

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Villages are government agents who are at the forefront in carrying out development that refers directly to the community. In encouraging infrastructure at the village level, the government gives the village authority to manage its area independently. One of them is through village economic institutions, namely Village Owned Enterprises (BUMDes). The village economic institution is one of the programs run by the village as a means to increase Village Original Income (PADes). BUMDes acts as an instrument to support village autonomy, the intention is to encourage village government as an instrument of community welfare, in encouraging economic progress and reducing levels in the village.

BUMDes is a business entity regulated in accordance with law number 6 of 2014, Article 87 paragraph 1, because its ownership comes from the entire village community concerned. Every BUMDes decision must be in accordance with the village deliberation approval mechanism. The variation of BUMDes is mainly based on the strength of the village itself, such as plantations, trade, savings and loans, and processing. The existence of BUMDes can be a forum for village communities to increase prosperity and the village economy. This research was conducted in Kuala Alam Village, Bengkalis Regency which focuses on the processing of dried lomek products.

Kuala Alam Village is one of the developing villages, in order to overcome poverty and build the community's economy. Because it is deemed necessary to take steps to empower the poor in an integrated manner according to the village's potential. The establishment of the BUMDes Kuala Alam which was formed through a village meeting on November 17<sup>th</sup>, 2015 regarding the establishment of the BUMDes Kuala Alam through Village Regulation No. 3 of 2015 with the aim of being a means to improve the economic standard of the

Kuala Alam village community, in an effort to provide income for PADes, and opening job opportunities for the community.

Bengkalis is one of the regencies in Riau Province, where most of the people work as fishermen. One of the fish caught by the fishing community of Bengkalis Regency is lomek fish, which is one of the superior catch types of traditional fishermen in Bengkalis Regency. This fish turns out to have high protein and low fat, the price of fresh lomek fish is Rp 2000/kg but if it has been dried into fresh dried lomek fish, the price is quite expensive, reaching Rp 120,000/kg. In order for lomek fish to last longer, the processing method that can be done is by drying. The drying they do is very simple, namely by drying the lomek fish on a waring and relying on the heat of the sun.



**Figure 1.1 Dried Lomek Product**  
Source: Documentation, 2021

The dried lomek processing business is one of the business units that will be developed as a source of income by BUMDes Kuala Alam. BUMDes Kuala Alam is also engaged as a broker or distributor of village tourism potential and SMEs in Kuala Alam Village. With this, there will be no competition between BUMDes Kuala Alam and other businesses that have been run by local residents. In addition, BUMDes Kuala Alam also has a village shop which is still being developed and plans to provide visit packages for other BUMDes who want to learn about how to run BUMDes.

Determining the cost of goods accurately and thoroughly is really important. When makes mistakes in determining the cost of production without doing careful and thorough calculations on the cost of raw materials, labor costs, and factory overhead costs, it will affect decisions in determining products selling prices. Determining the incorrect cost of production will result in the company experiencing losses if the price set cannot cover all costs that have been incurred by the company (Septiano, 2018).

Determination of the right selling price is based on the cost of production which is calculated with the expected profit, so that an accurate calculation of the cost of production is not sufficient for determining the selling price of the product, it is necessary to have a calculation based on non-production costs and profits desired by companies that expressed in percentages (Samryn, 2012).

Cost Plus Pricing is the expected price by adding a profit above the full future costs of producing and marketing the product. The advantage of the cost plus pricing method in determining the selling price of products in business is that the pricing method is simple to apply and can assist in determining the selling price of the product. The cost plus pricing method is easy to calculate in determining the selling price, costs, and high probability in order to get more profit. Pricing will guarantee sales by presenting a profit that covers all production costs. For costing it makes it easier for suppliers to increase prices and price fixing can encourage consumers to buy, because the price factor is the main factor in consumer behavior. In determining the selling price of products, BUMDes Kuala Alam still uses the traditional method, because there are some costs that are not taken into account in the calculation of the selling price. This study discusses the calculation of the cost of production and the determination of selling prices according to BUMDes and the cost plus pricing method on dried lomek products. Determination of the selling price according to the cost plus pricing Based on the background and problems, the writer wants to do a research with the title **“The Application of a Cost Plus Pricing Method in Determining the Selling Price of Dried Lomek Products (Case Study at BUMDes Kuala Alam)”**.

## **1.2 Formulation of the Problem**

Based on the above background, the writer will identify the problem as follows:

1. How is the selling price of dried lomek products calculated at BUMDes Kuala Alam?
2. How is the difference calculation the selling price of dried lomek products at BUMDes Kuala Alam and according to cost plus pricing method?

## **1.3 Purpose of the Study**

Based on the formulation of the problem, the author can mention the objectives of this study are:

1. To find out the determination of the selling price of dried lomek products at BUMDes Kuala Alam.
2. To find out the difference calculation the selling price of dried lomek products at BUMDes Kuala Alam and according to cost plus pricing method.

## **1.4 Significant of the Study**

By conducting research, the author can divide the significant of the study into three part as follows:

1. Academy  
To make efforts to develop Accounting Science as a reference for students in conducting studies on the application of the cost plus pricing method in determining the selling price of products.
2. Object  
The results of the study using the cost plus pricing method are expected to improve in determining the selling price which previously used estimates. in order to get the expected profit, and provide positive input to the business in order to increase the calculation of the selling price of dried lomek products.

### 3. Authors

Obtaining findings from research activities, adding knowledge as additional references in conducting similar research, as well as sources of information for SMEs or related organizations.

### 1.5 Scope and Limitation of the Problem

To avoid the deviation of the research discussion from the problems, this study is limited to determination of selling price of dried lomek by using the cost plus pricing method.



## **1.6 Writing Systematic**

The systematics of research writing carried out for research on The Application of a Cost Plus Pricing Method in Determining the Selling Price of Dried Lomek Products (Case Study at BUMDes Kuala Alam) are as follows:

### **CHAPTER I : INTRODUCTION**

The introductory chapter will describe the background of the research, problem formulation, research objectives, benefits, scope and limitations of the problem, as well as writing systematics.

### **CHAPTER II : LITERATURE REVIEW**

This chapter will describe the methods and basic theories that will be used in completing research, both general and specific in nature, consisting of previous research and theoretical foundations.

### **CHAPTER III : METHOD AND ACCOMPLISHMENT PROCESS**

This chapter describes the research implementation method, which consists of the location, time and object of research, types and sources of data, data collection techniques, data analysis methods, types of research, as well as research schedules and budgets.

### **CHAPTER IV : RESULTS AND DISCUSSION**

In this chapter the author will describe the discussion of the results of research analysis that has been carried out by means of observation interviews, as well as other sources.

### **CHAPTER V : CONCLUSION AND SUGGESTION**

In this chapter the author will describe the conclusions obtained from the discussion and suggestions that will be submitted by the author.