

## DEVELOPING A COST STATEMENT FRAMEWORK FOR SMES: A TOOL TO ENHANCE SELLING PRICE PREDICTION AND PROFITABILITY

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### ABSTRACT

Small and Medium Enterprises (SMEs) struggle to set the right selling prices because they can't access complex costing tools and methods. This project introduces a practical and user-friendly cost statement framework designed specifically to help SMEs predict selling prices effectively. By breaking down fixed costs, variable costs, and overheads, the framework makes simpler cost allocation and provides a clear structure for determining profit margins. This revolution integrates basic accounting principles with predictive analytics to support data-driven decision-making. Additionally, the framework offers customization options to cater to different industries, ensuring significance and flexibility. The goal is to enable SMEs with the tools needed to improve pricing strategies, improve financial performance, and gain a competitive edge in the market. By bridging the gap between traditional cost management practices and modern pricing needs, this project provides a cost-effective solution to adopt business growth and sustainability.

**KEYWORDS:** *Cost Statement, Pricing, Pricing Determination, Profit Determination*

### PROBLEM AND OBJECTIVE

Small and medium enterprises (SMEs) face challenges in establishing accurate and competitive selling prices because of unstructured cost management processes (Costa et al., 2023). Many SMEs depend on rough estimates or basic procedures, resulting in either incorrect price settings that impair profitability and market competitiveness (Bigambo & Marandu, 2023). Additionally, the lack of easy-to-use applications for advanced cost analysis significantly increases the problem. It follows that there is a need for a solution which is both inexpensive and simple, for SMEs to make strategic pricing decisions.

A Times article reveals that many entrepreneurs ignore or use odd pricing strategies, which can effectively ruin their business. In SMEs, cost structures and thorough market research as some of the main building blocks of pricing policies are simply absent. The article calls for SMEs to implement systematized pricing policies to increase their profitability and competitiveness (Harpin 2024).

This project seeks to create an Excel-based cost statement automation tool for SMEs to determine selling prices with higher precision. The offered system automates the calculations of direct, indirect, variable, and fixed costs systematically, thereby reducing the chances of error and improving financial clarity (David, 2024). SMEs can control costs and monitor profit to price in real-time due to the clear financial insights provided within the system. The system helps identify the optimal price that can be set while ensuring the business remains sustainable by providing simple profit margin analysis through the dashboard.

Beyond cost tracking, this system empowers SMEs to forecast potential profits, identify unnecessary expenses, and implement cost-saving measures. With a structured and automated approach, SMEs can achieve cost efficiency, remain competitive, and adapt to changing market conditions (Abidin et al., 2023). Ultimately, this innovation enhances financial literacy among small business owners, fostering long-term business growth and sustainability in the SME sector.


## DESIGN DESCRIPTION

This project introduces an Excel-based cost statement system to help SMEs accurately set selling prices and manage business costs. Many small business owners struggle with pricing due to a lack of financial tools, often leading to under-pricing or overpricing, which affects profitability. This system provides an automated solution to simplify cost tracking, pricing strategies, and profit analysis, allowing businesses to make better financial decisions without advanced accounting skills.

The system automatically calculates direct, indirect, and fixed costs, helping SMEs determine the actual cost per unit. It features a user-friendly menu, real-time financial dashboard, and dynamic pricing tool that lets business owners test different selling prices and see their impact on profits instantly. Unlike complex accounting software, this affordable and easy-to-use tool is ideal for small food businesses, such as Nasi Lemak vendors, home-based entrepreneurs, and restaurant operators.


The system's simplicity, efficiency, and practicality make it a valuable asset for SMEs. It reduces manual errors, saves time, and provides clear financial insights through interactive dashboards. By enabling accurate cost tracking and competitive pricing, this project supports SME growth and sustainability, helping small businesses thrive in a competitive market.

## VISUALS

					
Business Name:	Kedai Nasi Lemak Royale				
Owner Name:	Syuhaila				
Business Type:	Small Food Stall				
Location:	Jerteh				
Key Business Metrics	Nasi Lemak Biasa	Nasi Lemak Ayam Goreng	Nasi Lemak Rendang		
	100	100	100		
	2.82	3.42	4.07		
	4.51	5.47	6.51		
	1.69	2.05	2.44		
	169	205	244		
	5070	6150	7320		
Estimated Total Monthly Profit: RM 18540					
Navigation Menu					
Enter Cost Data					
View Cost Summary					
Check Profitability					

	Nasi Lemak Biasa	Nasi Lemak Ayam Goreng	Nasi Lemak Rendang
sales unit	100 packs	100 packs	100 packs
Direct Costs			
Rice (10kg)	40	40	40
Coconut Milk (3L)	45	45	45
Sambal Ingredients	40	40	40
Eggs (1 pc for 1 packs)	50	50	50
Peanuts & Anchovies	30	30	30
Chicken (5kg)		60	
Beef Rendang Ingredients			125
Packaging	20	20	20
Total	225	285	350
Cost per unit	2.25	2.85	3.50
Indirect Costs			
Monthly			
Stall Rental	700		
Electricity & Water	250		
Marketing	100		
Cleaning Supplies	150		
Total	1200		
Cost per unit per day	0.13		
Fixed Costs			
Monthly			
Staff Salary (2 Workers)	2400		
Small Business Loan	500		
Equipment (Gas Stove, Utens)	1,000		
Total	3900		
Cost per unit per day	0.43		
Total cost per unit (RM)	2.82	3.42	4.07
Profit markup - 60%	1.69	2.05	2.44
Selling price (RM)	4.51	5.47	6.51

Kedai Nasi Lemak Royale				
	Nasi Lemak Biasa	Nasi Lemak Ayam	Nasi Lemak Rendang	Total
sales unit/ day	100 packs	100 packs	100 packs	
sales mix	1/3	1/3	1/3	
Selling price	4.51	5.47	6.51	
Direct Costs	2.25	2.85	3.5	
Contribution margin	2.26	2.62	3.01	
Commulative CM	0.75	0.87	1.00	2.63
Indirect Costs	1200			
Fixed Costs	3900			
Total Costs	5100			
Break - even point (month)	1942			
Break - even point (day)	65			
Break- even point for each product				
Nasi lemak biasa	22			
nasi lemak ayam goreng	22			
nasi lemak rendang	22			

					
Kedai Nasi Lemak Royale					
Daily Income Statement					
	Nasi Lemak Biasa	Nasi Lemak Ayam Goreng	Nasi Lemak Rendang	Daily Total	Total Monthly
Sales unit (Packs)	100	100	100		
Selling price per packs	4.51	5.47	6.51		
Sales Revenue	451	547	651		
(-) Direct cost	225	285	350		
Contribution margin	226	262	301	788	23640
(-) Fixed cost					5100
Net profit					18540
<div>PRINT STATEMENT</div>					

### NOVELTY AND UNIQUENESS

This Excel-based cost statement system is a simple, automated, and user-friendly solution designed for SMEs to manage costs, set pricing strategies, and track profit margins. Unlike manual record-keeping or complex accounting software, it provides automated cost calculations, real-time financial insights, and dynamic pricing simulations, allowing users to adjust prices and see their impact instantly.

A key innovation is its interactive dashboard, which simplifies complex financial data into easy-to-read charts, ensuring business owners, regardless of accounting expertise, can make informed pricing decisions. The system is customizable, scalable, and cost-effective, making it an ideal alternative to expensive accounting software, especially for small businesses and micro-entrepreneurs. By enhancing financial transparency and accuracy, this system empowers SMEs to improve profitability and competitiveness in the market.

In summary, this innovation stands out because of its simplicity, automation, real-time insights, visual representation of costs, and affordability. By bridging the gap between cost management and strategic pricing decisions, this system empowers SMEs to enhance their business sustainability, improve profitability, and stay competitive in the market.

### BENEFITS TO MANKIND

This Excel-based cost statement system provides significant benefits by empowering small and medium-sized enterprises (SMEs) with financial clarity and better pricing strategies. It helps business owners, particularly in the food industry, eliminate guesswork in pricing, ensuring they maintain profitability and sustainability. By automating cost tracking and analysis, it reduces human error, saves time, and improves decision-making. Additionally, this system promotes economic growth by supporting small businesses, enabling them to thrive in a competitive market. As a cost-effective and accessible solution, it enhances financial literacy, allowing entrepreneurs to maximize profits and sustain long-term business success.

### COMMERCIAL POTENTIAL

This Excel-based cost statement system has strong market potential, particularly among SMEs in the food industry, including home-based entrepreneurs, food stall owners, and small restaurant

operators. Its competitive advantage lies in its affordability, ease of use, and automation, making it an attractive alternative to costly accounting software. The system is highly scalable, allowing customization for different business types and expansion into other SME sectors. It follows a low-cost, high-value business model, where it can be offered as a one-time purchase, subscription service, or consulting package, ensuring accessibility while generating sustainable revenue.

## CONCLUSION

The development of a cost statement framework for SMEs, addresses a critical gap in effective cost management and pricing strategies. This Excel-based cost statement system is an innovative and practical solution for SMEs providing an automated, user-friendly, and cost-effective method for managing costs, pricing strategies, and profitability. By eliminating manual errors and enhancing financial clarity, it empowers small business owners to make data-driven decisions that support long-term sustainability. Its customizable and scalable nature makes it adaptable to various industries, increasing its commercial potential beyond the food sector.

Moving forward, this system can be enhanced with advanced automation, such as integrating AI-driven financial forecasting, cloud-based accessibility, and mobile application support. Expanding its features to include real-time market analysis and competitor pricing trends can further help SMEs optimize their pricing strategies. With continuous improvements, this innovation has the potential to become a standard financial management tool for SMEs, contributing to the growth and resilience of small businesses in competitive markets. By equipping SMEs with the tools to manage costs effectively, this project not only contributes to their success but also fosters innovation, sustainability, and prosperity within the wider community.

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