

Financial Literacy for Young Entrepreneurs in Calculating Cost of Production and Break Event Point

Financial Literasi Bagi Pengusaha Muda dalam Menghitung Harga Pokok Produksi dan Break Event Point

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Abstract

Higher education in Indonesia is required to prepare graduates not only academically but also have an entrepreneurial spirit to compete in the current era of globalization. Considering the current high unemployment rate, it is hoped that college graduates will not only look for work (job seekers) but also create jobs (job creators). This community service focuses on young entrepreneurs who joined HIPMI PT at Universitas Negeri Padang to solve their problems such as the lack of financial literacy mentors and members' lack of desire to learn effective and efficient business financial management. Therefore, the team provide training to increase financial literacy through workshop and assistance in calculating the cost of production and break event point analysis for young entrepreneurs. This community services had succeeded in increasing the financial literacy of young entrepreneurs, and it is hoped that can be applied to running the business they are involved in.

Abstrak

Perguruan tinggi di Indonesia dituntut untuk mempersiapkan lulusannya tidak hanya secara akademis namun juga memiliki jiwa kewirausahaan untuk bersaing di era globalisasi saat ini. Mengingat tingginya angka pengangguran saat ini, lulusan perguruan tinggi diharapkan tidak hanya mencari pekerjaan (*job seeker*) tetapi juga menciptakan lapangan kerja (*job creator*). Pengabdian masyarakat ini fokus pada para wirausaha muda yang tergabung dalam HIPMI PT di Universitas Negeri Padang untuk menyelesaikan permasalahan mereka seperti kurangnya pendampingan literasi keuangan dan kurangnya keinginan anggota untuk mempelajari pengelolaan keuangan bisnis yang efektif dan efisien. Oleh karena itu, tim memberikan pelatihan untuk meningkatkan literasi keuangan melalui workshop dan pendampingan penghitungan harga pokok produksi dan analisis *break event point* bagi wirausaha muda. Pengabdian kepada masyarakat ini berhasil meningkatkan literasi keuangan para wirausaha muda, dan diharapkan dapat diterapkan dalam menjalankan usaha yang digeluti.

Keywords: entrepreneurship; financial literacy; cost of production; break event point analysis.

1. Introduction

The government has made various efforts to advance the education system in Indonesia, by issuing new policies. The latest policies that are attracting attention for state universities are Merdeka Belajar Kampus Merdeka (MBKM) or independent campuses and independent learning, as well as various other relevant policies. Policy changes naturally result in changes in performance measures. Since 2021, university performance measures based on Key Performance Indicators (KPI). There are currently eight main performance indicators for state universities. The first indicator is that graduate have succeeded in getting decent jobs or becoming entrepreneurs.

State universities in Indonesia are required to prepare graduates who not only academically but also have an entrepreneurial spirit in order to survive and compete in the current era of globalization. Considering the current high

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unemployment rate, it is hoped that college graduates will not only act as job seekers but also play a role in creating jobs (job creators). In fact, the entrepreneurial spirit among students has not emerged recently but has been honed through many activities, including (1) the existence of entrepreneurship courses in the curriculum; (2) the Program Kreativitas Mahasiswa (PKM), which facilitates students to be creative in various fields, including entrepreneurship; and (3) the Program Mahasiswa Wirausaha (PMW), which facilitates grant for students who want to become job creators.

Supporting organizations were also formed through HIPMI PT, which is under the auspices of the HIPMI branches in each region. HIPMI PT is a forum for college students whose aim is mentoring and sharing about entrepreneurial activities. Through this organization, it is hoped that members will learn to train their mental and mental skills to become reliable young entrepreneurs. After becoming a member of HIPMI PT, it is hoped that students will become young entrepreneurs who are independent and useful for themselves and, in the future, can build a better Indonesian nation.

One of the HIPMI PTs in West Sumatra is HIPMI PT UNP, which was founded on October 12, 2015, with the aim of being a forum for UNP students who have businesses or are interested in becoming young entrepreneurs. However, in fact, student interest in participating in HIPMI PT UNP is still low (Elastia & Hasmira, 2020). The low demand for UNP students to take part in this activity was caused by external factors, namely lack of socialization, a series of activities that were less interesting, and limited funds, as well as external factors, namely not being interested in entrepreneurship and schedule incompatibility.

Based on the results of an interview with the Chair of HIPMI PT UNP, Angga Amlisio Perdana, several problems are currently faced by HIPMI PT UNP members: (1) the lack of financial literacy mentors; (2) members' lack of desire to learn effective and efficient business financial management; (3) members' ability to keep adequate financial records is still limited, and they do not yet separate personal and business funds. This cannot be denied because of the various problems faced by educated young entrepreneurs, including: (1) lack of capital; (2) economic conditions; (3) limited skills; (4) competition; (5) product quality; and (6) marketing (Fatkhurahman et al., 2018). Therefore, a third party is needed who can provide assistance to educate entrepreneurship, and this is where universities play a role in bridging this need (Wahyudi et al., 2020).

Research conducted by (Putri et al., 2022) found that financial literacy is one of the factors that influences the financial performance of young entrepreneurs. This is in line with (Roxas, B. G., Cayoca-Panizales, R. & Jesus, 2008) which state that students' interest in entrepreneurship is influenced by their understanding of financial management. According to (Wise, 2013), the chances of success for newly started businesses are greater if they have better financial knowledge. This is also in accordance with (Avlijaš et al., 2014) who explain that financial literacy is an important factor for students entering entrepreneurship and limits the risk of entrepreneurial failure.

Financial literacy knowledge can be obtained by students through lectures on campus. Entrepreneurship education on campus teaches good business management, and financial management is obtained through accounting courses. However, the fact that needs to be underlined is that not all young entrepreneurs have received accounting material in lectures. This is in line with the results of the team's discussion with the Chair of HIPMI PT UNP, that the members of HIPMI PT UNP did not all come from the Faculty of Economics but also came from other faculties who had not received accounting and management material in lectures, so it was only natural that these young entrepreneurs have limited financial literacy. Based on the results of the discussion, the proposing team and partners agreed that it was necessary to increase financial literacy for young entrepreneurs who are members of HIPMI PT UNP. The material will focus on calculating the cost of production and Break Event Point analysis.

According to the Indonesian Accountants Association (IAI), the cost of production is the price of goods produced, which includes all costs of direct materials used, direct wages, and indirect production costs, as well as the initial and final balances of products during the processing process. Determining the cost of production is very important because it is a source of information for determining selling prices. Incorrect calculation of the cost of production can cause product selling prices to be too high (overpricing) or too low (underpricing). This, of course, makes it difficult for the products produced to compete with similar products on the market. Apart from that, determining the cost of production is also needed to evaluate the realization of production costs, calculate periodic profit and loss, and determine the cost of inventory of finished products and products in process, which are presented in the balance sheet (Sihite, 2012). Therefore, it is very important for information on the cost of production to be calculated accurately so that it can be relied upon in determining product selling prices and calculating periodic profit and loss.

Apart from calculating the cost of production, Break Event Point (BEP) analysis is also very necessary for entrepreneurs. Break Event Point (BEP) analysis is very important for management to understand the relationship

between costs, volume, and profit; in particular, it helps them know the minimum sales amount and the level of reduction in sales realization of the sales plan so that the company does not suffer losses (Maruta, 2018). Break event point, also known as breakeven point, is the position at which a company makes no profit and suffers no loss.

Considering the urgency of the problems above, the proposing team believes that training is needed in order to increase financial literacy for PT UNP HIPMI members, which is focused on assisting in calculating the cost of production and Break Event Point (BEP) analysis through "Increasing Financial Literacy of PT UNP HIPMI Young Entrepreneurs through Preparation Cost of Goods Production and Break Event Point Analysis."

2. Methods

This community services will consist of three main activities:

a. Preparation

The activities carried out in this preparation are:

- 1) Schedule consolidation, namely determining a concrete schedule with partners after the proposed activities have been approved for funding and implementation
- 2) Coordination with LP2M UNP, Chair of HIPMI PT UNP to process permits for carrying out activities.
- 3) Determination of participants is carried out in collaboration with the Chair of HIPMI PT UNP. The number of participants involved in this activity are 35 members of HIPMI PT UNP who were active and already had businesses.
- 4) Preparation of training materials.

b. Implementation

The implementation stage includes:

- 1) Capacity building activities, namely the presentation of material, are carried out using the lecture method assisted by PowerPoint media. This activity began with the delivery of material related to the introduction of the concept of costs, calculation of the cost of production and break event point analysis.
- 2) The workshop activities focused on assisting participants in calculating the cost of production for their business. Participants in this activity are asked to bring their cost data in calculating the cost of production that has existed so far, then they will be guided to check again whether the costs have been identified correctly in accordance with the understanding of costs obtained in the previous material. Participants will be accompanied in calculating the cost of production and break event point for their business.

c. Evaluation

Evaluation of goal achievement is carried out at the beginning, process and end of the activity with success criteria referring to the goals and output targets of the activity describe as follow:

- 1) The initial evaluation was used to determine the financial literacy of participants, especially in calculating the cost of production and concept of break event point.
- 2) The intended final evaluation is to measure the achievement of the activity program objectives. Indicators of success are seen from the partner's level of understanding of the material presented. At the end of the activity, at least 70% of the training material can be mastered by participants.
- 3) The final evaluation is also seen from the participants' ability to calculate the cost of production of their business correctly and accurately.

3. Result and Discussion

This community services activity was carried out on September 8–9, 2023, at the Auditorium of the Faculty of Hotel and Tourism, Padang State University, and was attended by 33 participants with the following description:

a. Gender

Table 1. Gender

Gender	Amount	%
Man	10	30.30%
Woman	23	69.70%
Total	33	100%

Table 1 shows that the majority of participants in this PKM activity were 23 women or a total of 69.70% participants, while the number of male participants was only 10 people or a total of 30.30% participants. This shows that the majority of college students who want to become entrepreneurs are women.

b. Business Experience

Table 2. Business Experience

Teaching experience	Amount	%
$0 \leq 5$	30	90.91%
$\geq 5 - 10$	3	9.09%
Total	33	100%

Table 2 shows that the majority of young entrepreneurs who joined in this training had entrepreneurship experience for less than 5 years, namely 30 students or 90.91%, while only 3 people had more than 5 years or 9.09%. This shows that the participants who took part in this activity were young entrepreneurial students who did not have much experience.

The team also asked questions related to the participants' experience and level of entrepreneurial readiness:

Table 3. Entrepreneurial experience

Question	Once		Never	
	Amount	%	Amount	%
Have you ever attended training related to financial literacy?	1	3.03%	32	96.97%
	Already		Not yet	
	Amount	%	Amount	%
Have you correctly calculated the cost of production?	11	33.33%	22	66.67%
Do you understand the concept of Break Event Point?	14	42.42%	19	57.58%
	YES		NO	
	Amount	%	Amount	%
Is it important for young entrepreneurs to get financial literacy material?	32	96.97%	1	3.03%

Based on the table 3, it can be seen that only 1 young entrepreneur has ever attended training related to financial literacy, so the term financial literacy is uncommon to the majority of participants. Most of the participant had not calculated their cost of production correctly and still don't understand about the concept of BEP. The young entrepreneur has currently realized the importance of financial literacy. This community service activities have succeeded in increasing young entrepreneurs' understanding in calculating the cost of production and break event point as seen in table 6. The post test results actually showed that the results exceeded the previously set target, namely reaching 78.30%.

Table 4. Comparison of Pre Test and Post Test Scores

	Pre-Test	Post-Test
Lowest	28	48
Highest	80	92
Average	56.85	78.30
N	33	33

At the end of the activity, the team distributed evaluation questionnaires to see how participants responded to this community services by using Likert scale (1; truly disagree - 5; truly agree). The table 5 show the participant responses.

Table 6. Evaluation of Community Services

No	Question	Average
1	Participants can clearly understand the material.	4.60
2	The presenter has presented the material interestingly and easy to understand.	4.70
3	Sufficient time for training.	4.45
4	Participants still need additional training on the same topic.	4.45
5	Participants can increase their financial literacy knowledge through this training.	4.60
6	The training material can help young entrepreneurs increase their knowledge of financial literacy regarding the cost of production and break event point analysis.	4.70

The results of the evaluation of this community services show that the participants were able to understand the material provided, supported by resource persons who were able to present the material using interesting methods so that it was easy for the participants to understand. However, on the other hand, it was felt that the training implementation time was not optimal because it only lasted two days even though financial literacy was something new for the participants. Therefore, participants are still very enthusiastic if additional training is carried out on the same topic because through this training to increase financial literacy, participants really feel an increase in financial literacy knowledge, especially in determining the basic production costs and determining break event points which participants hope to be able to apply in running their business.

4. Conclusion

Through this community services it can be seen that the financial literacy of young entrepreneur is still limited. Therefore, the implementing team felt the urgency of this activity to increase the financial literacy of young entrepreneurs. At the end of this community services, it was seen that participants' abilities increased in calculating the cost of goods produced and the concept of break event points. Training participants are expected to be able to apply the material in calculating the cost of production and the concept of break event points in their businesses.

Acknowledgements

The author would like to thank Universitas Negeri Padang for financing this community services by Community Service Grant Number **1838/UN35.15/PM/2023** and all parties who have contributed to this community services.

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