

**THE TARGET COSTING APPLICATION METHOD IN PRODUCTION COST PLANNING FOR PROFIT OPTIMIZATION AT CV. RAJA SUTAN INDO**

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**ABSTRACT**

*The printing industry faces increasingly fierce competition, driven by advancements in digital technology and shifting consumer preferences. Companies can no longer rely on conventional business approaches that solely focus on traditional production costs. The instability of raw material prices, rising operational costs, and increasing quality demands necessitate that CV. Raja Sutan Indo develop a more modern and adaptive cost management strategy for market changes. Unlike the common practice where companies develop a product first, calculate its cost, set a selling price, and then market it, target costing employs the opposite approach. This study is a qualitative descriptive case study. The analysis process begins with data collection, followed by processing and simplification to ensure easier comprehension and analysis. The objective of this approach is to provide an accurate description and explanation of the conditions or events being examined. The research findings are as follows: 1. The implementation of the Target Costing method at CV. Raja Sutan Indo can serve as a guideline for determining production costs more efficiently. Through the implementation of Target Costing, the company has the potential to reduce costs by up to 47% compared to the total costs incurred before the method was applied. 2. The application of the Target Costing method has proven to have a positive impact on increasing company profit by controlling various costs arising during the production process. Before the implementation of this method, the profit margin for printing products ranged from only 49% to 61%. However, after target costing was implemented, the company successfully achieved its targeted profit level of 70%. The results of this research are also expected to contribute to the development of management accounting science, especially concerning the discussion of the Target Costing method, profit optimization, and production cost efficiency.*

*Keywords: Target Costing, Cost Planning, Profit Optimization, Production Cost*

**ABSTRAK**

Industri percetakan menghadapi persaingan yang semakin ketat, didorong oleh kemajuan teknologi digital dan perubahan preferensi konsumen. Perusahaan tidak dapat lagi mengandalkan pendekatan bisnis konvensional yang hanya berfokus pada biaya produksi tradisional. Ketidakstabilan harga bahan baku, kenaikan biaya operasional, dan meningkatnya tuntutan kualitas mengharuskan CV. Raja Sutan Indo mengembangkan strategi manajemen biaya yang lebih modern dan adaptif terhadap perubahan pasar. Berbeda dengan praktik umum di mana perusahaan mengembangkan produk terlebih dahulu, menghitung biayanya, menetapkan harga jual, dan kemudian memasarkannya, target costing menggunakan pendekatan yang berlawanan. Studi ini merupakan studi kasus deskriptif kualitatif. Proses analisis dimulai dengan pengumpulan data, diikuti dengan pemrosesan dan penyederhanaan untuk memastikan pemahaman dan analisis yang lebih mudah. Tujuan dari pendekatan ini adalah untuk memberikan deskripsi dan penjelasan yang akurat tentang kondisi atau peristiwa yang sedang diperiksa. Hasil penelitian adalah sebagai berikut: 1. Penerapan metode Target Costing pada CV. Raja Sutan Indo dapat dijadikan pedoman dalam menentukan biaya produksi secara lebih efisien. Melalui penerapan Target Costing, perusahaan berpotensi untuk menekan biaya hingga 47% dibandingkan dengan total biaya yang dikeluarkan sebelum metode tersebut diterapkan. 2. Penerapan metode Target Costing

terbukti memberikan dampak positif terhadap peningkatan laba perusahaan dengan mengendalikan berbagai biaya yang timbul selama proses produksi. Sebelum diterapkannya metode ini, margin keuntungan untuk produk percetakan hanya berkisar antara 49% hingga 61%. Namun, setelah diterapkannya target costing, perusahaan berhasil mencapai target laba sebesar 70%. Hasil penelitian ini juga diharapkan dapat memberikan kontribusi bagi pengembangan ilmu akuntansi manajemen, khususnya mengenai pembahasan metode Target Costing, optimalisasi laba, dan efisiensi biaya produksi.

**Kata Kunci:** Target Costing, Perencanaan Biaya, Optimalisasi Keuntungan, Biaya Produksi

## I. INTRODUCTION

The sustainability and development of a company depends heavily on its ability to produce quality products in large quantities. However, achieving optimal production efficiency is not a simple matter because it is influenced by various internal and external aspects, such as human resources, materials, equipment, production techniques, and market conditions. Among these factors, production costs are the most crucial internal element because they are the largest component of a company's expenses. These production costs include expenses for raw materials, direct worker wages, and factory overhead costs. Inaccuracies in the calculation of production costs can lead to overly high cost of goods. Target costing comes as a strategic solution that provides a comprehensive framework to optimize the production process and increase the company's profitability. Data from the last five years shows that the implementation of costing targets has succeeded in substantially lowering production costs and increasing profitability. This method allows companies to determine costs based on targeted market prices, thereby driving innovation in product design and operational efficiency. The use of this concept in CV. Raja Sutan Indo, a printing company, is based on the large influence of the market on pricing. The more effective the implementation of the costing target, the better the efficiency of production costs which has an impact on price competitiveness and maximization of company profits.

In contrast to the common practice where companies develop products first, calculate costs, set selling prices, and then market them, target costing applies the opposite approach. The company first determines the price of the product, then develops a product that can generate profits at that price level. Through this price-driven-costing approach, companies can estimate the costs required based on the current market price minus the desired profit margin.

Although many studies support the effectiveness of this method, there are still obstacles in its application in the printing industry. A number of companies, including CV. Raja Sutan Indo, has not fully adopted the principle of target costing in their cost management system. This is often due to limited understanding and difficulty in adapting existing processes. Therefore, further research is needed to explore effective strategies in implementing costing targets in the printing industry and identify the key factors influencing their successful implementation.

Based on the description of the problem background above, the formulation of the problem in this study is how to apply target costing in production cost planning for profit optimization in CV. Raja Sutan Indo?

To find out how the implementation of target costing can be used as a tool in planning production costs and efforts to optimize the company's profits. CV Raja Sutan Indo.

## II. LITERATURE REVIEW

### Target Costing

Target costing is an idea that can be applied to keep pace with increasing competition and the fact that when supply far exceeds demand, market forces have a stronger impact on price levels. Therefore, target costing is necessary to achieve the company's goals in the context of cost reduction, which will have an impact on the competitiveness of the price level and the company's performance. Companies are required to change their attitude in managing and running their business so that they can develop and be able to compete in the business sector.

Wiguna et al. (2020) explained that target costing is the process of determining the expected cost for a product by considering competitive prices, so that the product can provide the desired profit. This method serves as a tool to ensure that the new product will be profitable when it is launched. There are three main steps in the target costing process. The first step is to determine the desired selling price of the product and the expected profit margin, so that allowable costs can be obtained. The second step is to set an achievable product-level cost target. Meanwhile, the third step is to lower the cost target from the product level to the component level, so that the purchase price of the component can be determined. Target costing is also a philosophy or approach in price and cost management during the product lifecycle. The setting of the costing target is done before the product is created, based on the predicted price of the product and the expected profit by the company

Two important truths regarding spending and marketing have been discovered as a result of target costing (Al-hosban et al., 2021). The first is that most companies are aware of their limited influence on prices. The second is that most of the cost of a product is incurred during the product design stage. This refers to the characterization of the product as a whole using target costing in the practice of target costing (Celayir, 2020; Alduais et al., 2022). The Target costing method is a cost management approach that focuses on cost control from the product design stage to the production stage. This method starts by determining the selling price of the desired product based on market analysis and consumer preferences. Once the selling price is determined, the company then sets a cost target that must be achieved to achieve the desired profit margin. In this process, all cost components, from raw materials, labor, to overhead, are analyzed and optimized to ensure that products can be produced according to preset cost targets (Rahmasania et al., 2022).

#### **Target costing Component**

According to Williams et al. (2021), target costing consists of four main components, which are described as follows:

1. Market planning and analysis
2. Concept development
3. Production design and value engineering
4. Continuous production and improvement

#### **Target costing characteristics**

Park et al. (2020) explained that there are five main characteristics of target costing, namely:

1. In contrast to standard costs that focus on reducing prices during the production stage, target costing seeks to cut production costs applied from the product planning and design stages.
2. Target costing is not just about cost control, but rather emphasizes overall cost planning and reduction.
3. Target costing is more suitable to be applied in industries that produce various products in small quantities, such as industrial equipment, which is characterized by a balanced production process.
4. Target costing is a method used to control the characteristics of design or technology in manufactured products.
5. Target costing relates the company's strategic activities broadly to achieve profit targets under the constraints of existing market conditions.

#### **Target costing factors**

Longdong (2020) explained that the target costing approach is applied due to the following factors:

- a. The company has less control over the set price
- b. Production costs are determined at the completion of the production process

#### **Obstacles to the Implementation of Target Costing**

There are several obstacles in the implementation of target costing, according to Armanto Witjaksono (2019, 183) stating that the obstacles that are often complained about by companies trying to implement target costing include:

- a. Conflicts between groups and between group members
- b. Employees who experience burnout due to the demands of job completion targets.

- c. The target completion time that tries to implement the costing target is forced to be increased.
- d. The difficulty of making adjustments to various factors determines the success of the costing target.

**Cost**

Cost, according to Karen (2022), is a measure of the resources that can be sacrificed, which includes both assets and expenses. If the expense provides future benefits, it will be recorded on the balance sheet as an asset. On the other hand, if it does not provide benefits, the expense will be reported in the income statement as an expense

**Classification of Costs**

In carrying out various business activities, every company requires adequate funding, which is generally referred to as operational costs. The following is a detailed explanation of the classification of costs based on the company's operational activities:

- a. **Production Costs** These costs cover various aspects such as the procurement of raw materials, labor payments, the packaging process, as well as other production components required in the manufacturing process.
- b. **Direct Labor Costs**  
An example is the salary of workers who are in charge of production.
- c. **Indirect Labor Costs**  
This category of costs includes expenses for employees who are not directly involved in the production process, such as marketing staff, personnel, and security personnel.
- d. **Depreciation Costs**  
Depreciation is a cost component that describes the decline in the value of a company's assets over time, due to a reduction in the benefits or quality of the asset.
- e. **Maintenance Costs**  
This includes various aspects such as periodic maintenance of production machines, routine service costs, and maintenance of other supporting facilities.
- f. **Investment Cost**  
Companies need to allocate funds for investment activities aimed at increasing revenue in a certain period.
- g. **Factory Overhead Costs**  
This cost component includes all expenses outside of direct production costs but still has a vital role in the company's operational sustainability. This includes unforeseen costs such as the payment of fines, compensation for damages, or other unplanned expenses that may arise in operational activities.

**Cost Information System**

In the absence of information about costs, management has no benchmark to determine whether the value of the inputs sacrificed is lower than the value of the output produced. As a result, management cannot know whether the business activities carried out generate profits or the rest of the business results that are indispensable for the development and sustainability of the company. In addition, without cost information, management also does not have a solid basis for allocating various economic resources used in the process of creating other resources.

**Cost Control**

Management often requires cost data, both in terms of nature and quantity, before the production process begins or before a sales contract is approved. Cost data collection, such as predetermined production cost estimates, has important purposes, one of which is for cost control. With this information, management can plan and supervise expenses more effectively, so as to ensure that expenses incurred remain within the set limits and do not exceed the planned budget. It also allows management to make more informed decisions in terms of pricing and production strategies, as well as improve the company's operational efficiency.

**Production Costs**

According to Indah (2020), production costs refer to all expenses related to the product, which includes direct and indirect costs. These costs can be identified through the process of processing raw



materials into final products. In general, production costs are divided into three main categories, namely raw material costs, direct labor costs, and overhead costs

### **Types of Production Costs**

Mulyadi (2019) groups production costs into three main categories, namely:

1. Raw Material Cost Raw materials are components used to produce finished goods as a whole and are an integral part of the final product.
2. Labor Costs, Labor includes the expenses incurred by the company, both physically and mentally, to convert raw materials into finished goods. Labor costs are a representation of the value of the business carried out by labor.
3. Factory Overhead Costs  
Factory overhead is an element of the total cost of production that is not included in the cost of raw materials and labor costs. The grouping of factory overhead costs includes:
  - a. Auxiliary Material Costs
  - b. Indirect labor.
  - c. Repair and Maintenance Costs.
  - d. Costs incurred due to the valuation of fixed assets.
  - e. Costs incurred as a result of the passage of time.
  - f. Other plant overhead costs require cash expenditure.

### **Profit**

Profit is the profit or excess income obtained by an organization or company from the initial capital it spends (Istiqomah, 2023). Profit growth is a percentage change in the increase in profit obtained by the company or profit growth is an increase or decrease in profit in a company by comparing the previous year. "Good profit growth can mean that the company has a good financial turnover, which can ultimately increase the company's value because the amount of dividends that will be paid in the future depends on the company's condition at that time" (Shofwatun et al., 2021). Profit is used as an indicator to assess the operational performance of a company.

According to (Monoarfa et al, 2023) 4 (four) types of profit are as follows:

1. Gross profit on sales: sales which is the difference between the cost of goods sold and net sales.
2. Operating profit: operating net income as a deduction of gross sales income with all production costs, administrative costs, sales costs, and other operating costs.
3. Earnings Before Tax: or commonly called Earning Before Tax (EBIT) is the company's total income before being subject to the company's tax deduction.
4. Profit after tax: this type can be obtained from gross profit minus taxes, interest, and operating expenses of the company.

### **Definition of Profit Growth**

Profit growth is a presentation of the rate of increase or decrease in profit by comparing the profit of the previous year's period. Growth concerns how revenue will develop over the coming year. Positive profit growth indicates that the company has been able to manage and use its resources effectively to generate profits and show solid financial performance, and vice versa (Hastuti, Rusidah, & Utomo, 2022).

### **Profit Changes**

Every company aims to generate the maximum profitability possible. The company's ability to survive will depend on how much money it makes. The company is confident that it intends to increase annual profits. Changes in profit reveal a decrease and increase in profit. Changes in profit refer to changes in profits from the previous year (Jurniansyah, et al., 2021).

### **Factors Affecting Profit Changes**

Some of the factors that affect the determination of the prediction of profit changes according to Harianto and Sudomo (2021) are as follows:

1. Time period
2. Company size
3. Company age

4. Credibility of the underwriter
5. Auditor Integrity
6. Leverage Levels

**Setting a profit goal**

In determining the desired profit, management should consider the following factors (Nursanty et al, 2022):

1. Profit or loss resulting from a certain sales volume.
2. The sales volume required to cover all costs plus generates sufficient profit to pay dividends as well as provide for future business needs.
3. Break-even point
4. Achievable sales volume with current operating capacity
5. Operating capacity required to achieve profit goals.
6. Return on capital used

**Elements – Profit Elements**

There are 5 (five) elements of net profit or income (Monoarfa et al, 2023) as follows:

1. Income  
An increase in the company's activities or a decrease in the company's liabilities in one accounting period. This can be obtained from operational activities in the form of credit or the sale of goods from the company.
2. Burden  
Expenditure or use of assets in one accounting period used for operating activities. Reduced asset expenses or a decrease in economic benefits in one accounting period result in a decrease in equity.
3. Cost  
The cost element is the company's cash that is sacrificed to produce goods or services that will later provide profits for the company. Expiry fees, referred to as charges.
4. Profit and Loss  
A company's profit is an increase in equity from transactions affecting a company in a certain period, but not from revenue and is the gross inflow that comes from economic benefits.
5. Income  
The element of income includes gains and revenues and is the gross cash flow derived from economic benefits.

**Frame of Mind**

The framework of thinking can be known what stages of research will be carried out. The first is to determine the market price and profit. Then start the research by calculating the target costing, which is the market price minus the desired profit. After that, production cost planning is carried out and if the production cost still exceeds the costing target, the next step is to engineer the value of the costs incurred so that production costs can be reduced and able to achieve the costing target. The next step is to conduct an analysis and from the analysis it will be known the condition of the operating profit before and after using the target costing method. Finally, it is to provide conclusions from the research that has been conducted.

**III. RESEARCH METHODS**

This type of research uses a descriptive method with a qualitative approach. This study provides an accurate description and explanation of the circumstances or symptoms faced. Data Types and Data Collection Techniques This type of data is collected through observation methods, one-on-one interviews, conducting focus groups, and similar methods. After conducting interviews and testing of primary and secondary data, the next step is to analyze and discuss the results of the tests and interviews that have been conducted.

**IV. RESULTS AND DISCUSSION****Discussion of Research Results**

In the calculation of production costs carried out by CV. Raja Sutan Indo, it is divided into three components, namely raw material costs, labor costs, and factory *overhead* costs. The products produced by CV. Raja Sutan Indo are as follows:

**Table 1. CV. Raja Sutan Indo Production Results in January 2025**

Product Type	Production Quantity
Stiker	800 pcs
Banner	100m
Baliho	100 m
Billboard	100 m
Plank Merk	50 pcs
Neon Box	50 pcs

Source: CV. Raja Sutan Indo, 2025

The production costs at CV. Raja Sutan Indo, are as follows:

1. Cost of raw materials

Raw material costs are the costs incurred for all raw materials for printing products.

**Table 2. CV. Raja Sutan Indo Raw Material Cost January 2025**

Raw Material Type	Unit Value	Number of Needs	Expenses incurred
Paper	IDR 10.000/kg	30kg	IDR 300.000
Ink	IDR 180.000/kg	10kg	IDR 1.800.000
Stainless Steel	IDR 90.000/kg	10kg	IDR 900.000
<b>Total</b>			<b>IDR 3.000.000</b>

Source: CV. Raja Sutan Indo, 2025

2. Direct labor costs

Labor costs at CV. Raja Sutan Indo are charged based on the number of hours spent on direct labor.

**Table 3. CV. Raja Sutan Indo Direct Labor Costs in January 2025**

Part	Direct Labor Costs
Production	IDR 1.500.000
Preprint	IDR 1.500.000
Print	IDR 1.500.000
Finishing	IDR 1.500.000
<b>Total</b>	<b>IDR 6.000.000</b>

Source: CV. Raja Sutan Indo, 2025

3. Factory Overhead Costs

**Table 4. CV. Raja Sutan Indo Factory *Overhead* Costs in January 2025**

No	Information	Amount of Fees
1	Auxiliary Material Cost (Lamination)	IDR 200.000
2	Packaging Cost	IDR 300.000
3	Energy Cost (Electricity)	IDR 1.500.000
4	Repair and Maintenance Costs	IDR 600.000
5	Depreciation Costs	IDR 400.000
	Miscellaneous Charges:	
	Cleaning Fee	IDR 100.000
	<b>Total Miscellaneous Costs</b>	<b>IDR 100.000</b>
	<b>Total Factory Overhead Cost</b>	<b>IDR 3.000.000</b>
	<b>Total</b>	<b>IDR 3.100.000</b>

Source: CV. Raja Sutan Indo, 2025

Factory Overhead Costs at CV. Raja Sutan Indo can be seen in the information below:

- a. Auxiliary Material Cost, which is the cost incurred to obtain materials to complete the manufacture of finished goods. The auxiliary materials consist of Laminated Materials whose total cost is IDR 200,000 in January 2025.
- b. Packaging Fee, is the cost incurred for the finished and ready to ship wrapping media. Expenditure for packaging costs is IDR 300,000 in January 2025.
- c. Energy Cost, is a cost incurred for the use of electricity that is useful for running a machine or turning on a computer. Expenditure on energy costs is IDR 1,500,000 in January 2025.
- d. Repair and Maintenance Costs, which are a number of costs incurred to maintain production machines and equipment used in the production process so that they are always in good and normal condition. The total cost of repair and maintenance is IDR 600,000 in January 2025.
- e. Depreciation Costs, which are expenses incurred due to a reduction in value or depreciation of tangible assets. This is because assets have decreased their ability to continue to be used in a certain period. The amount of depreciation costs IDR 400,000 in January 2025.
- f. Miscellaneous Costs, which are a number of costs incurred to support the printing production process. The amount spent on miscellaneous expenses is IDR 100,000 in January 2025.

CV. Raja Sutan Indo still uses a simple traditional method in determining the selling price of his products. Business owners determine the selling price of products based on market conditions and observe the selling prices offered by their competitors, as conveyed by Mr. Zul as a business owner in an interview conducted on March 24, 2025

*"In determining the price of the product, I only calculate the amount of raw material costs incurred divided by how many products are produced in one work, I also only look at the market price, so there is no detailed calculation to determine the selling price".*

Based on the details of the costs mentioned earlier, the costs incurred by CV. Raja Sutan Indo for the production of printing products every month, are as follows:

**Table 5**

**Production Cost of CV. Raja Sutan Indo with Traditional Calculation Method January 2025**

Raw Material Cost	IDR 3.000.000
Direct Labor Costs	IDR 6.000.000
Factory <i>Overhead</i> Costs	IDR 3.100.000
<b>Total</b>	<b>IDR 12.100.000</b>

Source: CV. Raja Sutan Indo, 2025

Based on the generally applicable theory, the calculation made by CV. Raja Sutan Indo is still inaccurate. This is because packaging costs, which are operational costs, cannot be used as one of the components in calculating the amount of factory overhead costs. Based on this description, the improvements that the author suggests are:

**Table 6**

**Production Cost of CV. Raja Sutan Indo with Traditional Calculation Method According to Applicable Theory**

Raw Material Cost	IDR 3.000.000
Immediate Labor Costs	IDR 6.000.000
Factory <i>Overhead</i> Costs	IDR 2.800.000
<b>Total</b>	<b>IDR 11.800.000</b>

Source: Data processed, 2025

### **Application of Target costing in increasing profit on CV. Raja Sutan Indo**

Target costing is a method that can be used as a selling price determination that is oriented towards reducing production costs. The researcher will analyze how the process of applying the target costing method in CV. Raja Sutan Indo. The analysis and discussion that will be carried out by the



researcher is to trace the stages to achieve the goals in the implementation of the costing target. These stages are as follows:

1. Determining the market price

Price analysis is carried out to find out the competitiveness of the CV. Raja Sutan Indo. Printing product price comparison CV. Raja Sutan Indo With other similar printing manufacturers have significant differences, the difference ranges from 10%-15% to the price that competitors offer in the market.

Now CV. Raja Sutan Indo has several types of products that are processed, and has the same type of product with other printing manufacturers.

**Table 7. Market Price List January 2025**

Product	CV. Raja Sutan Indo	Arion Advertising	Bali Advertising
Spanduk	IDR 35.000/m	IDR 40.000/m	IDR 35.000/m
Stiker	IDR 1000/pcs	IDR 2000/pcs	IDR 1000/pcs
Banner	IDR 25.000/m	IDR 25.000/m	IDR 30.000/m
Baliho	IDR 50.000/m	IDR 55.000/m	IDR 50.000/m
Billboard	IDR 60.000/m	IDR 65.000/m	IDR 60.000/m
Plank Merk	IDR 70.000/pcs	IDR 70.000/pcs	IDR 80.000/pcs
Neon Box	IDR 100.000/pcs	IDR 110.000/pcs	IDR 100.000/pcs

Source: Data processed, 2025

Based on the table above, there is a difference in the price of the product CV. Raja Sutan Indo with prices offered by competitors in the market, namely Arion Advertising and Bali Advertising. When compared to Arion Advertising, the prices offered CV. Raja Sutan Indo It is still better and it is very possible to compete. However, when compared to Bali Advertising prices, the prices offered by CV. Raja Sutan Indo still higher. From the results of the researcher's observation, the market ability tends to want a cheaper price with good product quality, so with the description of the market capability, the owner of CV. Raja Sutan Indo is faced with two choices, namely to reduce the price or to stay with the current price.

**Determining the desired profit**

In selling products, CV. Raja Sutan Indo determines a profit of 70% of the selling price per product. However, the business owner of CV. Raja Sutan Indo still has difficulty achieving the targeted profit because the business owner does not consider the production costs. In addition, with the increasing number of competitors appearing in the market, Mr. Zul found it difficult to achieve the expected profit target, as he said in an interview on March 24, 2021 "Actually, the profit target I want is 70%, but so far it has been difficult for me to achieve that target, maybe because there are many competitors and I have never detailed the costs I incur for the manufacture of this printing product, so the profit I get is quite far from the target".

**Calculating Target costing**

Product sales carried out by CV. Raja Sutan Indo, can be seen in the following table:

**Table 8. Product Sales January 2025**

Product Type	Product Type	Selling Price	Selling Price
Spanduk	80 m	IDR 35.000/m	IDR 2.800.000
Stiker	700 pcs	IDR 1000/pcs	IDR 700.000
Banner	80m	IDR 25.000/m	IDR 2.000.000
Baliho	90 m	IDR 50.000/m	IDR 4.500.000
Billboard	70 m	IDR 60.000/m	IDR 4.200.000
Plank Merk	40 pcs	IDR 70.000/pcs	IDR 2.800.000
Neon Box	40 pcs	IDR 100.000/pcs	IDR 4.000.000
<b>Total</b>	<b>(320m)</b> <b>(810pcs)</b>		<b>IDR 24.000.000</b>

Source: Data processed, 2025

In the Table, it can be seen that the total sales income owned by CV. Raja Sutan Indo is IDR 20,000,000. This amount includes the sale of Banners of IDR 2,800,000, Stickers of IDR 700,000, Banners of IDR 2,000,000, Billboards of IDR 4,500,000, Billboards of IDR 4,200,000, Plank Merk of IDR 2,800,000 and Neon Boxes of IDR 3,000,000 The amount of sales revenue will be used as a calculation of the percentage of sales at CV. Raja Sutan Indo. The following is the percentage calculation on CV. Raja Sutan Indo:

**Table 9. Sales Percentage**

Product Type	Sales Revenue	Total Sales	Total Sales
Spanduk	IDR 2.800.000	IDR 24.000.000	13%
Stiker	IDR 700.000		3%
Banner	IDR 2.000.000		10%
Baliho	IDR 4.500.000		21%
Billboard	IDR 4.200.000		20%
Plank Merk	IDR 2.800.000		13%
Neon Box	IDR 3.000.000		20%
Total	IDR 24.000.000	IDR 24.000.000	100%

Source: Data processed, 2025

In the table, it is clear that the largest percentage of sales is found in Billboard products (25cm) which is 21%. From the results of the calculation above, it can be known the percentage of revenue allocation for each type of product to the overall product sales revenue.

**Table 10. Profit Margin Calculation**

(According to CV. Raja Sutan Indo)

Product Type	Selling Price	Selling Price	Profit Margin	
			IDR	%
Spanduk	IDR 35.000/m	IDR 15.733	19.267	55%
Stiker	IDR 1000/pcs	IDR 492	508	51%
Banner	IDR 25.000/m	IDR 11.238	13.762	55%
Baliho	IDR 50.000/m	IDR 25.286	24.714	49%
Billboard	IDR 60.000/m	IDR 23.600	36.400	61%
Plank Merk	IDR 70.000/pcs	IDR 31.467	38.533	55%
Neon Box	IDR 100.000/pcs	IDR 44.840	55.160	55%

Data processed, 2025

In the table, you can see the amount of profit margin obtained from CV. Raja Sutan Indo from the sale of Banners, Stickers, Banners, Billboards, Billboards, Plank Brands and Neon Boxes Although CV. Raja Sutan Indo has received profits from sales, there are no products that have reached the profit target desired by CV. Raja Sutan Indo, which is 70% and to achieve the profit target, the researcher will make calculations using the *target costing method*.

**Tabel 11. Calculation Of Target Costing**

Product Type	Sales Revenue	Laba 70%	Target Cost
Spanduk	IDR 2.800.000	IDR 1.960.000	IDR 840.000
Stiker	IDR 700.000	IDR 490.000	IDR 210.000
Banner	IDR 2.000.000	IDR 1.400.000	IDR 600.000
Baliho	IDR 4.500.000	IDR 3.150.000	IDR 1.350.000
Billboard	IDR 4.200.000	IDR 2.940.000	IDR 1.260.000
Plank Merk	IDR 2.800.000	IDR 1.960.000	IDR 840.000
Neon Box	IDR 3.000.000	IDR 1.800.000	IDR 1.200.000

Source: Data diolah, 2025

Based on the table, the amount of *target costing* in the sale of each product for Banners is IDR 840,000, Stickers IDR 210,000, Banners IDR 600,000, Billboards IDR 1,350,000, Billboards IDR 1,260,000, Plank Brands IDR 840,000, and Neon Boxes IDR 1,200,000.

**Table 12. Profit Margin Calculation  
(According to Target Costing)**

Product Type	Selling Price	Cost of Each Product	Profit Margin	
			(Rp)	%
Spanduk	IDR 35.000/m	IDR 8.400	IDR 26.600	70%
Stiker	IDR 1000/pcs	IDR 262	IDR 738	70%
Banner	IDR 25.000/m	IDR 6.000	IDR 19.000	70%
Baliho	IDR 50.000/m	IDR 13.500	IDR 36.500	70%
Billboard	IDR 60.000/m	IDR 12.600	IDR 47.400	70%
Plank Merk	IDR 70.000/pcs	IDR 16.800	IDR 53.200	70%
Neon Box	IDR 100.000/pcs	IDR 24.000	IDR 76.000	70%

Data processed, 2025

This table is the result of the calculation of profit margin in sales which shows that the costing target set by the company has been in accordance with the percentage of profit margin expected in the sales of each product.

1. Using Value Engineering

Costing targets that have not been achieved can be achieved, one of which is by using value engineering, then the author will carry out cost efficiency in order to meet the costing target in accordance with the profit targeted by the company. Therefore, the author can provide suggestions as alternatives that can be applied in making decisions and used as a tool to achieve cost efficiency, namely by doing the following:

2. Replacing Stainless Steel Raw Materials with Aluminum

The replacement of Stainless Steel raw materials to Aluminum will allow companies to save the amount of use of Stainless Steel raw materials. This is because the price of Stainless Steel is higher than the price of Aluminum, which is IDR 30,000/kg

**Table 13. Cost of Raw Materials After Value Engineering**

Raw Material Type	Unit Value	Unit Value	Expenses incurred
Paper	IDR 10.000/kg	30kg	IDR 300.000
Ink	IDR 180.000/kg	10kg	IDR 1.800.000
Aluminum	IDR 30.000/kg	10kg	IDR 300.000
Total			IDR 2.400.000

Source: CV. Raja Sutan Indo, 2025

**Minimizing Repair and Maintenance Costs**

One of the costs incurred by CV. Raja Sutan Indo is repair and maintenance costs. Usually, damage occurs to the Injection Molding machine mixer, which often gets stuck, and the cost for repairs can be up to IDR 600,000. So to avoid damage to the printing press. In this case, the author provides an alternative to minimize the costs incurred for repair and maintenance, namely by lubricating the Injection Molding machine with Grease so that the Injection Molding machine does not often experience congestion. The proper use of Grease can make the Injection Molding machine more durable and reduce the repair and maintenance costs incurred by the company.

**Table 14. Factory Overhead Costs After Value Engineering**

No	Information	Amount of Fees
1	Auxiliary Material Cost (Lamination)	IDR 200.000
2	Packaging Cost	IDR 300.000
3	Energy Cost (Electricity)	IDR 1.500.000
4	Energy Cost (Electricity)	IDR 300.000

5	Depreciation Costs	IDR 400.000
	Miscellaneous Charges:	
	Cleaning Fee	IDR 100.000
	<b>Total Miscellaneous Costs</b>	<b>IDR 100.000</b>
	<b>Total Factory Overhead Cost</b>	<b>IDR 2.800.000</b>
	<b>Total</b>	<b>IDR 2.800.000</b>

Source: CV. Raja Sutan Indo, 2025

Based on the description above, if the company uses these alternatives, the production costs incurred by the company will change as in the following table:

**Tabel 15**
**Production Costs of CV. Raja Sutan Indo After Performing Value Engineering in January 2025**

Raw Material Cost	IDR 2.400.000
Raw Material Cost	IDR 6.000.000
Factory Overhead Costs	IDR 2.800.000
<b>Total</b>	<b>IDR 11.200.000</b>

Source: CV. Raja Sutan Indo, 2025

Therefore, a comparison of cost calculations according to the company and according to the costing target will be presented which can be seen in the following table:

**Table 16. Comparison of Costs by Company with Target Costing in Sales**

Product Type	Product Type	Total Cost According to Target Costing	Cost Difference	
			(Rp)	%
Spanduk	IDR 1.573.333	IDR 840.000	IDR 733.333	47%
Stiker	IDR 393.333	IDR 210.000	IDR 183.333	47%
Banner	IDR 1.123.810	IDR 600.000	IDR 523.810	47%
Baliho	IDR 2.528.571	IDR 1.350.000	IDR 1.178.571	47%
Billboard	IDR 2.360.000	IDR 1.260.000	IDR 1.100.000	47%
Plank Merk	IDR 1.573.333	IDR 840.000	IDR 733.333	47%
Neon Box	IDR 2.242.000	IDR 1.200.000	IDR 1.042.000	46%

Source: Data processed, 2025

Based on the results of the comparison of costs according to the company and according to the costing target, it can be seen that there are cost savings in each product. For the comparison of the cost of each product, it will be explained in the following table:

**Tabel 17**
**Comparison of Costs by Company and by Target Costing for Each Product**

Product Type	Total Cost by Company	Total Cost According to Target Costing	Cost Difference	
			(IDR)	%
Spanduk	IDR 15.733	IDR 8.400	IDR 7.333	47%
Stiker	IDR 492	IDR 262	IDR 230	47%
Banner	IDR 11.238	IDR 6.000	IDR 5.238	47%
Baliho	IDR 25.286	IDR 13.500	IDR 11.786	47%
Billboard	IDR 23.600	IDR 12.600	IDR 11.000	47%
Plank Merk	IDR 31.467	IDR 16.800	IDR 14.667	47%
Neon Box	IDR 44.840	IDR 24.000	IDR 20.840	46%

Source: Data processed, 2025

The comparison of the cost of each product is for Banners of 47%, Stickers 47%, Banners 47%, Billboards 47%, Billboards 47%, Plank Brands 47% and Neon Boxes 46%.

The results of the calculation above show that *Target costing* is a good alternative for CV. Raja Sutan Indo, it can be known the difference in the total amount of production costs incurred by the



company after and before using *the target costing* method. The cost previously incurred for Banners requires a cost of IDR 15,733, but after using *the costing target* to be IDR 8,400, to make Stickers requires a cost of IDR 492 to IDR 262, to make a Banner requires a cost of IDR 11,238 to IDR 6,000, to make a Billboard requires a cost of IDR 25,286 to IDR 13,500, to make a Billboard requires a cost of IDR 23,600 to IDR 12,600, to make a Plank Brand requires a cost of IDR 31,467 to IDR 16,800, and to make a Neon Box requires a cost of IDR 44,840 to IDR 24,000.

## V. CONCLUSIONS AND SUGGESTIONS

### Conclusion

Based on the results of the discussion and calculation, several conclusions can be drawn as follows:

1. The Target Costing method can be applied to CV. Raja Sutan Indo as a basis for setting more efficient production costs. Target Costing is also an alternative that baik bagi perusahaan To reduce production costs, where with the implementation of target costing, companies can get cost savings of up to 47% of the costs incurred before using the target costing method.
2. The application of the target costing method has a positive impact on the company's profits by reducing the costs that occur in the production process, so that the company's targeted profit can be achieved. The profit obtained by the company on printing products was originally only 49-61%, but in the application of the target costing method for printing products, it can obtain a profit according to the company's desires, which is 70%.

### Suggestion

The results of this study are expected to provide advice to CV. RAJA SUTAN INDO owners to use the target costing method in an effort to save production costs and increase company profits.

The results of this study are also expected to provide benefits to the development of management accounting science, especially in the discussion of target costing methods, profit maximization, or production cost suppression as well as providing additional information about the stages of applying the target costing method to reduce production costs and maximize profits.

For the next researcher, the author suggests preparing the research carefully starting from the length of the research time to the period of data obtained from the company in order to get more research results from the costing target in depth.

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