

MAXIMUM PROFIT ANALYSIS OF JATIROSO CATERING SERVICE SIDOARJO

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MAXIMUM PROFIT ANALYSIS OF JATIROSO CATERING SERVICE SIDOARJO

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Abstract

This research was conducted to determine the maximum level of profit that can be obtained by a company, in this case the object of research is Jatiroso Catering Service Sidoarjo. The focus of the problem in this research is about efforts to maximize profits by using the Total, Average & Marginal Products of Labor tables and applying them to a curve. The method of data collection is by observing and documenting, as well as the type of data obtained that is quantitative and sourced from reports on the number of events each month, menu price lists and the number of portions each month. The results showed that Jatiroso Catering Service has not reached maximum profit, but it has the potential to achieve maximum profit if management is careful in utilizing and seeing the condition of the company.

Keywords: Maximum profit, total, average & marginal products of labor.

INTRODUCTION

Many assume that the company maximizes its own profits. As such, it is frequently admitted that the aim of a firm is profit maximization. (Merter, 2018). The Profit Maximization approach proposes that the prime objective a business concern, should be to maximize its profits. Every decision should therefore be gauged by the profit criteria only and should be taken only if ultimately leads to the maximization of profits. A business with sound profits is perceived as efficient both in terms of operation as well as investment. Conferring to this approach, more profits a business makes better will be its brand images, as profits is treated as a barometer of efficiency of a business. A business with adequate profits will be able to retain enough to support itself in economic breakdowns or financial distress. Hence profit acts as a cushion for business against such financial shocks. Investors also prefer to invest their surplus in businesses with sound profits, as they anticipate regular income in the short run and capital appreciation in the long. (Ahmad Khan, 2017).

The catering business is the most popular business in the catering sector, at every opportunity and moment of an event we often find a variety of delicious food that is served attractively by catering entrepreneurs. Catering can also be defined as one of the services in the field of ready-made food and delivered directly to the place of order, accompanied by a beautiful decoration so that invited guests can enjoy various foods with a luxurious feel like being in a five-star hotel.

According to (Mergent, 2020), the independent caterer offers equipment rental, valet and beverage service, and event design, as well as entertainment planning. Catering provides buffet

breakfast, lunch, and dinner menus, in addition to menus for seated dinners at event such as a wedding, corporate celebration, and private parties.

Jatiroso Catering Service is a company engaged in the catering business. Jatiroso is managed directly by the owner, a young entrepreneur named Dian Sandra Puspitasari S.I.Kom. Jatiroso's office is on Street Taman Alamanda II / 2, Garden Dian Regency - Waru Tropodo, Sidoarjo. Whereas the kitchen is located in Graha Al-sincere Blok A / 4, Juanda, Sidoarjo.

LITERATURE REVIEW

Concepts of Microeconomics

1. Theory of Maximizing Profit

In accounting, the term 'profit' refers to the financial benefit that is achieved when the work done and the expenses incurred by a business are exceeded by the amount of revenue generated by the activities of the business. Simply,

$$\text{Profit} = \text{Total Revenue} - \text{Total Expenditure}$$

Besides, profit may be calculated as a percentage, which will vary according to risk, workload and economic climate so on. The owners of a business are responsible for deciding what to do with profit, and may reinvest it in the business, pay of outstanding debts, reward employees with bonuses and pay-rises, make payments to shareholders, and so on. So it can be concluded that, Profit is obtained from the difference between total revenue (TR) reduced by total costs (TC).

2. Cost

(Massie, 2018) The definition of cost is a sacrifice to obtain wealth, while the burden is a sacrifice for income. All activities can be measured with the unit of money which is commonly called the cost in the business world. Understanding cost behavior is the key to decision making in a company. Managers who understand how cost behavior will be able to predict better about how much costs are involved in business operations (Tejo, 2015). Based on their behavior, seen from the relationship between total costs and driver factors, cost can be basically as fixed costs (FC) and variable costs (VC). (Kurniawan, 2017)

A. Fixed Costs and Variable Costs

Fixed Cost are the relatively stable, ongoing costs of operating a business that are not dependent on production levels. Fixed cost include general overhead expenses like salaries and wages, building rental payments or utility costs. (Newstex, 2019). While variable cost, by contrast, is incurred only when you make a sale. A commissioned salesperson, for example, is a variable cost. If the person is getting 10% of sales, and the sales for a given month are \$25,000, then that person gets \$2,500 in commissions. If sales drop to \$1,000, then the commission drops to \$100. (Reiss, 2015)

B. Total Cost

From the fixed costs and variable costs, the total cost is obtained, total costs comprise both total fixed costs and total variable costs. Total fixed costs are the sum of all consistent, non-variable expenses a company must pay. For example, suppose a company leases office space for \$10,000 a month, it rents machinery for \$5,000 a month and has a \$1,000 monthly utility

bill. In this case, the company's total fixed costs would, therefore, be \$16,000. (Newstex, 2018).

C. Average cost

In addition to fixed costs, variable costs, and total costs, in the concept of costs also known as the average cost (AC) and marginal cost (MC). The average cost is the per unit cost of production obtained by dividing the total cost (TC) by the total output (Q). By per unit cost of production, we mean that all the fixed and variable cost is taken into the consideration for calculating the average cost. Thus, it is also called as per unit total cost. (Saurabh Mirgal, 2020). If at a certain level of production has the lowest average cost, then the level of production is the optimal level of production. To find out the average cost is to divide the total cost by the amount produced.

D. Marginal Cost

In economics, marginal cost is the total cost that comes from producing one additional unit of a good. A company is said to enjoy economies of scale whenever it gains operating efficiency and is able to reduce the total cost of making successive goods. If the opposite is true, and marginal costs are increasing, the company experiences diseconomies of scale. The primary purpose for studying marginal cost is to determine when and how economies of scale can be achieved. (Newstex, 2015).

3 Analysis of Marginal Approaches

According to (Rahman, 2017), Marginal Cost is the increase or decrease in total costs due to the increase or decrease in one unit of output, marginal costs decrease in line with the increase in production volume. MC is the decrease in total costs (TC) to the unit of output (Q). marginal revenue is the increase or decrease in revenue as a result of the addition or reduction of one unit of output. MR is the decrease in total revenue (TR) to the unit of output (Q). The condition that the company expects is the costs marginal is equal to marginal revenue ($MC=MR$).

METHODOLOGY

Data Collection

The method used in this research is data collection by survey method in Jatiroso Catering Service company Juanda. The data obtained is:

1. Data ordering of catering Jatiroso period July 2019 - December 2019
2. Production volume data each month for the period July 2019 - December 2019
3. Data on the number of workers per month for the period July 2019 - December 2019

from the data obtained a mathematical model is arranged using a table that contains the Total, Average & Marginal Product of Labor. From the results obtained can be interpreted in the form of a maximum profit curve.

Table-1: Data for Booking Jatiroso Catering Period

MONTH	AMOUNT OF USERS (PEOPLE)
JULY 2019	31
AUGUST 2019	59
SEPTEMBER 2019	21
OCTOBER 2019	17
NOVEMBER 2019	37
DECEMBER 2019	41
TOTAL	206
AVERAGE	27

Source: Primary data

Table-2: Total Production Every Month

MONTH	VOLUME (PORTION)
JULY	11,710
AUGUST	20,550
SEPTEMBER	7,200
OCTOBER	6,300
NOVEMBER	18,300
DECEMBER	15,100
TOTAL	79,160

Source: Primary data

Measurement Technique

With existing data, it will then be included in the total, average and marginal products of labor table and a calculation is performed to show the results or desires expected by the company.

Table-3: Total, Average & Marginal Products of Labor

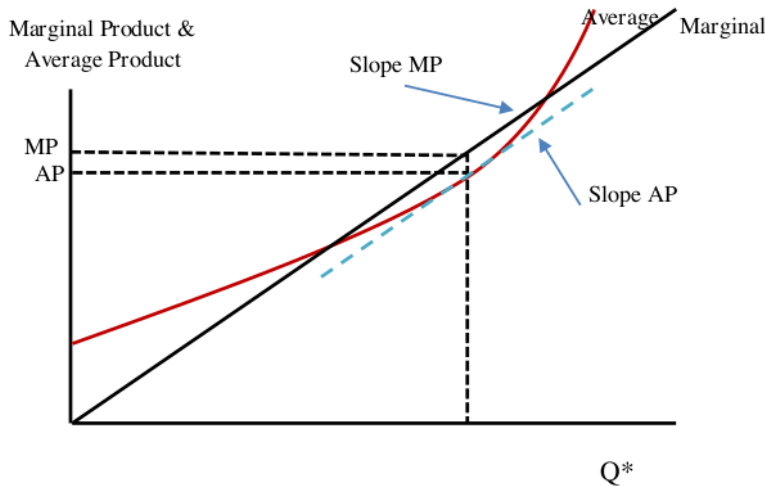
Number of workers (L)	Total Product (Q)	Average Product (AP=Q/L)	Marginal Product (MP=ΔQ/ΔL)
0	0	-	-
100	6,300	63	63
150	7,200	48	18
200	11,710	58.5	90.2
250	15,100	60.4	67.8
300	18,300	61	64
350	20,550	58.7	45

Source: Authors (2020)

Based on Table 3., it appears that the more output is sold, the profit has increased initially. But at a certain point, the profit will decrease. Profit maximization occurs when $AP = MP$. In this case Jatiroso almost achieved profit maximization in the AP (61) and MP (64) columns.

Research Framework

Profit maximization can also be explained through the curve shown in Figure 1.



Source: Bave (2006), processed by Authors (2020)

In figure 1, it appears that the AP line is almost equivalent to MP. To maximize profits, the average product (AP) needs to be slightly increased to reach the equivalent of marginal product (MP).

RESULTS AND DISCUSSION

The calculation results from the data that have been entered in the total table, the average and marginal products of labor show that, when the production volume is increased at first it still looks quite profitable. However, under certain conditions if the volume of production is not controlled, it will result in a decrease in the quality of labor that results in a reduction in the average product produced by labor so that it will indirectly reduce company income and increase labor costs. This is in accordance with the law of diminishing marginal product. As usage of a variable input increase, a point is reached beyond which it's marginal product decreases (Sexton, 2015).

CONCLUSION AND SUGGESTION

Conclusion

Catering business provides quite promising benefits, but if management is not good at observing the condition of the company, there will be a diminishing marginal product law. Namely with the

increasing use of input variables, a point will be reached but on the other hand will reduce the marginal product.

Suggestion

In the catering business there are always certain months that cause this business to decline. But such conditions should not force management ambitions to gain as much profit as possible the following month. Because it is clear that when the company has reached the maximum profit, the amount of production is recommended to be stable and tends not to increase the amount of production to avoid decreasing the amount of marginal products. Indeed, the catering business does not add too much workforce, because the average catering employee is only a casual daily workforce. But there are still permanent employees such as chefs and decoration departments whose numbers are limited and tend not to be added in numbers when the company increases its production. And when the company continues to increase production without regard to the state of labor fatigue, it will have an impact on employee performance in the future.

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