

CHAPTER 1

INTRODUCTION

1.1 Background of Study

The purpose of the company was established is to produce goods and services needed by society. While for companies is to obtain maximum profit. However, as the globalization happens, many people start to open a new business. As a result, it makes business competition grows rapidly. Thus, here management of company plays important role in resolving this situation.

The greater the profit generated by the company, the better the performance of its management. The profit earned by the company is influenced by three main factors, namely the volume of products sold, product selling prices and costs. These three factors have a very close relationship because the cost of determining the selling price to reach the desired level of profit, the selling price affects the volume of production, and the production volume affects costs. These three factors are related to each other. Therefore, profit planning for companies is considered important in order to achieve company goals.

In order to get optimum profit, management has to do good profit planning and exact decision making. Thus, here management needs an analysis tool which can be used as the basis for sales planning, cost, and profit. The planning tool in this case is cost-volume-profit analysis or abbreviated as CVP.

The analysis of CVP will produce break-even point. Break-even point is a study that analyzes the relationship of fixed cost, variable cost, and profit. In other words, break-even point is a very important tool for giving information to management about the sales, volume, and profit. It gives information about how much cost will equal to income. Thus, CVP is a very important tool which helps management to obtain accurate

information regarding the decision-making process to generate profits and assess every possibility that results in future earnings.

Meilani (2009) in her research title of “*Penerapan Analisis Break-Even Point Terhadap Perencanaan Biaya, Volume, dan Laba pada PT Agro Makmur Jaya*” conclude that BEP analysis can give useful information to determine sales volume that can make the target profile achieved.

Amanda (2007) in her research title of “*Analisis Break-Even Point Pada PT.Karya Yudhatama Tour&Travel Medan*” conclude that BEP analysis also give useful information and recommend the company to implement the Break Even Point analysis.

Besides manufacturing company, greater profit also can be achieved by service company. Thus, this study is more concentrated in service company. Sempoa Sip Madong Lubis Medan is an institution for giving people in learning abacus. It does not implement cost, volume, profit planning (CVP) like the break-even point. In contrast, many competitors keep growing rapidly, thus the CVP planning is very important to Sempoa Sip Madong Lubis Medan. Thus, from the previous research and the condition of the institution, the writer desires to apply break-even point towards cost, volume, and profit planning.

Based on the description above, the writer is interested to conduct a research with title: “**The Implementation of Break Even Point Analysis Towards Cost, Volume, and Profit Planning at Sempoa Sip Madong Lubis Medan**”

1.2 Problem Formulation

Based on the description of the background study, the problem formulation of the research would be: “How does the implementation of analysis break-even point towards cost, volume and profit planning of Sempoa Sip Madong Lubis Medan?”

1.3 Research Focus

Due to the limitation of data, time, and ability, the writer will focus on:

1. Indicators : cost, volume, profit and Break-even point
2. The scope of the research will be done in service company of Sempoa Sip Madong Lubis Medan.
3. This research is done to plan the cost, volume, and profit of Sempoa SIP Medan. The data that will be used is Sempoa Sip Madong Lubis net income with the period January 2018 until March 2018 and January 2019 until March 2019.

1.4 Research Objective

The writer attempts to conduct the research for the purpose as: “To understand the implementation of break-even point toward cost, volume and profit planning at Sempoa Sip Madong Lubis Medan.”

1.5 Benefit of the Research

Based on the objectives and problems of the research, the benefit of the research can be described as follows:

1.5.1 Theoretical Benefit

The research is expected to give theoretical benefits as follows:

1. The research is expected to be able to give input in developing financial planning especially in implementing cost, volume and profit planning, especially in break-even point.
2. The research is expected to give contribution as reference to other researchers that are interested in doing similar research in the future.

1.5.2 Practical Benefit

The practical benefits that are expected to obtain from the research are as follows:

1. The research is conducted to increase the knowledge and experience about financial planning on the implementation of break-even point toward cost, volume, and profit planning.
2. The research is expected to be a material consideration for the implementation of break even point towards cost, volume, and profit planning.

1.6 Systems of Writing

The systems of writing contains of five chapters which are:

Chapter I : Introduction

This chapter contains the background of implementing the break-even point toward cost, volume and profit planning. Brief description of the research object is Sempoa Sip Medan, and the reason of conducting this research. The problem formulations are made based on the background of study which has been described. The focus of research is on cost, volume and profit planning especially in implementing break-even point. The objectives of the research are mentioned based on the result which expected to be obtained from the formulation of problem. The benefits of the research contain both theoretical and practical benefit that is expected to be achieved from the research, and systems of writing.

Chapter II : Literature Review

This chapter consists of the theories related to definition of cost-volume-profit (CVP), definition of break-even point, benefit break-even point analysis, factors affect break-even point , classification of cost, determination of break-even point, break-even point in sales mix, margin of safety, sales planning and cost of expected profit, variant between planning and realization. The writer also describes prior

researches conducted by previous researches, and framework of thinking.

Chapter III : Research Methodology

In this chapter, the writer describes research design of the study in which the writer applies qualitative descriptive research method, the research object is Sempoa Sip Madong Lubis Medan, the data collection method, and data analysis method in which the writer choose descriptive method. In the data analysis method, the writer also explains the steps that have been taken to process the data and the method to analyze it.

Chapter IV : Data Analysis and Discussion

This chapter contains the general view of Sempoa Sip Madong Lubis Medan, such as the institution profile along with its vision and mission, and the institution's organizational structure. This chapter also implements the step of using break-even point analysis.

Chapter V : Conclusion

In this chapter, the writer makes conclusion, implication which contains the impact from the result of the research conducted, and recommendations for the company based on the research findings, as well as for society and future researches who are interested to do similar research in the future.