

## **Cost Plus Pricing Method in Determining the Profit of Home Industry Sub Sector MSMEs in Tolitoli Regency.**

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### **Abstract**

This study aims to analyze the application of *the cost plus pricing* method in determining selling prices and profits in Micro, Small, and Medium Enterprises (MSMEs) in the home industry sub-sector in Tolitoli Regency, a case study on Tofu Tempe Sumali MSMEs. The *cost plus pricing* approach adds a certain profit margin to the total production cost as the basis for determining the selling price. Through a quantitative study on Sumalian Tofu Tempe MSMEs, the results of the study found that the profit obtained on the selling price based on the cost plus pricing method was IDR 1,060,416,000 from the selling price of 7,364/package with a total production of 144,000 packages. This study found that business actors have not applied the price calculation method systematically, so they often set prices based on intuition or market prices that are not in accordance with the actual production cost. With the application of *the cost plus pricing* method, MSMEs can determine a more rational selling price and obtain more stable and sustainable profits.

**Keywords:** *cost plus pricing*; MSMEs; Home Industry; Selling Price; Advantage; Tolitoli.

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## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have long been the backbone of Indonesia's economy (Ikbal et al., 2018; Nur et al., 2024; Rosmadi, 2019; Suhaili, 2019; Yanto & Syaputra, 2022), including in areas that are outside the center of national economic growth such as Tolitoli Regency, Central Sulawesi. MSMEs are defined as productive businesses owned by individuals or business entities that meet certain criteria related to the number of workers, assets, and turnover (Dinas Koperasi dan Usaha Mikro Pemerintah Kabupaten Bojonegoro, 2021; Fitri Zakiyah et al., 2022; Munthe et al., 2023). Home industry is part of MSMEs whose production activities are carried out at home with simple equipment and limited labor (Pradiani, 2018; Susilo, 2018). In the context of regional development, MSMEs have a strategic role in reducing the unemployment rate, increasing household income, and encouraging economic growth based on local potential (Novitasari, 2022; Nur et al., 2024). The home industry sub-sector, which is an integral part of MSMEs, plays an important role in providing community-based employment and preserving local culture through creative and traditional products (Munthe et al., 2023; Zaelani, 2020). MSMEs with concepts like this have a strong contribution or relationship with MSMEs with a sustainable concept that considers several aspects in their operational activities, namely economic, social and environmental aspects (Nur et al., 2024; Yanto et al., 2025)

However, although home-based MSMEs show a fairly strong resilience to macroeconomic pressures, they are often faced with fundamental challenges, one of which is the inability to set selling prices that reflect a reasonable cost structure and profit target. Many MSME actors still use an intuition-based pricing approach, following market prices without an in-depth analysis of the actual production costs and added value of products. This condition risks causing inequality between selling prices and operating costs, which in the long run can threaten business sustainability.

In this context, the application of the cost plus pricing method is very relevant. Cost plus pricing is a method of determining selling prices that is based on the sum of the total production costs with an additional percentage as the profit margin (Deby & Saputra, 2024; Umamik, 2014). The cost plus pricing method is an approach to determining selling prices based on the accumulated total production costs plus the percentage of profit margin. This approach has the advantage of providing clarity and transparency in the pricing structure and allows businesses to ensure that each unit of product sold generates a profit proportional to the costs incurred (Choerotunnisa, 2023).

Tolitoli Regency as one of the areas with the potential for rich natural resources and local wisdom, has a variety of home industry MSMEs in the processed food, handicrafts, and household needs sectors (Ilyas et al., 2025; Rajamuda et al., 2024; Yanto, 2024a, 2024b). Unfortunately, the limitations of financial literacy and access to entrepreneurship education make many business actors in this area not optimal and effective in managing a micro business (Yanto, E., Morad, A. M., Ismail, I., & Mallu, 2024). In this case, it is necessary to understand the importance of innovations in profit planning, including planning profits through cost-based pricing methods. Therefore, it is necessary to conduct research that can explore the extent to which the cost plus pricing method can be applied effectively in the Tolitoli MSME environment, as well as its impact on increasing profits and business sustainability.

This study aims to examine in depth the application of the cost plus pricing method in determining the selling price and profits of MSMEs in the home industry sub-sector in Tolitoli Regency, precisely in Tofu Tempe Sumali MSMEs. Through a quantitative descriptive approach, this research not only aims to provide an overview of the empirical conditions in the field, but also offers practical solutions that can be used as a reference for business actors, policy makers, and MSME companion institutions in the regions.

## METHODOLOGY

This study uses a quantitative descriptive approach, namely by examining research data through the formula or formulation of the cost plus pricing method. After knowing the answer quantitatively, the interpretation of the data in question can be described so that valid data is obtained from the calculation results that can be used in answering the formulation of the research problem that has been explained earlier, namely the determination of the profits of MSMEs in the home industry sub-sector through the cost plus pricing method. The following is the formula for the cost plus pricing method.

$$\text{Selling price} = \frac{\text{Cost/Package}}{(1-\text{Desired Profit})}$$

### Information:

**Cost/package:** The cost result obtained from the total cost divided by the number of units produced.

**Desired profit:** It is the profit desired by the company to make a profit on the company or *mark up*.

## RESULTS AND DISCUSSION

Before calculating the selling price, first determine the cost per package and also the desired percentage/profit margin. The following is data related to the total cost and desired profit margin.

**Table 1. Total Production Cost of Sumali Tempe Tofu SMEs**

No	Fixed fee types	Cost value/ Year (Rp)
1.	Direct labor costs	Rp.79.000.000
2.	Tool shrinkage	Rp.9.800.000
<b>Sub Total</b>		<b>Rp.88.800.000</b>
No	Jenis biaya Variabel	Cost value/ Year (Rp)
1.	Raw material cost	Rp.720.000.000
2.	Firewood	Rp.8.400.000
3.	Apple Vinegar	Rp.7.200.000
4.	Solar	Rp.1.224.000
5.	Plastic/packaging	Rp.1440.000
<b>Sub Total</b>		<b>Rp.738.264.000</b>
<b>Total</b>		<b>Rp.827.064.000</b>

Source: Data processed, 2025

From the table, it can be seen that the total cost of Sumali Tolitoli SMEs in 2023 is a fixed cost of IDR 88,800,000 plus variable costs of IDR 738,264,000, resulting in a total production cost of IDR 827,064,000. Then to find the cost/ package from the total cost divided by the number of production units as many as 144,000 packages with a cost/ package of Rp. 5,744. The following is the calculation of the cost/ package.

$$\begin{aligned}\text{Cost/ Package} &= \frac{\text{Total Cost}}{\text{Number of units produced}} \\ &= \frac{\text{Rp. 827.064.000}}{144.000 \text{ package}} \\ &= \text{Rp. 5.744}\end{aligned}$$

It can be seen from the results of the calculation of the cost/ package, which is worth IDR 5,744 which is obtained from the result of the division between the total cost of IDR 827,064,000 divided by the number of production units of 144,000 packages. Next is to calculate the profit using the cost plus pricing method through the following calculation.

$$\begin{aligned}\text{Selling Price} &= \frac{\text{Cost/ Package}}{(1- \text{Desired profit})} \\ &= \frac{\text{Rp. 5.744}}{(1- 0,22)} \\ &= \frac{\text{Rp. 5.744}}{0,78} \\ &= \text{Rp 7,364/ package}\end{aligned}$$

To get the value of production profit (income), it can be found by multiplying the selling price by the number of packages produced, as follows the calculation.

$$\begin{aligned}\text{Income} &= \text{Price (P)} \times \text{Quantity (Q)} \\ &= \text{Rp. 7.364} \times 144.000 \text{ packages} \\ &= \text{Rp. 1.060.416.000}\end{aligned}$$

From the calculation above, it is found that the revenue in the Sumali SME tempeh tofu business using the Total Revenue formula in 2023 is as follows; The revenue obtained on the product from the selling price of Rp. 7,364/ package multiplied by the total production of 144,000 packages which resulted in an income of Rp. 1,060,416,000.

## CONCLUSION

Based on the calculation results, the production profit of Sumali MSMEs amounted to IDR 1,060,416.00 with the selling price set based on the cost plus pricing method of IDR 7,364/package for a total production of 144,000 packages. The cost plus pricing method has been proven to help home industry MSME players in Tolitoli Regency in determining a more rational and profitable selling price. The application of this method also encourages business actors to better understand the structure of their production costs.

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