



Community Training on Cost of Production Calculation and Pricing Strategy for MSMEs in Semarang

Ginanjar Suendro^{1*}, Yani Susetyo²

email¹ gsuendro@gmail.com ; email² yanil10509@gmail.com

Sekolah Tinggi Ilmu Ekonomi Cendekia Karya Utama, Indonesia

Correspondence author email: gsuendro@gmail.com

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) often face challenges in determining accurate production costs and setting appropriate selling prices, which can lead to inefficiency, low profit margins, and reduced business competitiveness. This community service program was conducted in Semarang City and involved 25 MSME participants from various sectors. The activity was carried out over one full-day training session, aiming to improve the financial and managerial capabilities of MSME owners through training on the calculation of Cost of Production (HPP) and the formulation of selling prices using effective pricing methods. The training was delivered through lectures, demonstrations, and practical exercises to ensure participants' understanding and ability to apply the concepts. As a result, participants were able to identify production cost components, calculate unit cost accurately, and set selling prices based on cost-plus pricing and market considerations. The program significantly enhanced MSME owners' skills in making pricing decisions, leading to improved profitability and sustainability of their businesses. This training is expected to serve as a foundation for better financial planning and strategic decision-making within MSMEs.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a strategic sector in Indonesia's economy. According to data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (KemenkopUKM, 2023), more than 99% of business actors in Indonesia come from the MSME sector, absorbing over 97% of the national workforce, and contributing more than 60% to the Gross Domestic Product (GDP). This indicates that MSMEs play a crucial role in supporting economic growth, reducing unemployment, and enhancing community welfare.

However, many MSMEs still face managerial and financial challenges, particularly in determining accurate production costs and setting appropriate selling prices. Inaccurate pricing often leads to low profitability and limited business sustainability. To address this issue, strengthening MSME owners' understanding of cost of production (HPP) calculation and

effective pricing methods is essential.

This community service activity was therefore designed to provide training on calculating the cost of production and determining the appropriate selling price for MSMEs in Semarang. The training aimed to improve participants' financial literacy, cost management ability, and pricing strategy skills to support business competitiveness and long-term sustainability.

In practice, calculating HPP is not merely adding raw material and labor costs. HPP also includes overhead costs, fixed costs, variable costs, equipment depreciation, and other indirect costs. Inaccuracy in calculating HPP can lead to errors in determining the selling price. Many MSMEs set prices merely based on estimates, follow competitors, or simply add a profit margin without a clear calculation basis. This behavior is common among MSME owners due to limited knowledge of cost accounting and financial management (Tambunan, 2019; Bank Indonesia, 2021). As a result, the selling price may be too low (harming the business) or too high (not competitive in the market).

Furthermore, errors in setting selling prices directly affect cash flow, profit planning, and business sustainability. Many MSMEs perceive their businesses as profitable, yet fail to realize that actual profits are minimal or even negative due to hidden costs. This situation can hinder business growth and make it difficult for MSMEs to expand, invest, or access financing from financial institutions.

On the other hand, current technological developments provide strong support for MSMEs to manage finances more professionally. Various simple applications are available for cost recording and HPP calculation. However, low financial literacy and insufficient guidance prevent MSME actors from utilizing these technologies optimally. Therefore, training is needed that is not only theoretical but also practical and tailored to the real needs of MSMEs. Training on calculating the Cost of Production and determining appropriate selling prices is crucial so that MSMEs can:

- Accurately understand production costs,
- Determine fair and competitive selling prices,
- Plan realistic profits,
- Avoid losses due to mispricing,

- Increase efficiency and business competitiveness.

The UMKM Center, as a center for mentoring and developing MSMEs, plays a strategic role in providing education, training, and consultation to business actors. Through this training program, MSMEs are not only given conceptual understanding but also trained to conduct HPP calculation simulations, understand various pricing methods (cost-based, market-based, value-based pricing), and adjust prices according to market conditions and profit targets.

Based on these issues, this community service program titled “*Training on Calculating Cost of Production and Determining the Appropriate Selling Price for MSMEs in Semarang*” was implemented as a practical response to the low financial literacy and cost management capability among MSME owners. The program aims not only to enhance their technical skills in cost calculation and pricing but also to foster a mindset of financial discipline and strategic business planning. By improving these competencies, MSMEs are expected to make more informed decisions, achieve sustainable profitability, and strengthen their competitiveness in the market. Overall, this training is expected to serve as a catalyst for transforming financial management among MSMEs, enabling them not only to survive but also to grow and compete healthily in both local and global markets.

2. METHOD

Target Participants

The training targeted Micro, Small, and Medium Enterprise (MSME) owners and managers in Semarang City, particularly those engaged in the food and beverage, handicraft, and retail sectors. A total of 25 MSME participants took part in the activity, consisting of representatives from local small businesses such as home-based snack producers, coffee shop owners, batik artisans, and mini retail store operators. These participants were selected based on their active business operations and willingness to improve their financial and managerial skills. Participants were selected based on their interest in improving financial management and pricing strategies for their businesses. The total number of participants was limited to ensure effective interaction and personalized guidance.

Training Objectives

The training aimed to:

1. Improve participants' understanding of production cost components.
2. Enable participants to calculate the Cost of Production (HPP) accurately.
3. Equip participants with the ability to determine competitive and profitable selling prices.
4. Enhance participants' financial recording and planning skills.

Training Design and Approach

The training was designed to be practical, interactive, and participatory, combining theoretical explanation with hands-on exercises. The following approaches were applied:

- Lectures and Presentations: To introduce key concepts such as production cost components, pricing methods (cost-based, market-based, and value-based pricing), and financial recording.
- Demonstrations: Trainers demonstrated step-by-step calculations of HPP and selling price determination using real business examples.
- Hands-on Exercises: Participants practiced calculating HPP for their own products and determining appropriate selling prices based on cost, market conditions, and desired profit margins.
- Group Discussions: Participants shared experiences, challenges, and strategies for pricing and cost management.

Training Materials

The materials provided included:

- Worksheets for HPP calculation and pricing simulations.
- Templates for recording production costs and expenses.
- Guidelines on cost classification (fixed, variable, overhead) and pricing strategies.
- Examples of cost-based, market-based, and value-based pricing applications.

Evaluation and Feedback

To measure the effectiveness of the training, participants were evaluated through:

- Pre- and post-training tests to assess understanding of HPP calculation and pricing principles.
- Practical assignments on calculating production costs and setting selling prices.

- Feedback forms to capture participants' satisfaction, learning experience, and suggestions for improvement.

3. RESULTS

Training Implementation

The training was conducted in Semarang City, specifically at the Community Hall of Banyumanik District, and was attended by 25 MSME participants operating in the Banyumanik and Tembalang areas. The participants represented various sectors, including food and beverages, handicrafts, and retail. The one-day session combined lectures, demonstrations, hands-on exercises, and group discussions. Each participant brought financial and production data from their own business to practice calculating production costs and determining appropriate selling prices.

Learning Outcomes

After the training, participants demonstrated significant improvement in their understanding and application of cost and pricing concepts. They were able to:

1. Identify and classify cost components accurately, including fixed costs, variable costs, and overhead.
2. Calculate the Cost of Production (HPP) systematically for their own products using real data from their businesses.
3. Determine selling prices using cost-based, market-based, and value-based methods.
4. Apply simple financial recording to monitor expenses and production costs.
5. Understand the importance of cost management and profit planning for sustainable business operations.

During the training, participants worked in groups to complete a worksheet on production cost calculation and pricing formulation, which was later reviewed and discussed collectively. Several participants, such as local snack producers and craft artisans, presented their results and expressed that the training helped them realize the true structure of their costs and appropriate profit margins. For example, one participant from a home-based snack business in Banyumanik stated that after learning the cost calculation method, she discovered that her previous selling price was below the actual production cost, and she was able to adjust it accordingly to achieve better profit margins. These testimonials and hands-on outputs

provide evidence of the practical impact and effectiveness of the training program. Participants reported increased confidence in pricing decisions and better awareness of hidden costs that were previously unaccounted for.

Challenges

Some participants initially struggled with:

- Classifying indirect costs or overhead correctly.
- Understanding different pricing methods and selecting the most suitable for their market.

The documentation below represents different stages of the same community service activity titled *“Training on Calculating Cost of Production and Determining the Appropriate Selling Price for MSMEs in Semarang.”* The first photo captures the indoor training session, where MSME participants engaged in lectures and practical exercises on cost of production (HPP) calculation and pricing formulation. The session took place at the Community Hall of Banyumanik District, Semarang, and was attended by 25 MSME owners from the food, beverage, and handicraft sectors. The second photo shows a group photo session taken after the training, featuring the facilitators, students, and MSME participants as part of the program’s closing documentation. This moment symbolizes collaboration between academia and the local business community in enhancing MSME financial literacy.



4. DISCUSSION

The training demonstrated that many MSMEs previously relied on estimation or competitor-based pricing, which often led to unprofitable selling prices. By introducing systematic HPP calculation and pricing strategies, MSMEs can now:

- Avoid underpricing, which reduces profit margins.
- Avoid overpricing, which can reduce competitiveness.
- Plan for realistic profits and cash flow management.

The combination of theoretical explanations and practical exercises was effective in enabling participants to immediately apply the concepts to their own businesses. Furthermore, participants recognized the potential of simple technological tools (such as spreadsheets and cost-recording applications) to enhance accuracy and efficiency in financial management. These results align with the objectives of the activity, which aimed to strengthen MSMEs' ability to calculate production costs and determine appropriate selling prices through applied learning methods. The findings are also consistent with empirical studies suggesting that community service programs adopting participatory and experiential learning approaches are more effective in developing entrepreneurial competence and financial literacy among MSME owners (Fauzi & Hidayat, 2021; Rahman et al., 2020). Therefore, practical, hands-on training tailored to real business conditions is crucial for enhancing both financial management capabilities and business sustainability.

5. CONCLUSION

The training on calculating the cost of production and determining the appropriate selling price successfully enhanced participants' understanding of cost classification, cost of production (HPP) calculation, and pricing strategies. Through the combination of theoretical explanation and practical exercises, participants were able to apply the learned concepts directly to their own business contexts. The use of simple technological tools, such as spreadsheets or cost-recording applications, also increased their confidence in managing financial data more systematically.

This activity demonstrates that community-based, participatory training methods are effective in improving the financial literacy and managerial capabilities of MSME owners. By aligning learning materials with real business challenges, participants are more motivated to implement cost management and profit planning strategies in their daily operations.

Practical recommendations from this activity include: MSME owners should continue practicing cost recording and periodic financial reviews to monitor business performance, Local governments and universities are encouraged to provide continuous mentoring programs

that focus on practical financial management and digital literacy, future training should include modules on digital financial tools, marketing analytics, and simple bookkeeping applications to further enhance business sustainability.

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