
Analysis Of Accounting Treatment of Defective and Damaged Products And Its Influence on Production Prices at PT Kayu Selasih Indah

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Abstract: The production process is the company's main activity which not only focuses on producing high quality products, but also tries to minimize the possibility of defective and damaged products. Therefore, this research focuses on handling problems in the accounting treatment of defective and damaged products and their impact on the cost of production. The aim of this research is to find out how the accounting is treated for costs arising from defective and damaged products and their effect on the cost of production. The data used in this research includes primary and secondary data, with data collection techniques using interview, observation and documentation methods. The variables identified are (1) Defective products (2) Damaged products (3) Production costs. Data analysis was carried out using qualitative descriptive techniques which explain at length in sentence form the relationship between research data in the form of figures regarding the accounting treatment of defective and damaged products and their influence on the cost of production. From the results of the discussion, it can be seen that the accounting treatment for defective and damaged costs is carried out by reselling the defective and damaged products, thereby reducing the cost of losses for defective and damaged products at PT Kayu Selasih Indah. Apart from that, based on the calculation of the accounting treatment for defective products in the cost of production, the price of production losses for defective products is IDR 54,272,000 and sold for IDR 37,736,000, so the loss in cost of defective products is IDR. 16,536,000. Meanwhile, damage to damaged products amounted to IDR 1,780,000

Keywords: Defective and damaged products, Production costs

INTRODUCTION

Along with the progress of globalization, technological advances are growing rapidly every day. As technology advances, competition between companies becomes increasingly fierce. One of the things companies do to be able to compete is to improve the quality of their production. With quality production results, efforts are always made to ensure that defects in the production process do not occur and it is hoped that consumers will be satisfied with the production results offered by the company. Therefore, a good management system in the company will be able to provide positive results for the products produced. So, companies must be able to make more efforts to streamline the time and costs that will be used to achieve product quality that meets the targeted quality. The problem of damaged products and defective products has become a big problem in companies. If the product affects the quality of the product produced, it will have a negative influence on the company's main goal, namely increasing profits. With these defective and damaged products, the company experiences losses in the production process. Therefore, it is necessary to understand the appropri-

ate accounting treatment and adapt it to the company's conditions. Accounting treatment of damaged and defective products has a significant influence on the calculation of profits and cost of production. The costs to repair a defective product, for example, must be allocated across production, which will be reflected in factory overhead costs. This will increase overall production costs and can reduce company profits. In addition, damaged or defective products incur costs during the production process, which will then affect the cost of production of the finished product produced.

Therefore, companies must carefully consider the costs related to damaged and defective products in calculating the cost of production in order to optimize profits and maintain competitiveness in the market. The company PT Kayu Selasih Indah is a business unit located in Bondowoso Regency which operates in the manufacturing sector which manages wood which is processed and converted into finished goods in the form of furniture and sends the products for sale abroad (export) in accordance with applicable regulations. desired order. Good quality products are the hope of all companies to compete with other similar companies, but their implementation cannot be separated from damage due to employee errors or damage to raw materials. PT Kayu Selasih Indah which will be researched has several phenomena that occur such as a decrease in turnover, namely the presence of defective and damaged products which of course will affect production costs and company profits, where defective products will increase production costs. if repaired it becomes a viable product. for sale and if not repaired it will definitely harm the company due to decreased turnover.

In the production process at PT Kayu Selasih Indah, defective products and damaged products are things that cannot be avoided. This is because during the production process an error occurred in the wood processing process. For example, from groups that are not neat, glue that is too fast and uneven, or wood that is broken/damaged during the production process. Of course, this is a loss for the company because if there is damage to an item it will certainly have an impact on the production costs of that item.

However, the company always tries to minimize the number of defective and damaged products by implementing these products into other products that are suitable for sale, strict quality control and regular training for its workers.

There are two accounting treatments for defective products and damaged products, namely products that are salable and products that are not salable. At the PT Kayu Selasih Indah Company there are normal defective and damaged products that are sold, these products are sold at the same price as products that are not defective.

From the background above, the main problems can be formulated which can be described, including:

1. What is the accounting treatment for costs that have been absorbed by damaged products and defective products?
2. What is the impact of damaged products and defective products on the cost of production?

METHOD

In this research, the method used is a qualitative research method, qualitative researchers as human instruments, whose function is to determine the research focus, select informants as data sources, assess data quality, analyze data, interpret data, and make conclusions about the findings [3]. The population in this research is: Conventional traders at Songgon market, buyers and customers of conventional clothing stores and Songgon market administrators. The data collection technique in this research is by using triangulation techniques, namely: observation, interviews and documentation. The data analysis technique used in this research is analysis using the Miles and Huberman model [4].

This type of research uses a descriptive analysis approach method which consists of steps such as collecting, compiling, observing, interviewing and analyzing data which is useful for obtaining a clear picture or understanding of the problem being researched. The aim of descriptive analysis is to systematically, factually and accurately describe or describe the phenomenon or problem that is the focus of the research. This research was conducted at PT Kayu Selasih Indah, which is located at Jl. Taman Group, District. Grugugan, Bondowoso Regency, East Java. The researcher chose PT Kayu Selasih Indah because the researcher had visited and surveyed what phenomena occurred at PT Kayu Selasih Indah. After being approved by one of the parties, the researcher made PT Kayu Selasih Indah the object for the research title. The types of research data used in this research are primary and secondary data, which aims to find out the history of the company, organizational structure and production reports at the company. The method used in this research uses interviews and documentation to collect the necessary information about the research topic to be conducted. By using this method, researchers can gain an in-depth understanding of various aspects that are relevant to the research being carried out.

RESULTS AND DISCUSSION

Calculate Initial Inventory

Beginning inventory is inventory available at the beginning of the period or the beginning of the current book. The initial inventory balance can be seen in the current period's trial balance. In accordance with the balance sheet at the beginning of the current year, PT Kayu Selasih Indah showed an inventory balance of 889 units. This initial inventory is the remainder of last year's products that will be sold in the coming year, according to data provided by PT Kayu Selasih Indah.

Calculate ending inventory

Ending Inventory is the remaining inventory at the end of the period or end of the current financial year. In determining the amount of ending inventory, the formula is used:

$$\begin{aligned}\text{Ending Inventory} &= \text{Beginning Inventory} + \text{Production Quantity} - \text{Number of Products Sold} \\ &= 889 \text{ Units} + 21,192 \text{ Units} - 22,000 \\ &= 81 \text{ Units}\end{aligned}$$

Calculation of Cost of Goods Production

Production costs are the accumulation of all costs required in the production process with the aim of producing a product or item. Determining the cost of production is carried out by calculating the components that make up the cost of production which consists of raw materials, direct labor, factory overhead costs, and production reports. By calculating as follows:

Cost of goods manufactured before any repairs	
Raw Material Costs	IDR 1,605,825,000
Direct labor costs	IDR 5,240,616,000
Factory Overhead Costs	IDR 1,114,089,495
Production cost	IDR 7,960,530,495
Production costs after repair costs	
Raw Material Costs	IDR 1,605,825,000
Direct labor costs	IDR 5,240,616,000
Factory Overhead Costs	IDR 1,130,625,495
Production cost	IDR 7,977,066,495

Based on the results of the calculation of the cost of goods produced by PT Kayu Selasih Indah, it shows that raw material costs are IDR 1,605,825,000, direct labor costs IDR 5,240,616,000, factory overhead costs before defective product repairs are IDR 7,960,530,495, and factory overhead costs after improvements amounting to IDR 7,977,066,495 per year.

Determining Defective and Damaged Products

Defective Products

Calculation of defective products and damaged products budgeted in the Badric Siregar (2013) formula. The way to calculate the production quantity is by looking at when the product will be produced, so you will know how much production will be. Defective Products = % Defective Products x Production Quantity

$$\begin{aligned} &= 1\% \times 21.192 \\ &= 212 \text{ units} \end{aligned}$$

Based on calculations for determining defective products, it was found that the percentage of defective products was 1% multiplied by the total number of production units of 21,192 units, so that the number of defective products in PT Kayu Selasih Indah's production was 212 units. This defective product only exists in frame products according to interview data and this product will be reprocessed into a product that is good and of good quality so that it can be sold again.

Damaged Product

There were 10 units of damaged products at PT Selasih Indah and they were repaired back into products suitable for sale with appropriate data in the existing attachment. The recording of damaged product costs is not included in factory overhead costs, but damaged products become part of the initial product inventory for the coming period or year. This data is in accordance with the data contained in the attachment.

Accounting Treatment of Defective and Damaged Products on Cost of Goods

Production

In the production process that occurs in the company, if a defective product occurs, the product will be taken into account because the product has absorbed production costs, while damaged products are not taken into account but are included in inventory for the following year's period.

a. So the formula for the cost of defective products is:

$$\begin{aligned} \text{Loss costs} &= \text{Production price per unit} + \text{Repair costs} \times \text{Number of defective products} \\ &= \text{IDR } 178,000 + \text{IDR } 78,000 \times 212 \\ &= \text{IDR } 54,272,000 \end{aligned}$$

Defective products can be sold with the calculation:

$$\begin{aligned} \text{Defective products can be sold} &= \text{Price of Defective Products} \times \text{Number of Defective Products} \\ &= \text{IDR } 178,000 \times 212 \\ &= \text{IDR } 37,736,000 \end{aligned}$$

So, the loss from defective products is $\text{IDR } 54,272,000 - \text{IDR } 37,736,000 = \text{IDR } 16,536,000$. Because the company sells defective products at the same price as goods that are not defective, the loss only lies in the cost of improving production.

b. So the product cost formula is broken

$$\begin{aligned} \text{Cost of loss} &= \text{Cost of Goods Production per unit} \times \text{Number of Damaged Products} \\ &= \text{IDR } 178,000 \times 10 \\ &= \text{IDR } 1,780,000 \end{aligned}$$

So, the loss from damaged products is IDR 1,780,000. This damaged product is not included in the calculation of factory overhead costs, but this product is set in the inventory at the beginning of the period or year to come.

CONCLUSION

The company PT Kayu Selasih Indah is a business unit located in Bondowoso Regency, which operates in the manufacturing sector which processes wood raw materials into finished goods in the form of furniture which are ready to be sold according to orders by sending the production to be sold abroad (export). PT Kayu Selasih Indah has an organizational structure which is the relationship between sections and positions within the company in carrying out its operational activities with the aim of achieving previously planned company goals. Based on the analysis of the presence of defective products and damaged products in the PT Kayu Selasih Indah production unit, the following conclusions were drawn:

- a. Accounting treatment for the costs of defective and damaged products is carried out by repairing the product and selling it so as to reduce the cost of losses from defective and damaged products at PT Kayu Selasih Indah.
- b. Based on calculations for the accounting treatment of defective and damaged products on the cost of production, it shows that the cost of production losses for defective products is IDR 16,536,000 while for damaged products it is IDR 1,780,000. PT Kayu Selasih Indah sells defective and damaged products at a price of IDR 78,000.

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