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THE INFLUENCE OF PRODUCTION COSTS ON NET PROFIT
(Case Study on Automotive and Component Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange 2016-2019)

Dick Wolters Marbun
Mahasiswa Magister Manajemen Universitas Advent Indonesia
wolterssmarbun@gmail.com

Bill Schara Marbun
Mahasiswa Magister Manajemen Universitas Advent Indonesia
billmarbun@gmail.com

Abstract

This study aims to determine the effect of production costs on net income in automotive and component sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2019. The sample in this study is the automotive and component sub-sector manufacturing companies listed on the Indonesia Stock Exchange. The sampling method used in this study is purposive sampling with a sample of 33 samples consisting of manufacturing companies in the automotive and component sub-sectors on the Indonesia Stock Exchange for the last 4 years. This study uses descriptive statistical methods, correlation coefficient analysis, coefficient of determination analysis, simple linear regression, and significance test (t test). This study uses data from the annual financial reports of automotive and component sub-sector companies listed on the Indonesia Stock Exchange in 2016-2019. The secondary data was processed using SPSS. The results of the study show that production costs have a significant effect on net income.

Keyword *: Production Cost, Net Income.*

INTRODUCTION

In the current era of globalization, small and large companies in any world are required to have a competitive advantage. This is because there are many competitors both domestically and abroad. So the company will compete to maintain and advance the life of the company. This requires a hard struggle for the purpose of a company in order to generate profits for its owners. So the company must carefully plan and face various obstacles, such as problems with raw materials, marketing problems, problems with products produced and financial problems.

Companies to be able to develop must go through struggles and obstacles and be supported by careful planning in order to deal with problems and obstacles that arise such as problems with raw materials, problems with manufactured products, operational and financial problems. The level of intense competition where every company is required to have an advantage or uniqueness itself in order to survive and win the competition so that the company's goal of generating profits is achieved. So companies must think creatively in order to compete with other companies.

In generating a profit, there are several factors that influence it, one of which is the cost of production. Production costs are expenses that have already occurred (expired) used in processing the resulting product (Abdul Halim, 2019) in the book (Dandan, 2020). In production activities required factors of production such as labor, land, electricity, raw materials and others. In industrial companies consist of raw material costs, labor costs and overhead costs. The cost of raw materials is like the materials used in the production process. Labor costs such as labor wages and overhead costs such as electricity for the company or factory repairs and maintenance. The cost of production itself determines the selling price of a product or service which will affect the amount obtained. A large net profit is expected by every company whose main goal is to achieve profit where net income affects the survival of the company (Arieska, 2018). Companies engaged in manufacturing carry out routine production activities to produce an item. Production activities start from purchasing materials, paying labor wages to process materials and

incurring the necessary costs so that these materials can be converted into finished products that are ready to be sold. Part of the profit earned from each sale will be used again for the company's business activities. Like a case that occurred regarding the effect of production costs on profits in a company. Throughout this year until September 2019, the majority of Astra Group issuers recorded a decline in net profit. They are PT Astra Agro Lestari Tbk (AALI), PT Astra Graphia Tbk (ASGR), PT Astra International Tbk (ASII). AALI's net profit fell the most, which was 90.11% year on year (yoy) to Rp 111.18 billion. Followed by ASGR which fell 27.69% yoy to Rp 99.96 billion, ASII 7.06% yoy to Rp 15.87 trillion, and UNTR 4.77% yoy to Rp 8.64 trillion. Then, ASGR recorded a decrease in net profit due to a decrease in operating profit margin, although revenue from the document solution business and office service solution business increased.

Decrease in net profit too occurred in the group's automotive division due to a decrease in car sales volume, increased production costs, and the effect of the translation of foreign exchange rates. For information, Astra's car sales fell 7% to 396,000 units, while Astra Honda's motorcycles increased 5% to 3.7 million units. Going forward, the achievement of the Astra Group's annual performance is expected to still benefit from improved performance from the financial services business and contributions from the newly acquired gold mine (Qolbi, 2019).

LITERATURE REVIEW

Production Cost

Production costs are one of the cost classifications in cost accounting based on management (Ali, 2021). The high production costs have an impact on the level of sales. In terms of quantity, the company currently limits its production by adjusting the production costs that must be incurred (Sayyida, 2014). When product yields are reduced in quantity, of course, it also has an impact on profits. Processing production costs that are not good then the income will fall. The use of good quality raw materials will produce

good products as well (Lisaria, 2016). The production costs determine the selling price of a product or service which will affect the amount of profit earned.

The purpose of production costs in each budget made, the company has set costs according to their respective needs. Similarly, the cost of production in each company has a goal in each cost that has been budgeted. According to Manroe (2019) there are several objectives of determining production costs, namely to determine production costs, to control costs and thirdly to assist decision making.

Production costs are costs that must be incurred in creating a product that will later be sold and generate profits for the company. There are several types of production costs, namely fixed costs, variable costs, total costs, average costs and marginal costs (Ali, 2021). Production costs occur because they are influenced by several factors that give rise to these production costs (Jannah, 2018). These factors are used as indicators in production costs. There are several indicators that affect production costs according to Mulyana (2017), namely the cost of raw materials, direct labor costs and factory overhead costs. Through the above understanding a formula for production costs is made, namely Production Costs = Direct Material Costs + Direct Labor Costs + Factory Overhead Costs.

Net Profit

Net profit is the result of reducing operating profit with other income and expenses (Yayah, 2016). Net income can also affect operating cash flow in the future with an increase in net income, the increase in operating cash flow in the future with the company being able to pay dividends to investors. In everything that exists has a role to make it useful. Just as profit is made by having an important role in every company. Profit is a force that can sustain the running of the company in the future, as a dividend to shareholders, and also as the main thing that makes the company able to run its economy. In net income there are several things that can cause net income to occur, namely income, all costs incurred in carrying out its operations, profit and loss arising from various transactions, and income as the final count of income and profits that have been deducted

from expenses and losses for that period. The formula for net income is: Net Profit = Gross Profit – Operating Expenses – Tax Expense (Hery, 2021).

RESEARCH METHODS

The type of data used in this research is secondary data research. Secondary data is data that has been processed, stored, presented in a certain format or form by certain parties for certain interests (Abdillah, 2015). The secondary data in the study is the financial statements listed on the IDX. The data collection method used in the study used non-participant observation and documentation. The non-participant observation method is that researchers can make observations as data collection without being involved in the observed phenomena (Sugiyono, 2018).

The population is a generalization area consisting of subjects/objects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2018). The population in this study is the automotive and component sub-sector companies listed on the Indonesia Stock Exchange in 2016-2019. The sample is part of the number and characteristics possessed by the population (Sugiyono, 2018). The sampling technique used is purposive sampling, which is a sampling technique with certain considerations (Hermawan, 2019). Based on purposive sampling criteria, the number of samples used in this study were 32 automotive and component companies listed on the IDX. The sample data used in this study can be seen in the following table:

Tabel 1. Daftar Sampel Penelitian

No	Kriteria	JumlahSampel
1	Perusahaan otomotif dan komponen yang terdaftar di BEI	13
2	Perusahaan yang tidak menyajikan laporan keuangan secara konsisten periode 2016-2019	(1)
3	Perushaan yang merakit komponen	(1)
4	Perusahaan yang tidak menyediakan laporan keuangan dalam bentuk mata uang rupiah	(3)
5	Jumlah perusahaan yang diteliti	8
Periode penelitian selama 4 tahun yaitu 2016-2019		4
Total sampel yang diamati (9 x 5 tahun)		**32**

Sumber: Penulis

Documentation is a method used to obtain documents, written numbers and pictures in the form of reports and information that can support research (Sugiyono, 2015). Data collected through non-participant observation and documentation by observing documents or records produced by other parties related to this research, such as recording, citing, and collecting data from documents found on www.idx.com, the website the official Indonesian Stock Exchange as well as the results of previous research and books that support the arguments of the results of this study.

Operational Variables

The variables defined in the study can be grouped into independent variables or independent variables and dependent variables or dependent variables. The independent variable or independent variable is a variable that affects or is the cause of the change or the emergence of the dependent variable (Sugiyono, 2018). The independent variable in this study is the cost of production. The dependent variable or dependent variable is a variable that is influenced or becomes a result because of the independent variables (Sugiyono, 2018). The dependent variable in this study is net income.

The independent variable or independent variable used in this research is the cost of production where the independent variable affects the dependent variable. There are several indicators that affect production costs, namely direct material costs, direct labor costs and indirect costs (overhead). So from the three components, a formula for production costs is made: Production Costs = Direct Material Costs + Direct Labor Costs + Indirect Costs (overhead) (Hidayatul, 2021).

The dependent variable or dependent variable is used in this study net income. Where the dependent variable is influenced by the independent variable. Net profit or net profit after income tax is obtained by deducting pre-tax profit or income with expenses operating and income taxes to be paid by the company. The following formula used in calculating net income is Net Profit = Gross Profit - Operating Expenses - Tax Expense.

The method used in this research is descriptive statistics. Where is the statistic that analyzes the data by describing the data that has been collected whose conclusions are

not necessarily applicable in general and the method of calculating the minimum value, maximum value, mean (average) and standard deviation. Based on this method, we can find out how the effect of production costs on net income in automotive and component sub-sector manufacturing companies on the IDX for the 2016-2019 period. After testing the descriptive statistics, the correlation coefficient analysis will be tested to find out how big the relationship between production costs and net income is. Correlation coefficient analysis is also useful for knowing the level of closeness of the relationship between the two variables that have been set. So that it can find out how high or low the relationship between the two variables is concerned. To be able to provide an interpretation of the strength of the relationship from the correlation value, the formula used in the SPSS application is as follows:

$$r_{xy} = \frac{n\sum XiYi - (\sum Xi)(\sum Yi)}{\sqrt{\{n\sum Xi^2 - \sum Xi)^2 2\}\{n\sum Yi^2 - (\sum Yi)^2\}}}$$

Sumber: Sugiyono (2014)

Information:

r = Total Correlation Coefficient

n = Number of Observations

X = Independent Variable

Y = Bound Variable

Tabel 2. Interpretasi Koefisien Korelasi

Interval Koefisien	Relationship Level
0,00 – 0,199	Very low correlation
0,20 – 0,399	Low
0,24 – 0,599	Medium
0,60 – 0,799	Strong
0,80 – 1,00	Very strong

Sumber: Sugiyono (2014)

The coefficient of determination (R^2) essentially measures how far the model's ability to explain variations in the dependent variable is. A small R^2 value means that the ability of the independent variables in explaining the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2016:97). Variable X is production costs and variable Y is net income. The formulas used in this analysis are:

Kd = R2 x 100%

Information:

Kd = Coefficient of determination

R = Correlation Coefficient Value

The t-test was used to determine the effect of each independent variable on the dependent variable. The t-statistical test basically shows how far the influence of one explanatory/independent variable individually in explaining the variation of the dependent variable (Ghozali, 2016). Testing through a significant test is carried out using a significant indicator of 0.05, if it is significant 0.05, then the hypothesis is accepted, but if it is significant 0.05 then the hypothesis is rejected.

The data analysis technique used in this research is multiple linear regression analysis. This analysis aims to measure the variables in this study, while the equation model of the regression analysis of this study is as follows:

Y = 1X1 + e.

Information:

Y = dependent variable, namely employee performance

1 = regression coefficient

X1 = independent variable, namely the use of accounting information

e = error term

After multiple linear regression analysis. This data analysis technique will be assisted by using SPSS (Statistical Package for Social Sciences).

RESULT AND DISCUSSION

Production Costs in Automotive and Component Sub-Sector Companies Listed on the IDX in 2016-2019. In this study, the automotive and component sub-sector manufacturing companies that have gone public and whose shares are traded on the IDX in 2016-2019 are used. The number of companies registered in 2016-2019 were 13 companies and the number of samples used in this study were 8 companies. In this study, production costs are influenced by several indicators, namely direct material costs, direct labor costs and factory overhead costs.

Tabel 3. Production costs at the Automotive and Components Sub-Sector Companies Listed on the IDX in 2016-2019 (in millions of rupiah)

Company Code	Year	Material Cost (a)	Labor costs (b)	Overhead Cost (c)	Production cost (a+b+c)
AUTO	2016	4.413.422	1.613.841	1.483.857	7.511.120
	2017	5198.039	1.654.496	1.459.310	8.311.845
	2018	6.603.910	1.864.749	1.580.363	10.049.022
	2019	5.961.181	1.797.138	1.566.052	9.324.371
BOLT	2016	381.975	94.682	253.979	730.636
	2017	406.726	94.716	222.638	724.082
	2018	549.140	103.151	265.391	917.638
	2019	543.623	101.817	292.729	938.170
GJTL	2016	6.268.229	1.390.542	2.610.991	10.262.726
	2017	7.941.986	1.640.991	2.463.003	12.045.980
	2018	8.529.772	1.842.008	2.690.958	13.062.738
	2019	8.039.492	2.003.419	2.810.700	12.853.611
IMAS	2016	40.295	19.095	26.999	86.389
	2017	41.688	25.998	41.451	109.138

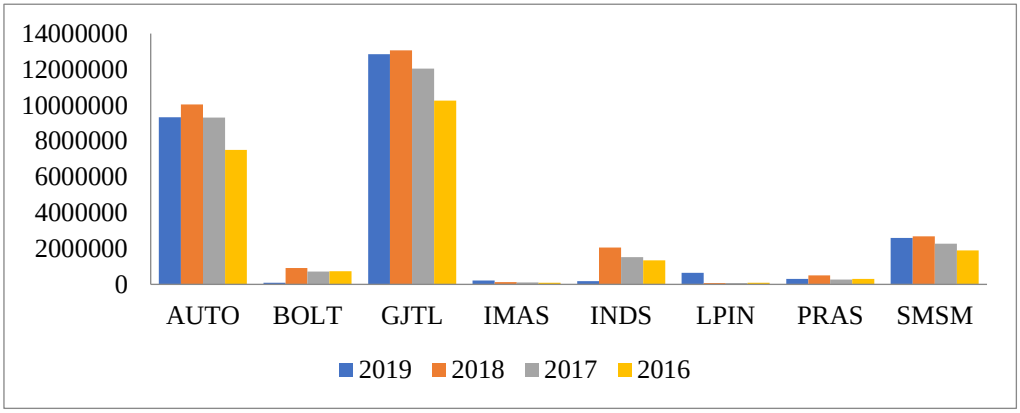
	2018	43.622	31.796	53.102	128.521
	2019	105.499	36.320	76.494	218.314
INDS	2016	845.007	56.310	435.748	1.337.066
	2017	986.319	63.602	473.956	1.523.879
	2018	1.426.007	83.446	540.789	2.050.243
	2019	1.226.912	81.111	508.556	1.816.580
LPIN	2016	65.828	8.200	9.204	83.054
	2017	56.432	10.922	7.621	74.977
	2018	57.523	11.420	7.415	76.358
	2019	50.748	9.718	5.317	645.784
PRAS	2016	186.731	40.325	72.178	299.235
	2017	143.216	41.697	80.447	265.361
	2018	276.690	55.655	160.917	493.262
	2019	144.828	46.618	110.590	301.492
SMSM	2016	1.289.459	344.948	262.361	1.896.768
	2017	1.561.814	420.507	289.540	2.271.861
	2018	1.845.512	491.596	340.504	2.677.612
	2019	1.721.149	520.756	343.406	2.585.311

Sumber: Penulis

Based on table 3 above, it is further shown that the condition of production costs in the automotive and component sub-sectors in 2016-2019. Overall, it was found that the condition of production costs fluctuated from 2016-2019. The table above shows the highest material cost value obtained by the GJTL company in 2018, which is Rp. 8,529,772,000,000 while the lowest material cost value is Rp. 40,295,284,012 at the IMAS company in 2016. The highest labor cost was obtained at the GJTL company in 2019 which was Rp. 2,003,419,000,000 while the lowest labor cost was Rp. 8,200,816,210 at the LPIN company in 2016. The highest overhead cost was obtained at the GJTL company in 2019 which was Rp. 2,810,700,000,000 while the lowest overhead cost is Rp. 5,317,444,018 at the LPIN company in 2019. The highest production cost was

obtained at the GJTL company in 2018 which was Rp. 13,062,738,000,000 while the lowest production cost was Rp. 65,784,552,649 for LPIN companies in 2019.

Figure 1. Graph of Cost Structure in Automotive and Component Sub-Sector Companies listed on the IDX in 2016-2019.



Sumber: Penulis

Based on Figure 1 above, the graph above can be seen from the calculation results of Production Costs for automotive and component sub-sector companies listed on the Indonesia Stock Exchange in 2016-2019 calculated on an annual basis. It can be seen that the production costs of the automotive and component sub-sector companies listed on the IDX in 2016-2019 experienced an increase in production costs in 2016-2018 but decreased in 2019.

Tabel 4 . Descriptive Statistics of Production Costs in Automotive and Component Sub-Sector Companies Listed on the IDX in 2016-2019

Descriptive Statitic

	N	Minimum	Maximum	Mean	Std. Deviation
Biaya Produksi (X)	32	65784552649.00	13062738000000.00	3284382340388.3750	4370989125810.32760
Laba Bersih (Y)	32	312881005784.00	853509000000.00	208639213968.0000	295609685554.46106
Valid N (listwise)	32				

Sumber: Bursa Efek Indonesia, diolah dengan SPSS 25

Based on Table 4, it explains how the production costs for the automotive and component sub-sector companies listed on the IDX in 2016-2019. The table above provides the results of descriptive statistical analysis showing the maximum value, which is the largest value on production costs, minimum value, which is the lowest value on production costs, the average value, and the standard deviation value which serves to show the average value of the scattered data. The table above shows that there are 32 samples that are being studied. The maximum value of production costs for automotive and component sub-sector companies listed on the Indonesia Stock Exchange in 2016-2019 is Rp. 13,062,738,000,000 by GJTL companies in 2018, the minimum value is Rp. 65,784,552,649 by LPIN companies in 2019, the average value of Rp. Rp. 3,284,382,340,388,37 and the standard deviation value is Rp. 4,370,989,125,810,33

Net Profit on Automotive and Component Sub-Sector Companies Listed on the IDX in 2016-2019.

In this study using net income data on sub-sector and component manufacturing companies listed on the IDX in 2016-2019. This data aims to answer the research formulation. The number of companies registered in 2016-2019 were 13 companies and the number of samples used in this study were 8 companies. Net income is influenced by several things such as gross profit operating expenses and tax expense. Through indicators to determine the amount of net profit. The following is a list of net profit values for automotive and component sub-sector manufacturing companies listed on the IDX for 2016-2019.

Tabel 5 . Net Profit on Automotive and Component Sub-Sector Companies Listed on the IDX in 2016-2019 (in millions of rupiah)

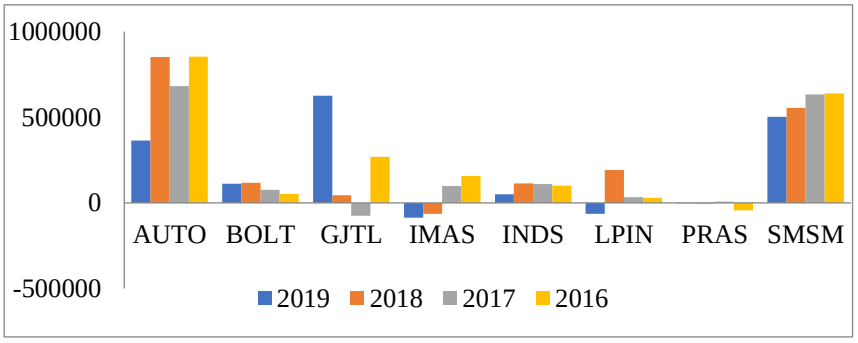
Company Code	Year	Gross profit (a)	Operating Expenses (b)	Tax expense (c)	Net profit (a+b+c)
AUTO	2016	1.139.793	705.966	69.518	364.309
	2017	1.188.248	268.056	94.864	852.328

	2018	1.872.849	1.011.286	180.762	680.801
	2019	2.188.244	1.068.386	266.349	853.509
BOLT	2016	270.992	117.252	42.077	111.662
	2017	264.639	112.477	34.699	117.463
	2018	249.292	149.451	27.102	75.728
	2019	210.709	141.456	17.771	51.492
GJTL	2016	3.195.293	2.2369.346	199.386	626.561
	2017	2.464.119	2.357.295	61.796	45.028
	2018	2.453.836	2.517.365	11.058	-74.557
	2019	2.796.942	2.796.942	188.769	269.107
IMAS	2016	2.666.112	2.892.879	86.113	-86.113
	2017	3.069.558	2.919.911	213.943	-64.296
	2018	3.427.629	3.146.262	182.592	98.774
	2019	3.704.215	3.269.284	279.099	155.830
INDS	2016	253.952	193.812	10.583	49.556
	2017	381.516	221.175	46.701	113.693
	2018	362.865	214.882	37.295	110.686
	2019	310.142	180.072	28.605	101.465
LPIN	2016	51.659	93.542	22.154	-64.037
	2017	25.746	-169.403	3.171	191.977
	2018	23.543	-11.589	2.376	32.755
	2019	18.238	-13.136	1.456	29.918
PRAS	2016	73.264	69.294	6.660	-2.690
	2017	75.047	71.068	7.232	-3.226
	2018	104.054	95.894	1.802	6.357
	2019	43.735	77.025	10.153	-43.624
SMSM	2016	934.141	275.933	156.016	502.192
	2017	1.006.915	286.277	165.250	555.388
	2018	1.193.245	264.964	194.731	633.550
	2019	1.191.640	369.598	183.366	638.676

Based on table 5 shows that the net profit of the automotive and component sub-sector companies experienced fluctuating conditions. The data above shows that the net profit value of each company is inconsistent. Some companies also didn't even make a profit or it could be said to be a loss like PRAS, which suffered more losses in 2016-2019. The

table above shows the highest net profit value obtained by the AUTO company in 2016 which is Rp. 853.509 million while the lowest net profit value is Rp. -312,881,005,784 in IMAS companies in 2016.

Figure 2. Graph of Cost Structure in Automotive and Component Sub-sector Companies listed on the IDX in 2016-2019.



Sumber: Penulis

Based on Figure 2, it can be seen that the results of the calculation of the Net Profit of the Automotive and Component Sub-Sector Companies listed on the IDX for 2016-2019 are calculated annually. We can see that the net profit of this automotive and component sub-sector company experiences different fluctuations every year.

Tabel 6 . Descriptive Statistics of Net Profit in Automotive and Component Sub-Sector Companies Listed on the IDX in 2016-2019

Descriptive Statitic

	N	Minimum	Maximum	Mean	Std. Deviation
Biaya Produksi (X)	32	65784552649.00	13062738000000.00	3284382340388.3750	4370989125810.32760
Laba Bersih (Y)	32	-312881005784.00	853509000000.00	208639213968.0000	295609685554.46106
Valid N (listwise)	32				

Sumber: Bursa Efek Indonesia, diolah dengan SPSS 25

Based on table 6 explains that the production costs of the automotive and component sub-sector companies listed on the IDX in 2016-2019. The table above describes the results of descriptive statistical analysis showing the maximum value, which is the largest value in net income, the minimum value, namely the lowest value in net income, the average value, and the standard deviation value which serves to show the average value of the scattered data. The table above shows that there are 32 samples that are being studied. The maximum value of net profit for automotive and component sub-sector companies listed on the IDX in 2016-2019 is Rp. Rp. 853,509,000,000 by AUTO companies in 2016, the minimum value is Rp. - 312,881,005,784 by IMAS companies in 2016, the average value of Rp. Rp. 208,639,213,968 and the standard deviation value of Rp. 295,609,685,554.46.

Production costs on net profit

From the results of data processing, it can be explained that the production cost variable has a maximum value of production costs at the automotive and component sub-sector companies listed on the IDX in 2016-2019 of Rp. 13,062,738,000,000 by GJTL companies in 2018, the minimum value is Rp. 65,784,552,649 by LPIN companies in 2019, the average value of Rp. Rp. 3,284,382,340,388,37 and the standard deviation value is Rp. 4,370,989,125,810,33.

Effect of production costs on net profit

Table 7. Analysis of Production Cost Correlation Coefficient to Net Profit

Correlations

		Biaya Produksi (X)	Laba Bersih (Y)
Biaya Produksi (X)	Pearson Correlation	1	.460**
	Sig. (2-tailed)		.008
	N	32	32
Laba Bersih (Y)	Pearson Correlation	.460**	1
	Sig. (2-tailed)	.008	
	N	32	32

** Correlation is significant at the 0.01 level (2-tailed).
Sumber: Diolah dengan SPSS 25

The table above shows that the correlation coefficient (r) is 0.460, which means that there is a positive correlation between production costs and net income. So it can be concluded that if the cost of production increases, the net profit will also increase.\

Tabel 8 . Analysis of the Coefficient of Determination of Production Costs on Net Profit

Model Summary

Model	R	R Square	Adjuste d R Square	Std. Error Of the Estimate	Durbin Watson
1	.460[a]	.212	.186	266752470372.62190	.766

a. Predictors: Constant, Biaya Produksi (X)

b. Dependent Variabel: Laba Bersih (Y)

Sumber: Diolah dengan SPSS 25

Tabel 9. Significance Test Results (t-test) Production Costs on Net Profit

Coefficients[a]

		Unstandardied Coefficients		Standarized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.887	.380		1.793	.083		
	Biay Produksi (X)	.031	.011	.460	2.841	.008	1.000	1.000

a. Dependent Variabel: Laba Bersih (Y)

T-table: 1,69552

Sumber: Diolah dengan SPSS 25

The table above shows that the t-count is 2.841 which is greater than the T-table which is 1.69552 and the significance value is 0.008 which is smaller than 0.05. Based on the results of these studies, Ha is accepted and Ho is rejected. Thus, there is a significant effect between production costs on net income.

CONCLUSION

This study aims to examine the effect of production costs on net income in automotive and component sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2017. Based on the results of the analysis that has been done, the conclusions that can be drawn from this research are:

Production costs in the automotive and component sub-sector companies in 2016-2019 experienced fluctuating conditions and most companies had high values. Production costs have the highest value obtained by the GJTL company in 2018 of Rp. 13,062,738,000,000, the lowest value obtained by the LPIN company in 2019 was Rp. 65,784,552,649. The average value (mean) of Rp. 3,284,382,340,388.37 with a standard deviation of Rp. 4,370,989,125,810,33.

The net profit of the automotive and component sub-sector companies in 2016-2019 experienced fluctuating conditions and most companies received low profits. Net profit has the highest value obtained by the AUTO company in 2016 of Rp. 853.509 million, the lowest value obtained by IMAS company in 2016 was Rp. - 312,881,005,784. The average value (mean) of Rp. 208,639,213,968 with a standard deviation of Rp. 295,609,685,554.46.

Production costs have a significant effect on net income, so the company is expected to reduce production costs in order to increase net income. This is supported by a significance test (t test) which produces a t-count value of 2.841 > t-table 1.69552 and a significance value of 0.008 <0.05.

SUGGESTION

The Company is expected to be able to continuously minimize and make efficiency in production costs. The company must also always carry out supervision so that every expense incurred is truly in accordance with its designation. Companies are also expected to choose raw materials that are relatively cheap but of course with good quality. To avoid

the impact of a weakening currency value, companies are also advised not to import raw materials, if the raw materials needed are still available domestically. Companies also need to supervise the workforce so as not to make mistakes in the production process, because with the increasing number of errors in the production process it will increase production costs. Companies must consistently maintain profits, because that is the goal of every company.

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