materials or wages and classify costs to targeted costs.

Relevan Cost

According to Horngren and Foster (2008: 446), relevant costs are predicted future costs, while relevant revenues are future earnings which are expected to be different that comes from alternative actions being considered by a manager. Hansen and Mowen (2009: 70), argue that relevant costs are different future costs on each alternative. All decisions relate to the future so that only future costs can be relevant to the decision.

Cost-relevant applications in making decisions

Hansen and Mowen (2009: 76), stated that the relevant cost applications in decision-making are:

a. Decision to make or buy

The purpose of this decision is to optimize the production resources and financial of the company. Decision-making is often associated with the use of equipment that has not been maximized, empty space, even unemployed labor.

b. Opportunity cost

The decision to choose one alternative and implement it will make the benefits of other alternatives disappear. The benefits are lost because they do not chosen other alternatives called opportunity costs. William (2009: 323), states the opportunity cost is the measured value of the best sacrificed alternative, the negligible value of being ignored because it rejects the best use of the resource.

c. Sepecial order decision

The decision to accept a special order or refuse a special order is strongly influenced by the condition of the company's production capacity. If it operates at full capacity, special ordering will result in a fixed and variable production cost increase, but if the company is still below full capacity, and it is possible to undertake special ordering work, in this case the cost of production is variable, called differential cost.

d. The decision to sell or process further

Manufacturing companies are companies that process raw materials into a product. The production of this manufacturing company can be sold directly to the market or further processed, to add value to the product itself. Management is faced with two choices of selling the product directly to the market or doing further process.

e. The decision continues or discontinues

The manager must decide on a segment or product must be maintained or stopped immediately. The steps taken to make the decision to continue or mengehentikan an existing segment, namely:

1. Collecting internal data companies such as the company's financial statements, then the data is processed and customized for each segment to be studied, after which the data of each segment is processed using relevant cost analysis, so that the figures obtained whether the segment should be continued or discontinued.
2. To strengthen the analysis of the relevant costs interviews should be conducted on the parties concerned, the analysis on each segment will be compared with results of the calculation relevant cost analysis.
3. After comparing the results of the interview with the relevant cost analysis, can be taken the decision to discontinue or continue a particular product segment.

RESEARCH METHODS

The approach used in this research is qualitative applied research with case study strategy. Qualitative methods conducted in this study using interpretive approach, because the use of data that will interpreted for decision making to continue or discontinue a segment in PT. S. According Sugiyono (2014) qualitative research method is also called as an interpretive method, because the results of the resulting data with respect to the results of interpretation.

The method used to validate data obtained from PT. S is member check. If the data found has been agreed by the data giver, it can be concluded that the data is valid, but if the data found by researchers in various interpretations not agreed by the data giver, then the researcher needs to conduct discussion with the data giver. (Sugiyono, 2012).

The sampling method used in this research is purposive sample, using data from internal sources and interviews to company owners and financial officer of PT. S. Internal data of the company taken and processed by using the relevant cost analysis. Respondent in this interview is owner of PT. S. Researcher chose the owner of PT. S to be interviewed because the decisions and policies are taken directly by the owner of PT. S, meanwhile to validate each statement from the owner of the company, the researcher interviewed the financial officer of PT. S.

Data collection techniques conducted in this study are:

1. Interview

Interview techniques used in this study is unstructured interviews, where researchers conducted interviews by not using guidelines that are structured with a systematic. The interview guide used is only used as a guide on the outline of the problem under study.

2. Documentation

According Herdiansyah (2010), documentation is one method of collecting qualitative data by viewing or analyzing documents made by the subject itself or others about the subject. This method involves the collection of internal company data including the company's financial statements such as balance sheet, income statement, capital change report, cash flow statement, and notes.

Data Analysis

Data analysis conducted at PT. S is as follows:

1. Conducting data collection through interviews and research documentation. Documentation collected in the form of financial data, which will be processed into product segments in the PT. S. The interview process is done to the owner of the company, because the decision and the policy in PT. S still depends on the owner in PT. S.
2. Data documentation in the form of financial data gathered are then made the cost structure required by each - each segment and continued using cost analysis is relevant, then the financial data analysis results with relevant costs will be merged or combined with data from interviews to take a decision to stop or continue the production segment Which is in PT. S and factors - factors that cause the segment to be stopped or resumed.
3. Make a decision whether PT. S must continue or discontinue a specific product segment.
4. Draw a conclusion.

RESULT AND DISCUSSION

PT. S has 4 types of business services that become pillars of income from PT. S, which are interrelated between one type of business with another type of business. This type of business is formed from a combination of the type of consumer that individual consumers and consumer companies, and the type of business that is service-sales services and *spare parts* sales service. The following 4 types of business segments in PT. S:

	<u>Individuals</u>	<u>Company</u>
<u>Service</u>	1st Product	2nd Product
<u>Sales</u>	Segment	Segment
<u>Spare part</u>	3rd Product	4th Product
<u>Sales</u>	Segment	Segment
<u>Service</u>		

At the relevant cost simulation conducted by PT. S found that the 1st Product Segment experienced a loss, which resulted in reduced profit margin obtained by PT. S, but the interview result shows that the 1st Product Segment is a means of company to do promotion and become a way for PT.S to get customer in other product segment. So the researcher simulated the relevant cost again, by simulating up to 3 years ahead, with the amount of economic growth 5%. The result is there is a growth in the 1st Product Segment even though the product segment still suffered losses of up to 3 years.

CONCLUSION

The authors conclude, based on cost analysis relevant to the 4 business segments that exist in PT.S, 1st Business Segment is the business segment that suffered losses, and after the simulation in the next 3 years this business segment experienced growth, although still suffered losses. However, if the relevant cost analysis is combined with non-financial aspects (qualitative), 1st Business Segment is a segment that becomes the key to the creation of other business segments, besides PT. S uses 1st Business Segment as a marketing strategy to create existing customers in other business segments, so it can be concluded that PT. S will not stop the 1st Business Segment.

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