ANALYSIS BREAK EVEN POINT IN EPIC SEWING HOUSE WARD IN MOJOKERTO

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ABSTRACT

This study aims to describe the break even point analysis at the Epik Sewing House in Mojokerto Ward in 2017 - 2019. The data studied are sales reports of the Epik Sewing House for 2017 - 2019.

The method used in this research is qualitative method. Data analysis was performed using break even point analysis, namely through the collection of data from companies such as cost data and sales data. Classify costs, calculate break even points, determine target return on capital, and make business development plans.

The results show that the Break Even Point Analysis at the Epik Sewing House in Mojokerto Ward is in accordance with the calculation of the break even point in 2017, 2018, and 2019.

Keywords: *Break Even Point*

A. INTRODUCTION

In Indonesia, the word business is familiar, it even has an important role for state revenue. Business is an activity in selling products or services in order to provide benefits for the owner.

The fact is that business is not always related to large companies but also to businesses that are classified as small and do not have large assets such as micro, small or medium enterprises (MSMEs). Micro, Small and Medium Enterprises (MSMEs) are a group of businesses that play a very significant role in the Indonesian economy, with the number of micro-entrepreneurs estimated to be mostly engaged in the informal sector.

The main goal of the company is of course to achieve success. The success of a business is not obtained just like that but must use a strategy to be able to compete in market share. One strategy that can be done is profit planning. Profit planning contains the steps the company will take to achieve the desired profit target. Profit is the money left over after the company has subtracted the costs of producing and marketing goods or services from its receipts.

Profit planning can be done by doing shadow / prospective profit and loss calculations, annual balance sheets, cash flow statements, and break even point analysis. One part of profit planning used here is Break Even Point (BEP) analysis. The break even point is a condition where the company in carrying out its activities does not make a profit and does not suffer a loss. After the company has been able to determine and classify the various costs used in producing a product, the company can enter these costs together with sales data into the break even point formula, either break even point in units or break even point in rupiah as data material for calculate the Break Event Point (BEP). In other words, a business is said to break even if the total revenue is equal to the total cost. The components of the break even point are fixed costs (fixed costs), variable costs (variable costs), and HPP (Cost of Goods Sold).

Break even point analysis is needed so that the company does not suffer losses until the company can continue its production activities. The use of break even point analysis can be used as an alternative solution in planning profits and determining minimum sales so that the company can compete and develop

B. LITERATURE REVIEW

Definition of Break Even Point

According to Simamora (2012), the break even point or break even point is the sales volume where the total revenue and total expenses are the same, there is no net profit or loss. Meanwhile, according to Harahap (2004), the break even point is a condition where the company does not make a profit and does not suffer a loss, meaning that all costs incurred for production operations can be covered by income from product sales.

The break even point is very important for management to take decisions to withdraw the product and to close the profit center subsidiary or develop it. The main benefit is that it provides an important warning to the leadership how many units and minimum sales dollars must be achieved in the future.

Based on the above understanding, it can be concluded that the break even point is a condition where the company does not experience any profit or loss or total revenue and total costs equal to zero.

Understanding Break Even Point Analysis

The definition of break even point analysis, according to Bambang Riyanto (2011), is an analytical technique to determine the relationship between fixed costs, variable costs, profits and activity volume. Meanwhile, according to Kasmir (2011) the break-even point analysis is a condition where the company operates in a condition that does not earn income (profit) and does not suffer losses. This means that in this condition the amount of income received is equal to the total costs incurred. Furthermore, this analysis is used to determine how many units must be sold so that we get a profit, both in terms of sales volume in units and in rupiah.

Based on the above understanding, it can be concluded that break even point analysis is a calculation process carried out by a management to determine the break-even point where the company does not experience profits or losses or revenues and costs are equal to zero.

Definition of Cost

The definition of cost according to Carter and Usry (2009) is "Exchange value, expenses, sacrifices to obtain benefits. Meanwhile, according to Baridwan (2008), costs are outflows or other uses of activities or the incurrence of debt (or a combination of both) during a period originating from the delivery or manufacture of goods, the delivery of services, or from the implementation of other activities which are the main activities of the business entity.

Based on the above understanding, it can be concluded that costs are all the sacrifices that need to be made for a production process, which are expressed in units of money according to prevailing market prices, both those that have occurred and those that will occur.

Cost Classification

In general, the various types of costs incurred and how they are classified all depend on the type and policies of the company itself. It is very important to know whether these costs react or respond to changes in business activity. When business activity increases or decreases, certain costs may also increase or decrease.

According to Syamsuddin (2009) costs can be classified into two types, namely as follows:

a. Fixed Cost (Fixed Cost)

In simple terms it can be said that fixed costs are closely related to time (function of time) and not related to the level of sales.

The payment is based on a certain accounting period and the amount is the same.

For example: building rental costs, write-off of fixed assets, and others. Up to a certain number of results (output range) this cost in total does not change.

b. Variable Cost (Variable Cost)

This cost is directly related to the level of production or level of sales, because the amount is determined by the volume of production or sales made.

For example: raw material costs, direct labor costs, and others.

Basic Assumptions of Break Even Point Analysis

Break even point analysis has several assumptions that are reflected in the company's future budget. The basic assumptions underlying the break even point analysis according to Abdul Halim and Bambang Supomo (2005) are as follows:

a. The selling price per unit does not change on various sales volumes.

b. The company produces at a relatively constant capacity range.

c. Costs can be separated into fixed costs and variable costs. Costs but the amount does not change within a certain capacity range, while variable costs change in proportion to changes in the volume of company activities.

d. The amount of change in beginning inventory and ending inventory is insignificant.

e. If the company sells more than one kind of product, the composition of the products sold is considered unchanged.

Break even point analysis is important for management to find out the relationship between costs, volume and profit, especially information about the minimum sales amount and the magnitude of the decrease in sales realization from the sales plan so that the company does not suffer losses. Therefore, the analysis of the break even point is based on the assumptions above. If one of the assumptions changes, it will affect the break even point position and affect the company's profit.

Changes That Affect Break Even Point

One of the important aspects in cost, volume and profit analysis is the change in one or more factors that affect profit. Factors that can change in relation to the analysis of the relationship between costs, volumes and profits include fixed costs, variable costs, selling prices and sales composition.

a. Change in total fixed costs

Changes in total fixed costs affect total costs and profits will also directly affect the number of break even points because fixed costs are the amount that must be covered by excess sales over variable costs.

b. Variable cost change per unit

Changes in variable costs per unit will affect the company's total costs and profits.

Changes in variable costs per unit also affect the break even point. Variable costs will vary according to the number of products to be produced.

c. Changes in selling price per unit

This change has a direct effect on the company's revenue receipts. Revenue receipts are the elements that make up the break even point, if the amount of the break even point will change, the amount of profit will change. Changes in selling prices will also affect sales volume.

d. Changes in sales volume

Changes in sales volume will generally affect the company's total costs and profits. Sales volume must be based on how much production capacity the company can produce.

Production volume that exceeds production capacity will give the company a loss, because the costs incurred are getting bigger.

e. Changes in Sales Composition

Companies that produce more than one kind of goods then break even point analysis can be applied to all goods / products that are produced and sold.

If the composition of the goods sold changes, the total break even point will change as well.

Break Even Point Approach

One way to determine the break even point is to create a picture or graph of the break even point. The graph approach can be used in the analysis of the company's break even point for a period. Alwi (1994) states that: "... in addition to the equation technique, a graphical approach can also be used, namely by determining the meeting point between the income line and the cost line in a graph".

The point where the income line meets the cost line is the break even point. To be able to determine the break even point, a graph must be made with the flat axis showing sales volume, while the vertical axis showing costs and income.

In the figure will appear fixed cost lines, total costs that describe the sum of fixed costs and variable costs, and sales revenue lines.
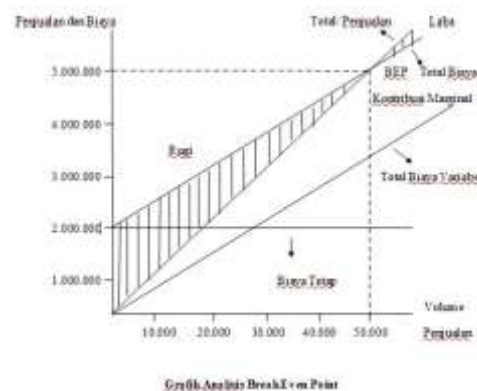

Figure 1. Break Even Point Analysis Chart

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The amount of production or sales volume in units appears on the horizontal axis (X axis) and the amount of costs and income from sales appears on the vertical axis (Y axis). In the picture of the break even point, the break even point can be determined, namely at the point where there is a cross between the sales revenue line and the total cost line.

If from that point we draw a straight vertical line down to the X axis, it will show the magnitude of the break even point in units. If from that point a straight horizontal line is drawn to the side up to the Y axis, it will show the magnitude of the break even point in rupiah.

Break Even Point Formula

According to Munawir (2004), the calculation of the break even point on the basis of units and on the basis of rupiah can be done using the following formula:

a. *Break even points* in units.

In terms of per unit of product or goods sold, each unit of goods provides an equal contribution or contribution (margin) to cover fixed costs or profits. In a state of break even point, then by dividing the amount of fixed costs by the margin per unit of goods, the number of units of goods that must be sold will be obtained so that the company does not experience a loss or profit.

$$\textbf{BEP} = \frac{FC}{P-VC}$$

Information :
BEP : Break Even Point
FC : Fixed Cost
VC : Variable Cost
P : Price per unit

b. *Break even point* in rupiah.

In a state of break even point the company's profit is zero, therefore by dividing the amount of fixed costs by the marginal income ratio, it will be obtained / known the level of sales (in rupiah) that must be achieved so that the company does not suffer losses or earn a profit (*break even point*).

$$\textbf{\textit{BEP}} = \frac{FC}{1-\frac{VC}{P}}$$

Information :
BEP : Break Even Point
FC : Fixed Cost
VC : Variable Cost
P : Price per unit

As an illustration of this BEP analysis, suppose a company PT. Surabaya has the following data:
• Total cost = IDR 2,000,000,-
• Variable cost per unit = Rp 60,-
• Selling price per unit = Rp 100,-

So, the calculation of (BEP) *Break Even Point:*

$$\text{BEP}_{\text{unit}} = \frac{FC}{P-VC} = \frac{2.000.000}{100-60} = \frac{2.000.000}{40} = 50.000 \text{ unit}$$

$$\text{BEP}_{\text{rupiah}} = \frac{FC}{1-\frac{VC}{P}} = \frac{2.000.000}{1-\frac{60}{100}} = \frac{2.000.000}{1-0.6} = \frac{2.000.000}{0.4}$$

$$= \text{Rp } 5.000.000$$

Uses of Break Even Point Analysis

Break even point analysis can be used for various purposes, especially for companies that are planning. In addition, it can also be used as a means of controlling the time the company is still in activity before the end of a period.

According to Adikoesoemah (1996), suggests that break even point analysis is used by companies with the aim of:

a. Evaluate the profit objectives of the company as a whole.
b. Presenting cost and profit data to top management, which is needed to make decisions and formulate policies.
c. Replacing the bold reporting system with a graph that is easy to read and understand.

Uses of Break Even Point Analysis

Planning is the first step in running a business before making decisions. Good or bad or the success of the decision in the business depends on the maturity of the planning.

According to Basu Swasta (2009), planning is a detailed method that has been previously formulated to do or make something.

The plan is often made in the form of a story and sets out goals or objectives and tools to achieve these goals or a plan that can be made in the form of a budget, chart or essay in financial terms or a graph in a unit.

The planning function is related to the income of the organization's goals and objectives as well as the determination of strategies and policies to achieve the intended goals which are implemented in the form of activity plans (programs or projects) and plans for the use of economic resources expressed in monetary units (budgets) in the short and long term.

C. RESEARCH METHODS

Types of research

In this research, the writer uses the type of field research, because he wants to get complete data and wants to know firsthand what is actually happening in the field.

Data Type

Based on the source, the types of data are divided into two, namely primary data and secondary data. Primary data is data obtained directly from research subjects by wearing measurement tools or data retrieval tools directly on the subject as a source of information sought.

While secondary data is data obtained through other parties, not directly obtained by researchers from the research subject. Secondary data is usually in the form of documentation data or report data that is already available.

However, the researchers used primary data types. Researchers use primary data because the data obtained directly from the source.

Data source

1. Documents
   The documents here are taken based on the list of quantities and prices of goods as well as sales data.
2. Interview
   Researchers conducted interviews with the owners and employees of the "epik" sewing house.

Data analysis

In this study, data analysis used a qualitative descriptive technique. Descriptive analysis technique in this research is business development plan analysis. Meanwhile, the qualitative analysis technique in this study uses theories related to the break even point.

D. RESULTS AND DISCUSSION

Brief Company History

The sewing house **"Epik"** is a company in the convection sector, the name Epik itself comes from English which according to the Big Indonesian Dictionary, Epik (in English) means Epik or Epos which means a long poem that tells a history of struggle, a sentence to express admiration for something amazing or in short is something great. The sewing house was founded under the name Epik because it wanted to give an appreciation for the struggles that were not easy when building this business and with the name Epik the owner hopes to always provide great work or results to his consumers.

This sewing house business is a family business that was founded in the 2000s, which is located in the village, Bangsal-Mojokerto. This business still doesn't have a shop or a big sewing house, but this epik sewing house has no less great service than a bigger convection business. The location of the Epik sewing house is quite far from the highway but it is quite easy to find it because the sewing house is next to the road.

This convection house first received individual sewing services in the sense of receiving sewing of one shirt (one model) according to the customer's wishes, and measured according to the size of the customer, then in 2014 the Epik sewing house expanded its business into its own convection, which is a sewing order system or sewing machine. more than one, and the size used for convection is usually only fixed on general sizes (S, M, L, XL, XXL) not measured individually.

Research result

The results of the research at the Epik Sewing House in Bangsal Mojokerto based on the above data exposure for break even point analysis are as follows:

Break Even Point (BEP) is the break-even point where the position of the total revenue and costs is the same or balanced so that there is no profit or loss in a company. This break even point is used to analyze the projection of the extent to which the number of units produced or how much money must be received to get the break-even point or return on capital.

a. Fixed Cost

This component is a fixed or constant cost if there is an action of production or even though the company does not produce. Examples of these costs are labor costs, machine depreciation costs, etc.

Tabel 4.3

Fixed Cost

No	Peralatan dan Bahan	Jumlah	Harga
1	Gaji Karyawan	4 orang	Rp. 5.000.000
2	Mesin Jahit	2	Rp. 6.100.000
3	Stopcontak	1	Rp. 37.000
4	Penggaris	-	Rp. 10.000
5	Jarum	1 pack	Rp. 25.000
	Jumlah		Rp. 11.172.000

b. Variable Cost

This component is a cost per unit which is dynamic in nature depending on the action of the production volume. If the planned production increases, it means that the variable cost will definitely increase. Examples of these costs are the cost of raw materials, electricity costs, etc.

Table 4.4

Variable Cost

No.	Peralatan dan Bahan	Jumlah	Harga
1.	Listrik	-	Rp. 100.000
2.	Benang	4	Rp. 60.000
3.	Kancing	1 pack	Rp. 30.000
4.	Resleting	1 pck	Rp. 130.000
5.	Kain	10 glundung	Rp. 17.500.000
6.	Koloran	5 roll	Rp. 250.000
7.	Sablon	236 stel	Rp. 944.000
	Jumlah		Rp. 19.014.000

Discussion

According to the author's analysis, the "epik" sewing house does not carry out profit planning using break even point analysis. Bookkeeping is still rough because it only reduces income with production expenses. There is also no separation of production costs, both fixed costs and variable costs.

E. CONCLUSION

Based on the results of the research in chapter IV, the writer can conclude that the *Break Even Point* Analysis at the Sewing House in the Mojokerto Ward, namely:

1. The analysis of the break even point at the Epic Sewing House is in accordance with the calculation of the break even point for both 2017, 2018, and 2019 which is Rp. 135,582.
2. Business development planning at the Epic Sewing House is carried out by adding production tools.

F. SUGGESTION

Based on the results of the break even point analysis research at the Epic Sewing House in Bangsal Mojokerto, there are several recommendations that the author can give:

1. Epic Sewing House can use the break even point analysis above to make the bookkeeping clearer.
2. Business owners can immediately realize the business development plan to speed up work at the Epic Sewing House.

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