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Smart Business Decisions with Differential Costs: A Case Study of Fried Rice and Tempeh MSMEs in Special Orders

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A B S T R A C T
This study aims to analyze the application of differential cost analysis in managerial decision-making processes, particularly in evaluating special orders for Micro, Small, and Medium Enterprises (MSMEs). Using a comparative approach to two MSME case studies Nasi Goreng Kembar Naknik and Tempe Pak Kasmudi this research reveals how differences in cost structures and production capacities influence business decisions. The results show that differential cost analysis provides a strong basis for MSMEs to determine the feasibility of special orders by considering relevant additional revenues and costs. Both case studies demonstrate that special orders can increase profitability without requiring additional production capacity, provided decisions are based on positive contribution margins. This study emphasizes the importance of understanding relevant costs to support the efficiency, sustainability, and growth of MSMEs.

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INTRODUCTION

Although various studies have discussed the application of differential cost analysis in business decision making, most of the focus is still on large-scale companies or manufacturing companies (Handoko 2018; Sari & Nugroho, 2020). Research on the MSME scale, especially in the Indonesian context, is still relatively limited, even though the cost characteristics and operational strategies of MSMEs are very different. In addition, there are not many studies that directly compare two MSME case studies to see how cost structure and production capacity affect the decision to accept special orders. Therefore, this study is here to fill this gap by providing a comparative analysis of two different MSMEs in the food sector, in order to evaluate the effectiveness of the application of differential cost analysis in increasing business profitability and efficiency.

MSMEs have a significant contribution to national economic growth, both as absorbers of labor and as drivers of local economic activity. However, complex operational challenges, including limitations in cost recording systems and data-based decision making, often become obstacles to increasing profitability. One strategy that can be used by MSMEs in optimizing profits is to analyze the feasibility of special orders using a differential cost analysis approach.

Differential cost analysis is important because it can help management objectively evaluate the financial impact of a decision. This approach highlights only the costs and revenues that change as a result of a particular decision. In the context of special orders, this analysis is a tool to assess whether accepting the order will increase or decrease the operating profit.

This study aims to compare two case studies of the application of differential cost analysis in special order decision making in two MSMEs in the food sector, in order to provide an in-depth understanding of the benefits and differences in the approaches applied. This study aims to compare two case studies of the application of differential cost analysis in special order decision making in two MSMEs in the food sector, in order to provide an in-depth understanding of the benefits and differences in the approaches applied. In addition, this study also aims to analyze how differences in cost structure, production capacity, and managerial strategies can influence decisions in accepting or rejecting special orders. Thus, the results of the study are expected to be a practical reference for MSME actors in maximizing profits through decision making based on relevant cost data.

Handoko (2018) explained that differential cost analysis is a very relevant method for evaluating special order decisions, because it focuses on costs and revenues that actually change as a result of the decision. Meanwhile, Sari and Nugroho (2020) added that relevant costs must be used as the main basis in the decision-making process so that the results truly reflect additional profit contributions. Rahman and Zainudin (2019) also emphasized the importance of implementing management accounting practices in MSMEs as a decision-making tool, especially in situations with limited resources. In this context, accurate cost information not only impacts internal efficiency but also the accuracy of response to market demand. In addition, Yuliana (2022) stated that the use of an adequate cost information system in MSMEs has been shown to increase operational efficiency and adaptability to changes in demand. Kurniawan (2013) also emphasized that special orders can make a positive contribution to profits if MSMEs are able to utilize idle production capacity and manage variable costs optimally.

LITERATURE REVIEW

Differential Cost Analysis

According to Mulyadi (2016), differential cost analysis is a method used to compare different incomes and costs resulting from an alternative decision. Differential costs consist of relevant costs that only occur if an alternative is chosen, while fixed costs that do not change are ignored in the decision-making process.

Special Orders in MSMEs

Special orders refer to irregular requests from customers with specific quantities, prices, or conditions that differ from regular production. According to Hansen & Mowen (2009), the acceptance of special orders should be analyzed based on the additional contribution they make to profits, without ignoring their impact on existing production capacity and cost structure.

Managerial Decisions Based on Cost Information

Accurate cost information plays a very important role in managerial decision making, especially on the scale of MSMEs that have limited resources. This information must be able to help management respond to market conditions flexibly and efficiently (Horngren et al., 2015).

METHODOLOGY

This study uses a qualitative approach with a descriptive comparative study method. Data sources were obtained from two scientific journal articles that discuss the application of differential cost analysis in MSMEs with different business backgrounds. The data studied include cost structure, production capacity, and profits generated from regular orders and special orders.

The analysis was conducted by comparing the details of costs, revenues, and contribution margins obtained from special orders in each study. The validity of the results was strengthened through a review of relevant and credible primary sources, while the reliability of the data was maintained through a comparison of the analysis structure between the two journals as a form of information triangulation.

RESEARCH RESULTS AND DISCUSSION

This study examines two scientific journals that highlight the application of differential cost analysis in special order decision making in the Micro, Small, and Medium Enterprises (MSMEs) sector. Although the topics raised are similar, each study presents different approaches and results, which are interesting to analyze further.

Case Study on MSMEs Nasi Goreng Kembar Naknik (Ade et al., 2024)

This study focuses on MSMEs engaged in fast food. The background is sales fluctuations and raw material price instability. The analysis was conducted on regular orders and special orders using a differential cost approach.

On regular orders, the MSMEs sells 900 portions of fried rice for Rp15,000 per portion, generating revenue of Rp13,500,000. After deducting the total cost of Rp11,211,000, a net profit of Rp2,239,000 is obtained.

On the other hand, in special orders (same quantity), the selling price is lower at Rp14,000 per serving, resulting in revenue of Rp12,600,000. However, the factory overhead costs are lower because they do not require some production components, with a total cost of only Rp9,530,000. As a result, the profit from special orders reaches Rp3,070,000, higher than regular orders.

This comparison shows that even though the selling price of special orders is lower, the more efficient cost structure provides a higher contribution margin. Per serving, the profit of regular orders is only Rp2,487, while special orders reach Rp3,411. This shows that the decision to accept special orders has proven to be profitable.

Case Study on Pak Kasmudi's Tempe MSMEs (Putri, 2024)

The second study was conducted on MSMEs that produce tempeh. In October 2024, total production reached 6,500 pieces, consisting of 4,550 large tempeh and 1,950 small tempeh. Sales generated revenue of Rp16,575,000, with a total production cost of Rp10,176,000, and a net profit of Rp6,399,000.

The special order received on October 30, 2024, was for 500 large tempeh and 200 small tempeh. With the same selling price as retail, an additional income of Rp1,800,000 was obtained. The additional cost incurred was only Rp552,000. Therefore, the contribution margin from this special order reached Rp1,248,000, increasing the total profit to Rp7,647,000.

In this study, the idle production capacity is utilized efficiently without adding fixed costs. The focus of the analysis is on the utilization of idle capacity and calculation of contribution margin.

Comparative Analysis

A comparison of the two studies shows that both Naknik and Pak Kasmudi's MSMEs benefit from the application of differential cost analysis. However, the approaches are different:

1) Naknik MSMEs highlights a comprehensive comparison between regular and special orders, including detailed cost structures and per-serve analysis. This approach is suitable for businesses with complex cost dynamics.
2) Mr. Kasmudi's MSME more focus on production capacity efficiency and contribution margin obtained without the need to increase fixed costs. This approach is practical for MSMEs with more stable operations.

In managerial decision making, especially in the context of micro, small, and medium enterprises (MSMEs), differential cost analysis can be a strategic tool in evaluating the feasibility of special orders submitted by customers. Two case studies from MSMEs in the food sector—namely Nasi Goreng Kembar Naknik and Tempe Pak Kasmudi—show how the application of this analysis can contribute to increasing profits through different approaches.

The first study was conducted by Ade et al. (2024) on the MSMEs Nasi Goreng Kembar Naknik, which operates in the fast-food sector. This business faces sales fluctuations and raw material price instability, so management needs to consider strategies that can provide higher profit margins. This study compared two types of orders: regular and special, using a differential cost approach. In regular conditions, the MSMEs sold 900 portions at a price of IDR 15,000 per portion, generating a total revenue of IDR 13,500,000. After deducting the total cost of IDR 11,211,000, a profit of IDR 2,239,000 or IDR 2,487 per portion was obtained.

On the other hand, when receiving a special order with the same quantity but a lower selling price of IDR 14,000 per serving, the income obtained is only IDR 12,600,000. However, because it does not use several components in the production process, the total cost is lower, namely IDR 9,530,000. The resulting profit is actually higher, reaching IDR 3,070,000 or equivalent to IDR 3,411 per serving. This study shows that even though the selling price is lower, cost efficiency in production can provide a higher contribution margin and make special orders more profitable than regular orders. Meanwhile, the second study by Putri (2024) examined the MSME Tempe Pak Kasmudi, which produces fermented foods made from soybeans. In the October 2024 period, total production reached 6,500 tempeh pieces, with a proportion of 4,550 large tempeh and 1,950 small tempeh. Regular sales generate revenue of Rp16,575,000 and production costs of Rp10,176,000, resulting in a net profit of Rp6,399,000. On October 30, the MSMEs received a special order of 500 large tempeh and 200 small tempeh. This order was sold at the same retail price, generating additional revenue of Rp1,800,000. However, because the additional costs incurred were only Rp552,000, the contribution margin reached Rp1,248,000. There were no additional fixed costs incurred because production was carried out by utilizing the idle capacity that was still available.

These two studies show that in both fast food and traditional food production contexts, the application of differential cost analysis can provide important insights in determining operational strategies. Although both are profitable, the approaches used by the two MSMEs are different. MSME Nasi Goreng Kembar Naknik emphasizes a comprehensive comparison of the cost structure between regular and special orders. This approach is suitable for businesses with complex production costs, where each component can be analyzed separately to see potential efficiencies. In contrast, MSME Tempe Pak Kasmudi emphasizes the efficient use of unused production capacity. Without the need to increase fixed costs, special orders can be processed by only paying variable costs, so that the entire contribution margin becomes a direct addition to net profit. This approach is more practical for businesses with a simple production structure and relatively stable capacity.

From both studies, it can be concluded that the application of differential cost analysis needs to be adjusted to the characteristics of each business. In businesses with complex cost structures, the efficiency of production components can be the key to increasing profits. Meanwhile, in businesses that have idle capacity, optimal utilization of unused resources can generate significant profit contributions without increasing fixed costs. Thus, differential cost analysis becomes an important tool in rational data-based decision making in the context of MSMEs.

Managerial Implications

The results of both studies show the importance of understanding relevant and differential costs. This analysis helps MSMEs make decisions based on actual data and not just assumptions. Proper application of this analysis can increase profits without having to undertake major expansion.

CONCLUSION AND RECOMMENDATION

Differential cost analysis has been shown to help MSMEs make more informed and profitable decisions, especially when faced with special orders. From the two case studies studied, it can be seen that despite the different approaches, the end result is still positive. MSME Nasi Goreng Kembar Naknik focused on cost structure efficiency, while MSME Tempe Pak Kasmudi utilized unused production capacity. Both managed to increase profits without having to increase fixed costs. This shows that understanding relevant costs and contribution margins can be an important key to maintaining business sustainability and growth. With data-based decisions and proper analysis, MSMEs can remain flexible and adaptive to market demand.

Based on the results of the research that has been conducted, it is recommended that MSMEs start considering the application of differential cost analysis in the decision-making process, especially when receiving special orders that are not routine in nature. By understanding the concept of relevant costs and contribution margins, business actors can more easily determine whether an order is worth accepting or is at risk of reducing profits. In addition, it is important for MSMEs to have a neater and more structured cost recording system, so that the analysis process can be carried out accurately.

ADVANCED RESEARCH

For further research, it is recommended that the scope of the study be expanded to other business sectors outside of food, and use primary data obtained directly from business actors. This can provide a broader picture of the challenges and opportunities for implementing differential cost analysis in various types of MSMEs.

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