


THE ROLE OF COST ACCOUNTING IN THE DETERMINATION OF SELLING PRICES

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<p>Received: 11/09/2025</p> <p>Revised 15/09/2025</p> <p>Accepted: 25/09/2025</p> <p>Published: 31/09/2025</p> <p> This work is licensed under the Creative Commons Attribution 4.0 International License.</p>	<p>Abstract -</p> <p><i>This study aims to analyze the role of cost accounting in determining the selling price of a product. The study was conducted using a qualitative method of literature study approach to 12 scientific articles published in the last five years. The results show that cost accounting, especially the full costing and cost plus pricing methods are very important to ensure the right selling price in order to cover all production costs and provide optimal profit. In manufacturing companies, accurate cost calculations are needed for the entire length of overhead costs, while in MSMEs, the application of cost accounting can minimize losses due to inappropriate prices. Thus, cost accounting plays an important role in making decisions on selling price determination strategies so that business desires can be maintained.</i></p> <p><i>Keywords: cost accounting, selling price, full costing, cost plus pricing</i></p>
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INTRODUCTION

The world of business competition in the current era is growing, this is a challenge for all business actors in maintaining the presence and sustainability of their business. One of the most important aspects to consider when maintaining a business is the decision to set a selling price. Selling price is a determining factor and plays an important role in improving the company's ability to compete, sales, and revenue. In setting the selling price, the company must use the right strategy and accurate calculations. Mistakes in setting the selling price can have an impact on business sustainability, this can lead to a decrease in sales rates due to too high prices or losses due to prices that are too low so that all production costs cannot be covered. Companies or business actors must conduct an in-depth analysis of the calculation of production costs, desired profit margins and understand competitors' prices and consumer purchasing power.

Cost accounting is a branch of accounting that focuses on collecting, recording, classifying and analyzing costs incurred in the production process of goods and services. Cost accounting provides relevant non-financial and financial data information to help managers make decisions. The main nature of

cost accounting is that it focuses on the cost per unit, cost per activity, and the total cost used in decision-making. With cost accounting, companies can determine the Cost of Production, which is done by recording and calculating the cost of raw materials, labor, and overhead. With this data, the company can calculate the cost of production accurately, which is the basis for determining the selling price. This research was conducted to examine how the role of cost accounting in determining the selling price of a product through a literature study approach, with the hope of providing insight to business actors and academics regarding the importance of utilizing cost information in price decision-making.

LITERATURE REVIEW

Cost Accounting

According to Mulyadi (2020), cost accounting is a process of recording, classifying, summarizing and presenting the cost of making and selling products or services in certain ways, as well as interpreting them. With the main goal of providing relevant and accurate cost information to management. This relevant information is very useful for decision-making, including in determining the selling price.

The Benefits of Cost Accounting:

a. Determining the Cost of Products

Cost accounting provides accurate information regarding the total costs incurred in producing goods or services. With this data, it is possible to calculate the cost of production accurately. The Cost of Production (COG) is an important aspect for businesses in setting competitive selling prices and compiling financial statements in accordance with standards.

b. Cost Control

One of the main benefits of cost accounting is that it helps in cost control. By recording each element of the cost in detail, management can find out which parts of the operational activity require large costs and whether those costs are proportional to the results obtained.

c. Planning and Decision Making

Cost accounting provides the information needed for the planning and decision-making process. In developing short-term and long-term plans, historical cost data and future cost projections play a crucial role. Management can use this data to determine the amount of production, set a budget, and choose the most efficient production method. In addition, in the face of decisions such as increasing production capacity,

discontinuing certain products, or outsourcing, cost information is a major consideration.

Overall, cost accounting is not just a record-keeping tool, but also a managerial information system that supports decision-making. The benefits include various aspects ranging from pricing, cost control, to increased efficiency and profitability

In cost accounting, there is a calculation of cost elements such as direct raw material costs, direct labor costs, and factory overhead costs. This information is not only important for the calculation of the cost of production, but also very crucial in managerial decision-making, including the strategy of determining selling prices (Mulyadi, 2020).

1. **Direct Raw Material Cost:** All costs incurred to purchase raw materials used to acquire or produce products (goods or services). Raw materials can be identified directly in the finished product and the amount is proportional to the product produced.
2. **Direct Labor Costs:** The cost of paying workers who work on the production process directly.
3. **Factory Overhead Costs:** Other costs that cannot be identified as raw material costs and direct labor costs. The following are the costs included in the factory overhead cost group:
 - a. **Auxiliary Material Cost**, which is the cost of materials that are spent on making products but are used relatively small or difficult to enforce as raw materials.
 - b. **Indirect Labor Costs**, which are costs incurred to pay salaries and wages for workers who do not play a direct role in the manufacture of products (production processes).
 - c. **Other Manufacturing Costs**, namely additional costs such as fixed asset depreciation costs, telephone costs and electricity costs.

Setting the Selling Price

The selling price is the amount of price that will be charged to consumers obtained from the calculation of production costs plus non-production costs and expected profits (Mulyadi 2021).

Selling price determination has two main category objectives, namely:

1) To maximize profits

This goal focuses on pricing that can generate maximum profits by considering the factors of production costs and market demand to determine the right price.

2) Market share objectives

To this end, the company may set a low selling price and smaller profit margins to attract more consumers. This is done to increase market share and create customer loyalty.

In determining the selling price, there are three methods that can be done, namely:

1. Cost-based selling price

In this method, there are three methods, namely

a. Cost *plus pricing method*

With this method, the selling price can be determined by adding the entire production cost to the profit margin.

b. *Mark-up pricing method*

The selling price is determined by adding the cost with the desired markup. This method is usually used by traders.

c. BEP (*Break Even Point*) pricing

The pricing method is based on the balance between the total amount of the total cost and the total amount of the total receipt.

$$\text{BEP} = (\text{Fixed Cost} : \text{Selling price per unit} - \text{Variable cost per unit})$$

2. Setting selling prices based on competitor prices

By using this method, competitors' prices can be used as a reference in setting the selling price. It can be done by selling goods at prices below competitors to attract consumers or selling goods at the same price as competitors with the aim of minimizing the level of competition.

3. Demand-based selling price

This method emphasizes more on consumer interest, which is reflected in the consumer's ability and willingness to buy, the perceived benefits of the product, and the overall pattern of consumer behavior.

Production Costs

Production costs are the total expenditure of economic resources calculated in the form of money, which is spent by companies or business actors to obtain production factors and process them into goods or services through a certain production process. Production costs reflect the total amount of

expenditure required to carry out production activities, both on a small and large scale, and are a fundamental part of efficiency calculations, selling prices, and business feasibility analysis.

In determining and collecting production costs, there are two methods, namely:

a. Full Costing Method

In this method, production costs are obtained by summing up the cost of raw materials, direct labor costs, and variable and fixed factory overhead costs. This method reflects the total cost of production as a whole, as it includes all costs.

b. Variable Costing Method

A method of collecting production costs that separates variable costs from fixed costs so that production costs in this method are the total of the cost of raw materials plus direct labor costs and variable factory overhead costs. This method provides information that is relevant for short-term decision-making because only variable costs are calculated as product costs, this method helps management evaluate decisions such as accepting special orders or stopping production.

RESEARCH METHODS

This study uses a qualitative method with a literature study approach. Data were obtained from 15 scientific articles published in the last five years from various scientific sources such as journals, cost accounting books, as well as articles that discuss the interconnectedness between cost information and pricing strategies. The analysis is carried out by summarizing, comparing, and evaluating findings from various sources.

RESULTS and DISCUSSION

RESULT

This research focuses on the role of Cost Accounting in determining selling prices with special emphasis on the application of cost accounting in the process of determining product prices. The results of 12 research articles based on inclusion criteria in the literature study shown in Table 1. The results provide an in-depth overview of how the role and application of Cost Accounting in determining the selling price of products.

Table 1. Results of Discussion from 12 Researches

No	Researchers and Year Publication	Journal	Research Results
1	Febrianty, L., & Muchlis, S. (2020)	<i>ISAFIR: Islamic Accounting and Finance Review</i>	The determination of HPP in companies follows a government rate that is fixed for five years, although ideally it needs to be adjusted annually to reflect changes in costs. The use of full costing in determining HPP produces a greater value compared to the costing variable.
2	Ratnasih, Cicih & Sulbahri, Rifani Akbar (2022).	<i>European Journal of Business and Management Research.</i>	Cost accounting in the calculation of production costs has a significant influence on determining the selling price of cement.
3	Taroreh, B. F. W., Pangemanan, S. S., & Swetja, I. G. (2021).	Scientific Periodical Journal of Efficiency	Research reveals that using full costing and cost plus pricing results in a different and more precise selling price than the previous method used by the company. The company previously relied only on market forecasts.
4	Ammi Nadira, D. A., Nusantoro, J., & Febri Darmayanti, E. (2025)	Journal of Accounting and Finance	This study highlights that the cost calculation commonly used by companies is not appropriate to determine the selling price, in contrast to the full costing method which provides accurate results in calculating all costs.
5.	Afif, M. N., & Rismawati. (2019)	Akunida Journal	The results show that Job order costing and Full costing play an important role in calculating costs as a whole so that the selling price

			is not determined by estimates alone.
6	Meutia Ramadani, <i>et al</i> (2022)	TEKNOBIS : Journal of Technology, Business and Education	Research proves that cost accounting plays a very important role in determining the cost of production so that the entire cost of production is calculated accurately.
7	Daur, N. A., Herdi, H., & Goo, E. E. K. (2024).	Accounting UNIPA-Journal of Accounting	The results of the study show that the company has not used the right method in calculating production costs so that the selling price is not optimal. If the Sido Moro Tofu and Tempeh Factory uses the <i>cost plus pricing method</i> , then the set selling price will be more appropriate.
8	Harun, M., Manosoh, H., & Latjandu, L. D. (2023).	Journal of Accounting Research	This study found that with the full costing method, the HPP is lower than the method commonly used by companies.
9	Sari, M. N., Winarni, S., & Marisya, F. (2022).	Accounting Journal	In this study, it was found that the calculation of production costs carried out by the company was wrong and could make the company suffer losses. That way, business actors should use the full costing method in determining the calculation of the cost of production and price because it is more detailed and more accurate. These business actors should increase the selling price in accordance with the full costing method.
10	Indahwati, D. N., & Sunrowiyati, S. (2021).	Discourse Equiliberium (Journal of	This research shows that companies have not calculated the amount of production accurately

		Economic Research Thought)	so that the determination of selling prices is not optimal. If the company takes into account all costs incurred with the full costing method, it will minimize the risk of losses.
11	Rahmawati, N. (2021).	Journal of Accounting.	In this study, UD. Vanela still uses the traditional way of setting selling prices. After the calculation is done using <i>the cost plus pricing</i> method, the selling price obtained is lower.
12	Nur Fitriana, Erna Murniati, Zahwa Juwita, & Mita Azira. (2025)	Journal of Financial Accounting and Taxation	This study found that the cost plus pricing method tends to produce a higher selling price than the full costing method

DISCUSSION

Cost accounting has a very important role in the process of determining the selling price of products in various companies. It is proven by several studies that show that the application of cost accounting with the use of the full method provides a more accurate picture of costs than determining the cost of production only based on a government tariff that is fixed for five years without taking into account the change in costs every year, this can cause a mismatch in the selling price. Other studies also highlight that the cost calculation method commonly used in companies is less relevant in determining selling prices if the company applies the method method to cost accounting, it can help companies determine selling prices more measurably, not just based on estimates. Some companies that have not optimally applied cost accounting methods set selling prices that do not reflect all the costs that have been incurred, this can certainly pose a risk of loss.

The role of cost accounting in setting selling prices is different in each industry. For the manufacturing industry, the full costing method is highly recommended because it takes into account all costs incurred. In manufacturing companies, companies must bear large overhead costs so that they need an accurate calculation of the cost of production so that the selling price can cover all costs so that the selling price set is more precise and can maintain business

sustainability and minimize the risk of loss. For Micro, Small and Medium Enterprises (MSMEs), cost accounting also plays an important role and is very helpful in determining the right selling price. Many MSMEs that have not implemented cost accounting systematically can cause the risk of setting selling prices that are too low or too high, so that they can interfere with business sustainability. So that the application of cost accounting with the cost plus pricing method based on full costing is needed so that MSMEs can ensure that all production costs have been taken into account and the determination of selling prices is not only based on estimates. If the selling price is set correctly, it can increase business continuity and obtain optimal profits.

Cost accounting also plays an important role in the garment and handicraft industry, this is because the *job order costing* and Full costing methods in cost accounting help in calculating the production cost of each order. This is important because each order has different material requirements and labor costs. Cost accounting can help companies to set selling prices that are in accordance with the characteristics of each order so that they can minimize the risk of loss. In addition, cost accounting can help company management make strategic decisions regarding selling pricing. In cost accounting, cost information is described in a complete and structured manner so that the company can conduct profitability analysis, financial planning, and production efficiency evaluation. Thus, pricing decisions are no longer based on forecasts or intuition but rather based on precise data.

CONCLUSION

Based on the results of the research that has been conducted, it can be concluded that in large-scale companies, cost accounting is important in determining selling prices. Cost accounting helps business actors to set the right selling price not only based on estimates by providing accurate cost data, helping to choose the most suitable pricing method and reducing the risk of losses due to incorrect prices so that it can improve business sustainability.

SUGGESTION

- 1) Companies, both large-scale and MSMEs, are expected to be able to apply cost accounting in setting selling prices. This is important so that the selling price set can cover all costs incurred.

- 2) MSMEs need to improve their understanding and ability to implement cost accounting, in order to be able to determine the right selling price not only based on estimates.
- 3) The government or related institutions are advised to provide training or assistance to business actors, especially MSMEs related to the implementation of cost accounting.

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