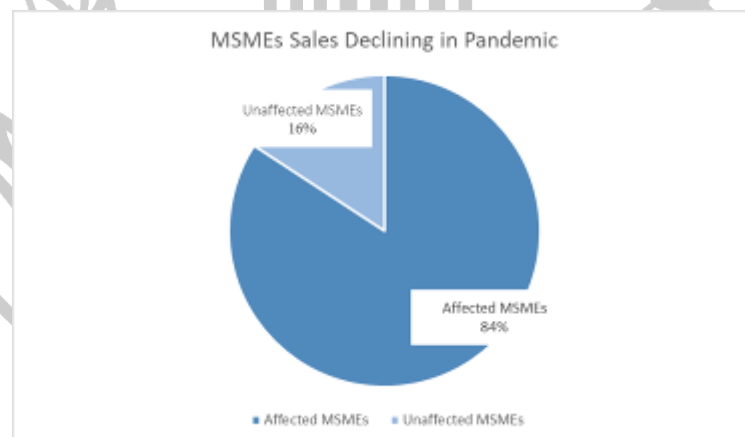


CHAPTER I

INTRODUCTION

1.1 Research Background

The world economic condition faces a crisis condition that creates severe challenges and obstacles for all business actors due to the corona virus outbreak. All business sectors are under heavy and significant pressure to survive during Pandemic. The existing social restriction policy based on Government Regulation Number 21, 2020 (*PP No. 21 Tahun 2020*) concerning Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar / PSBB*) explained the intention of limiting the movement of people and goods and requiring the public to stay at home.



Source: *Badan Pusat Statistika*, 2020

Figure 1.1
MSMEs' Sales Decline in Pandemic

The regulation makes business activities to be carried out remotely, reducing the mass in production activities, so that many workers work from home

(WFH) or are not re-employed. As a result, a significant declining in turnover and sales decline occurred especially in Micro, Small and Medium Enterprises (MSMEs). The decline is quite significant showed on figure 1.1 MSMEs' sales Decline in Pandemic, namely 84.20% of MSMEs have experienced a decline in income taken from the Badan Pusat Statistika, 2020.

The decline in turnover and sales revenue of MSMEs was caused by factors including: (1) Constraints on the supply side made to the community due to disruption of the distribution system during the COVID-19 pandemic which reduced the demand for products for this business (Nicola, et al., 2020). (2) According to Nicola, et al. (2020), the purchasing power of some people affected by the COVID-19 pandemic is also a factor in declining the turnover and sales. The purchasing power has decreased, as a result the need for products offered by MSMEs has also decreased. (3) Management operating messy cash flow or cash flow problems, experienced by 90 percent MSMEs, makes the business still have to pay high costs regardless of the current declining income conditions (Katadata, 2020). Another reason as a factor of declining in turnover and sales revenue of MSMEs, according to Oppusunggu, (2020) is (4) MSMEs do not have special procedures for comprehensive profit-loss calculation by calculating the number of units must be made in accordance to the production factors and resources. It is a vital acticity to be done so the business can be in break-even point. It is hoped that the business will not suffer a loss in its business during the pandemic.

These factors are not the reasons for MSMEs to close their business activities without giving any effort. This is because every MSMEs have outlook

of being able to maintain the continuity of its business. Therefore, this situation forces MSME entrepreneurs to be able to take correct and wise steps in order to survive. One of the steps that can be taken to increase sales is to evaluate business management. Good business management will result in good decisions as a result of good coordination. Business actors need coordination related to of the profit-loss assessment comprehensive analysis of business. Coordination related to available resources effectively and efficiently is needed to achieve profitability by optimizing unit sales, unit costs and unit prices. In addition, it is necessary to evaluate the sales strategy, so that sales can be in a breakeven position, a position where the business do not experience a profit and also a loss during the Pandemic.

Evaluation of this profit and loss can be done by using profit planning tools so that the level of operating profit desired by MSMEs can be achieved and MSMEs will not experience losses during the Pandemic. According to Hansen, et al. (2012: 118), profit is influenced by three factors: the volume of the product sold, the selling price of the product, and the cost. When MSME business actors can understand these three factors' concept and relation, MSMEs can implement and map several strategies and steps to anticipate the significant financial impacts that will occur during the Pandemic. These factors have the following relationship, first, the cost of determining the selling price of a product is in accordance with the level of profit to be applied. Then, the selling price will affect the sales volume, while the sales volume will affect the costs required for the business. Analysis of the relationship of these three factors is known as Cost-Volume-Profit Analysis (CVPA).

Cost-Volume-Profit Analysis (CVPA) serves as a tool for profit planning and determining the optimal output of the business in reaching the break-even point or a situation where the business does not experience losses and does not get profit. With this analysis the business can find out the level of sales that must be achieved and the number of costs that should be incurred as well as the information needed by management to plan profit with various alternatives business conditions that may occur. CVPA combines and interprets data on business sales and costs incurred and then combines the effects with the desired level of profit.

One of the MSME effected on this Pandemic impact and be the subject of this research is UD DIOR “77”, Surabaya, which established since 1985 owned by Trio Haryanto Chandra and Vincentius Juardi. UD DIOR “77” is a business classified as micro, small, medium enterprises (MSME) based on the classification of criteria for MSMEs on UU Republik Indonesia No. 20/2008. The criteria are as follows:

- a. A micro business is a business unit that has net assets of up to Rp50 million (excluding land and buildings for business premises) and annual sales of Rp300 million.
- b. A small business is a business unit with an asset value of Rp50 million to Rp500 million (excluding land and buildings for business premises) and annual sales of Rp300 million to Rp2.5 billion.

- c. Medium-sized enterprises are companies with a net worth of Rp 500 million to Rp 100 billion and annual sales of more than Rp2.5 billion to Rp50 billion.

Based on the criteria above, UD DIOR “77” is included in the small business category with annual sales of more than Rp300 million to Rp2.5 billion.

Furthermore according to Anoraga (2002), an entity is classified as MSMEs if:

- a. The bookkeeping system is carried out simply independently and is not in accordance with established accounting principles.
- b. The profit rate tends to be small due to the intense competition between businesses.
- c. Capital is not too big or limited.
- d. Managerial understanding of a business organization is limited.

The criteria above are very relevant to the business conditions run by UD DIOR “77” with a very simple recording system and not in accordance with accounting principles. The level of profit and capital that is not too high, the organizational structure is very simple, does not have a vision and mission in writing, and managerial understanding of a business organization is very limited.

UD DIOR “77” is trading business with initial product to be traded was shoes, and successfully known in Surabaya. Sales of UD DIOR “77” shoes around that year were pretty high and UD DIOR “77” was able to reap the benefits of this sale. However, the shoes business ran, did not last until 1998, when the monetary crisis occurred. UD DIOR “77” was affected during these times of crisis and was unable to keep shoes sales in good condition. Shoes sales fell drastically and

suffered considerable losses. UD DIOR “77” decided to change the goods being traded from shoes to interlining fabrics. In 1999 UD DIOR “77” successfully traded interlining fabrics with increased sales and made significant profits. UD DIOR “77” has also decided to sell eggs as another tradeable goods.



Source: Google Maps

Figure 1.2
Location of UD DIOR “77”, Surabaya



Source: Documentation

Figure 1.3
The Building of UD DIOR “77” Office

The location of UD DIOR “77” is at Darmo Indah Timur II/ G-10 (Figure 1.2). Figure 1.3 shows the outdoor and indoor conditions of the UD DIOR “77” office. Data collection through interviews, observations, and documentation in this research was carried out in the office of UD DIOR “77”, Surabaya.

UD DIOR “77” is the business which concern is on selling interlining fabrics and eggs.



Source: Documentation

Figure 1.4
Interlining Fabrics and Chicken Eggs

Based on interview result that have been conducted, UD DIOR “77” wanted to sell a good quality good and differed from its competitors in small numbers at that time, in order to excel in the market. UD DIOR “77” began to consider looking for imported quality interlining fabric goods and began looking for suppliers from outside the city. And over time UD DIOR “77” has succeeded in finding and until now, using imported goods purchased from Jakarta and Semarang that imported the interlining fabrics from China.

“... good imported interlining quality from China” (R1: 99 – 102).

Table 1.1
The Types of Interlining Fabric

No	Type	Selling Price (Rp)	Size
1.	15 N	125.500	Per Roll
2.	25 N	125.500	Per Roll
3.	50 N	188.000	Per Roll
4.	60 N	239.000	Per Roll
5.	15 F	135.500	Per Roll
6.	25 F	135.500	Per Roll
7.	50 F	210.000	Per Roll
8.	40 E	118.000	Per Roll
9.	50 E	126.000	Per Roll
10.	60 E	135.000	Per Roll
11.	70 E	153.000	Per Roll
12.	70 E HITAM	140.000	Per Roll
13.	80 E	165.000	Per Roll
15.	65 N	187.000	Per Roll
16.	80 N	215.000	Per Roll
17.	40 G	104.000	Per Roll
18.	50 G	110.000	Per Roll
19.	60 G	117.000	Per Roll
20.	70 G	132.000	Per Roll
21.	80 G	142.000	Per Roll
22.	8864 /D 444 PUTIH	15.000	Per Yard
23.	D 444 HITAM	17.500	Per Yard
24.	7610 – 7630 PUTIH	17.000	Per Yard
25.	7640	18.000	Per Yard
26.	1038	17.500	Per Yard
27.	7540 PUTIH	15.000	Per Yard
28.	T 310 – T 330	16.000	Per Yard
29.	2079 (2078)	15.000	Per Yard
30.	7650 – 7660 PUTIH	19.500	Per Yard
31.	7555 – 7660	18.500	Per Yard
32.	7755	18.500	Per Yard
33.	70 N-KI	100.000	Per Roll
34.	TEKA 700/TEKA 800	13.000	Per Yard
35.	T 2016 F-TP	2.150	Per Yard
36.	T 2016 KF	2.050	Per Yard
37.	T 2016 XF	3.250	Per Yard
38.	T 2016 F HITAM	3.250	Per Yard
39.	T 1025 F	2.900	Per Yard
40.	8340	4.400	Per Yard
41.	D 820	7.300	Per Yard
42.	D 8010	4.000	Per Yard
43.	D 8012 HITAM	5.500	Per Yard
44.	D 7430 NATURAL	14.250	Per Yard
45.	D 7403 HITAM	14.750	Per Yard
46.	D 7403 NATURAL	24.000	Per Yard
47.	D 7403 HITAM	25.000	Per Yard
48.	TRICOT PUT. (6175)	11.800	Per Yard
49.	TRICOT HIT. (6175)	12.300	Per Yard
50.	KUFNER I LAPIS NATURAL	24.000	Per Meter
51.	KUFNER I HITAM	25.000	Per Meter
52.	WATER SOLUBLE S	8.000	Per Meter
53.	WATER SOLUBLE H	5.500	Per Meter
54.	M 901 MEGATOP	912.000	Per Roll
55.	M 32	924.000	Per Roll
56.	M 33	936.000	Per Roll
57.	M 10	936.000	Per Roll

Source: Documentation

Table 1.1 shows the type and selling price of interlining fabrics traded by UD DIOR “77”. The conditions and situation of the COVID-19 Pandemic have

made drastic changes experienced by UD DIOR “77”. This has an impact on the sales level of UD DIOR “77” which has dropped dramatically due to the decreasing demand, especially for the interlining. Based on the results of interviews conducted with respondents, it was stated that sales fell drastically on interlining fabrics and suffered losses every month.

“Yes, the impact of pandemic is very hard. Compared to eggs, interlining is the most impact. The eggs are still going on. This interlining sales has drastically decreased” (R1: 25 -28).

Based on this comparison of the sales decline and losses, the researcher decided to carry out an analysis related to profit planning using a cost-volume-profit analysis on UD DIOR's interlining fabrics for June – November 2020.

Source: Processed Data



Figure 1.5
Monthly Income Comparison

UD DIOR “77” sales trend had experienced a very drastic decline which made UD DIOR “77” suffers loss from June - November. According to the interview result with operational and administration, UD DIOR “77” faced the significant declining based on the figure 1.5, showed that the monthly income in

pre-pandemic could achieve approximately Rp250.000.000,-, but during the pandemic the income is only around approximately Rp80.000.000,-.

“Yes, it is true that the decline is very significant, yes, the difference is also far away. In the past, sales could reach Rp250.000.000, now it's around 80.000.000, even lower than that” (R2: 5 – 9).

Based on the results of interviews with respondent, several steps have been taken by UD DIOR to be able to increase sales and try not to experience losses. These steps are such as reducing costs that can be reduced, such as owner's salary, petrol money which is reduced by sending goods at the same time.

“For regular wages, for regular paid workers, we haven't” (R1: 166 – 167).
 “As much as possible. Like when we want to make deliveries, we do it simultaneously, so that not once or three times, from this it will save on gasoline expenses and expedition costs” (R1: 159 – 163).

Table 1.2
Income Statement June – November 2020

Account /Month	June	July	August	September	October	November
Sales	89.082.000	90.705.000	63.096.500	73.881.000	79.816.500	87.651.500
Variable Costs	86.700.960	78.527.860	72.384.704	69.489.920	64.866.160	82.326.980
Contribution Margin	2.381.040	12.177.140	(9.288.204)	4.391.080	14.950.340	5.324.520
Fixed Costs	18.789.114	19.214.644	18.930.184	18.292.068	19.297.031	18.059.444
Operating Loss	16.408.074	7.037.504	28.218.388	13.900.988	4.346.691	12.734.924

Source: Processed Company Internal Data

The table shows the income statement consists of variable costs and fixed costs incurred per month and losses incurred by UD DIOR “77” during the months June - November. Based on the results of interviews conducted, UD DIOR “77” did not record the sales volume of each fabric interlining unit.

UD DIOR “77” also increased the selling price as a strategy not to experience significant losses. The increase in selling prices for several types of

interlining occurred in Pandemic Era. The following is data on changes in selling prices.

Table 1.3
Change in Selling Price

No	Type	Selling Price (Rp)	Change in Selling Price	Size
1.	40 E	118.000	118.000	Per Roll
2.	50 E	126.000	126.000	Per Roll
3.	60 E	135.000	135.000	Per Roll
4.	70 E	153.000	153.000	Per Roll
5.	80 E	165.000	165.000	Per Roll
6.	65 N	187.000	187.000	Per Roll
7.	80 N	215.000	215.000	Per Roll
8.	40 G	104.000	104.000	Per Roll
9.	50 G	110.000	110.000	Per Roll
10.	60 G	117.000	117.000	Per Roll
11.	70 G	132.000	132.000	Per Roll
12.	80 G	142.000	142.000	Per Roll
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17.	1038	17.500	17.500	Per Yard
18.	7540 Putih	15.000	15.000	Per Yard
19.	T 310 – T 330	16.000	16.000	Per Yard
20.	2079 (2078)	15.000	15.000	Per Yard
21.	7650 – 7660 Putih	19.500	15.000	Per Yard
22.	7555 – 7660	18.500	19.500	Per Yard
23.	TEKA 700/TEKA 800	13.000	13.000	Per Yard
24.	T 2016 F-TP	2.150	2.150	Per Yard
25.	TRICOT PUT. (6175)	11.800	11.800	Per Yard
26.	TRICOT HIT. (6175)	12.300	12.300	Per Yard
27.	KUFNER 1 Lapis	24.000	24.000	Per Meter
28.	KUFNER 1 Hitam	25.000	25.000	Per Meter
29.	M 901 MEGATOP	912.000	942.000	Per Roll
30.	M 32	924.000	954.000	Per Roll
31.	M 33	936.000	966.000	Per Roll

Source: Documentation

The strategy carried out in fact is not enough if UD DIOR “77” does not set the sales target that must be achieved in order to make UD DIOR “77” can

survive. Therefore, in making decisions for planning and management strategy, regarding costs, volume, and profit plays a very important role.

In a trading company, the problem of fixed and variable costs greatly affects the profit level of the company, once costs have been classified into fixed and variable cost components (Munir, 2013). According to Martusa & Wijaya, (2011), The problem of fixed costs or variable costs greatly affects the trading company's profits. One of the costs that need to be controlled and taken seriously in a trading company is marketing costs. Martusa & Wijaya (2011) also mentioned that marketing costs are the most dominant costs to support trading company activities. Trading companies must strive to reduce marketing costs, so that they are expected to obtain optimal profits.

According to Mulyadi (2014), the characteristics of the marketing costs are as follows:

- a. There are many kinds of marketing activities taken by companies in marketing their products, so that companies with similar products do not necessarily follow the same marketing methods.
- b. Marketing activities often change according to the demands of changing market conditions.

According to income statement of UD DIOR "77", the costs incurred in the business process are costs when purchasing goods to be traded from suppliers, and marketing costs incurred to support the sale of traded goods, namely interlining fabrics. Similar to the manufacturing business, the components of cost, volume and profit in a trading business, especially UD DIOR "77" need to be

considered as of UD DIOR "77" does not fail in running its business, especially during the Pandemic.

The effects of these on revenue, volume, and profit can be studied using Cost-Volume-Profit Analysis (CVPA). Cost-Volume-Profit Analysis can lead to the information of sales volume to be sold into the break-even point, and establishing proper planning through strategies to increase sales in order to reach the break-even position, and will be able to maintain its business continuity in a pandemic condition.

Cost-Volume-Profit Analysis (CVPA) is a useful tool for planning and decision making and incorporates all financial information analysis. The concept of Cost-Volume-Profit includes the field of management accounting because it is closely related to how a manager carries out his duties. With the information obtained through the Cost-Volume Profit Analysis (CVPA), the management will determine the strategy or steps that must be taken according to the objectives easily.

The Cost-Volume-Profit Analysis (CVPA) in trading business was successfully proven by Martusa & Wijaya (2011). Furthermore, the research succeeded in proving that there is a close relationship between the costs incurred by the trading business starting from the cost of purchasing and to the most dominant costs, namely marketing costs, sales volume, and selling price with profit planning.

Research on cost-volume-profit analysis as an effort for companies to achieve goals such as increasing sales to maximizing profit also cannot be

separated from previous research conducted by Alex Simon, Tian Septianan, Rama Gita Suci (2020), Lasimun, Riska Apriani, and Rony Setiawan (2019), Indriati Sumarni (2019), Ratno (2016), Melda Darika Dua, Sri Mangesti Rahayu, Zahroh Z., A (2014). The results show that the implementation of using cost-volume-profit analysis is useful in helping to make a good profit planning, maximizing profits, and as a basis for evaluating sales strategies.

This research is important to do first, based on a phenomenon or background, namely the sales of UD DIOR “77” which have decreased due to the impact of the COVID-19 pandemic. So, the researcher wants to help UD DIOR “77” as one of the MSMEs that survived the impact of the Pandemic in mapping the sales target, so that does not experience losses and planning further sales targets and can increase sales, by implementing the right sales strategies.

Second, based on previous research, the researcher wants to prove research with cost-volume profit analysis along with evaluation of sales strategies is important to do and is useful for its implementation in business activities, especially general, not only in normal conditions (absence of pandemic), but also for MSMEs are developing and are constrained by the impact of the pandemic.

Third, this research is also important because there has not been much research with cost-volume-profit analysis and also the implementation of the right strategies implemented in MSMEs in the midst of the COVID-19 pandemic, in Indonesia to be able to maintain their business continuity.

Based on the problems and the three things above, the researcher is interested in conducting research with the title **"Evaluation of MSME Sales**

**Strategies with Cost-Volume Profit Analysis (CVPA) during the Pandemic
(Case Study of UD DIOR “77”, Surabaya)".**

1.2 Research Problem

1. How is UD DIOR “77”’s sales condition during Pandemic?
2. How can the Cost-Volume-Profit Analysis (CVPA) results show the break-even condition at UD DIOR “77”, Surabaya?
3. How to implement information on the Cost-Volume-Profit (CVP) analysis results at UD DIOR “77”, Surabaya?
4. What are the sales strategies that UD DIOR “77”, Surabaya can choose based on cost-volume-profit analysis?

1.3 Research Objectives

1. To describe UD DIOR “77”’s sales condition during Pandemic.
2. To find out the Cost-Volume-Profit (CVPA) analysis results related to the break-even condition at UD DIOR “77”, Surabaya.
3. To implement information on the results of the Cost-Volume-Profit (CVP) analysis at UD DIOR “77”, Surabaya.
4. To find out and formulate the right sales strategy of UD DIOR “77”, Surabaya based on CVP result analysis to implement in Pandemic Era.

1.4 Research Benefits

The following benefits are expected from the results of research conducted, including:

1. The theoretical benefit is expected to be useful in science in analyzing cost-volume profit analysis (CVPA) and the right strategy for achieving goals in the realm of managerial accounting.
2. Practical benefits, the results of the research are expected to help increase sales in the midst of the Covid-19 Pandemic by applying cost-volume-profit analysis (CVPA) and also an evaluation of the right strategy to help implement the analysis, so that it can help management in making decisions, and can maintain its business continuity.
3. The benefits of the policy, the results of the research are expected to provide comparisons and reference materials for conducting further research. This research is also expected to be able to provide alternatives and views for business actors, especially MSMEs that have not applied cost-volume-profit analysis in their sales planning.

1.5 Systematics of Thesis Writing

The systematics of thesis writing is divided into five interconnected chapters, systematically arranged:

CHAPTER 1: INTRODUCTION

There is a background description that contains the researcher's phenomena as the basis for research, problem formulation, research objectives, research benefits, and writing systematics.

CHAPTER 2: LITERATURE REVIEW

The literature review outlines the theoretical basis associated with the discussion of the topics on which the research is based. And

there are several explanations by previous researchers who discussed the same topic. And there is a research hypothesis formulated in a research framework.

CHAPTER 3: RESEARCH METHODS

There are several stages of research described in the research design, research boundaries, variable identification, operational definition and variable measurement, determination of the sample population, as well as data collection methods and data analysis techniques.

CHAPTER 4: DESCRIPTION OF SUBJECT AND ANALYSIS

This chapter contains the results of research observations on companies which include company profiles consisting of, history, company products, organizational structure, and company financial reports. It is continued with the results of profit planning which are then analyzed using CVP (cost volume profit) sales strategy by the author in order to obtain a solution to the writing problem formulation.

CHAPTER 5: CONCLUSION

This chapter contains conclusions that answer research questions and research summaries, contains limitations experienced by researchers while conducting research, and contains the implications of the research findings.