

## **ADMINISTRATIVE & GENERAL COSTS ON NET PROFIT**

Asep Mulyana<sup>1</sup>,  
asepdiymulyana@gmail.com

<sup>1</sup>Faculty of Economics, Nurtanio University, West Java – Indonesia,

Endang Susilawati<sup>2</sup>,  
endalist@yahoo.com

<sup>2</sup>Faculty of Economics, Nurtanio University, West Java – Indonesia,

### **Abstract**

This study aims to determine the effect of general & administrative costs on net income. The method used in this research is descriptive statistical method. The type of research used is quantitative. The results of the study show that the cost of raw materials partially has a significant effect on net income

**Key words** : General & Administration Expenses, Net Profit

### **Introduction**

The current economy has created a fierce competition between companies in the industry. Only business fields that have good performance or performance will survive, for that the company must go through struggles and be supported by careful planning in dealing with various problems and obstacles that arise, such as operational, financial, and marketing problems from the products produced. In general, the goal of every company is to achieve maximum profit. With profits, the company will have the ability to develop and be able to maintain its existence in the future. Net income comes from transactions of income, expenses, gains and losses.” These transactions are summarized in the income statement. Profit is generated from the difference between incoming resources (income and losses) and output resources (expenses and losses) over a certain period of time. In achieving its profit the company will not be separated from the name costs, costs that are very

important in managing the continuity of the company's business, one of which is administrative and general costs. Meanwhile, in the company's main functions, there are administrative and general costs to accommodate all cost classifications used in company activities. According to "Administrative and general costs are costs incurred in directing, running, and controlling the company to produce finished goods. General & administrative costs include employee salary costs, equipment costs and utility costs."

### **Hypothesis development**

According to V. Wiratna Sujarweni (2015:9) Cost has two meanings, namely: "broadly and narrowly. Cost in a broad sense is the sacrifice of economic resources measured in units of money in an effort to get something to achieve certain goals, both those that have occurred and have not occurred. Cost in a narrow sense is the sacrifice of economic resources in units of money to obtain assets. Meanwhile, according to Mulyadi (2015: 8) costs are: "sacrifice of economic resources, which are measured in units of money that have occurred or are likely to occur for certain purposes. There are four main elements in the definition of costs: 1. Costs that are the sacrifice of economic resources 2. Measured in units of money, 3. What has happened or is potentially going to happen 4. Sacrifices that have occurred or are potential. According to Mulyadi (2015:14): "Administration & general costs are costs to coordinate production and product marketing activities." According to Baldrick Siregar (2013: 31): "Administrative & general costs are costs incurred in directing, running, and controlling the company to produce finished goods. General & administrative costs include employee salary costs, equipment costs and utility costs." According to Lilik Pirmaningsih (2016: 6): "Administrative costs are costs that come from the implementation and control of the organization as well as from general activities." Greuning et al., (2013:39) state that profit is the amount that can be given to all common shareholders of the parent (who have control or not). According to Kasmir (2014:303) "Net profit is profit that has been

deducted by costs which are the company's expense in one period." Meanwhile, according to Henry Simamora (2013: 46) the notion of net income is: "Net income derived from transactions of income, expenses, gains and losses. Profit is generated from the difference between incoming resources (income and profits) and outgoing resources (expenses and losses) over a certain period of time.

## **Research Methodology**

The research method in this study uses quantitative research methods. The data source used is secondary data. Secondary data is generally in the form of historical evidence, records or reports that have been compiled in published and unpublished archives.

## **Result and Discussion**

Based on the table above shows the number of measurements (N) is for 6 years. The lowest value for general & administrative costs is Rp. 3,277.191 and the highest value is Rp. 4,466.279 million. Meanwhile, the average general and administrative costs were IDR 3,866.693,83 million with a standard deviation of 424,838,154. For net profit, the lowest value was Rp. 3,416,635 million and the highest value was Rp. 5,266,906 million. With an average value of Rp.4,613,607.67 and a standard deviation of 826,009,422. The results of data processing showed that the data in this study were normally distributed, where the results of the Kolmogrov-Smirnov calculation showed that the Asymp value. Sig (2-tailed) is 0.196, where  $0.196 > 0.05$ . So that the results of the normality test can be concluded that the data is normally distributed. Based on the data above, it can

be seen that the tolerance value and the VIF for administrative & general costs are 0.137 and VIF 7323. This shows that all independent variables are greater than 0.10, so the research variables are free from multicollinearity symptoms. Based on the picture above, in the SPSS version 22 output results above, there is no clear pattern, and the points spread above and below the number 0.5 on the number of y axes, it can be concluded that each variable does not contain heteroscedasticity, thus fulfilling the requirements in regression analysis. Autocorrelation test using Run Test, known Asmp value. Sig (2-tailed) is  $0.648 > 0.05$ , it can be concluded that there is no autocorrelation symptom. Based on the table above, to test general & administrative costs on net income, it is known that Sig. (0.001)  $< 0.05$  ( $\alpha=5\%$ ). Based on these provisions, it can be seen that  $H_0$  is rejected and  $H_a$  is accepted. This shows that there is a significant effect of general & administrative costs on net income. Based on the table, it is known that the amount of Sig. (0.001)  $< 0.05$ . Based on these provisions, it can be seen that  $H_0$  is rejected,  $H_a$  is accepted. This shows that there is a significant effect of general & administrative costs on net income. at PT Gudang Garam Tbk for the period 2013-2018. The results of this study are in line with what was stated by previous research according to Fadillah Zainnah Ramadhan (2015) that the results showed that production costs (direct raw material costs, direct labor and factory overhead) had a significant and positive effect on net income. But it does not support the research of Denny Prabu Syaputra (2018) which states that the cost of raw materials has no effect on net income. The results of the partial test of administrative & general costs obtained the value of Sig.  $0.001 < 0.05$  (5%) then  $H_0$  is rejected and  $H_a$  is accepted, so it can be concluded that general & administrative costs affect net income. This is in line with what was stated by previous researchers according to Setia Kumalasari (2017) the results of the study show that administrative costs have a significant and positive effect on net income. But it does not support the research of Denny Putra Hapsari (2018) which states that general & administrative costs have no effect on net income. The value of  $R^2 = 0.991$  It means that the ability of general &

administrative costs to contribute to the net profit of 99.1%. While the remaining 0.1% is influenced by other variables not examined.

## Conclusion

Administrative & General Costs of PT Gudang Garam Tbk in 2013-2018 experienced ups and downs every year, the lowest value was Rp. 3,277.191 million, the highest value was Rp. 4,466.279 million, and the average was Rp. 3,866.693 .83 million. The net profit of PT Gudang Garam Tbk in 2013-2018 experienced ups and downs every year, the lowest value was Rp. 3,416,635 million, the highest value was Rp. 5,229,489 million. With an average value of Rp.4,613,607.67 million. There is an effect between administrative & general costs partially on net profit at PT Gudang Garam Tbk, because the level of Sig.  $0.001 < 0.05$  (5%).

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