

## Decision Making Analysis Through Profit and Loss Reports (Study of Dewi Bandung Mbawi Bread Factory, Dompu Regency)

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**Abstract.** The profit and loss report is one of the financial reports used to assess the financial performance of a company. The information contained in the profit and loss report can be the basis for making business decisions, both for business owners, managers and investors. This research aims to analyze the factors that influence decision making through profit and loss reports at the Dewi Bandung bakery. The approach used in this research is qualitative with a case study method. Data was obtained through in-depth interviews with business owners, financial managers, as well as analysis of financial report documents. The research findings indicate that net profit serves as the primary focus in determining the company's strategic actions, including investment, expansion, and cost management. In addition, the income statement is also used to assess daily operational efficiency and functions as a monitoring tool for the company's short-term financial condition. Other supporting factors, such as the stability of relationships with customers and the availability of cash flow, also play a role in the decision-making process.

**Keywords:** *Income statement, Decision making, Bakery, Financial analysis*

### INTRODUCTION

An organization is a container for the operation of management. Here management becomes one of the subsystems of the organizational system. Management becomes a technique or tool that can move the organization towards achieving the desired goals. In the context of a manager's duties, decision-making is one of the manager's roles. Ferliandre A & Anggraini, M (2021) In determining managerial actions, a leader is required to dare to make decisions, both based on individual considerations with his authority as a leader, or with decisions from the results of deliberations by considering the thoughts, feelings or input from members of the organization. decision-making in the management function includes several things; planning, organizing, mobilizing, and supervision.

In this context, it can be said that there is no management function that can be carried out without going through a decision-making process because decisions are the starting point for all activities carried out by organizational management. Knowing the importance of the decision-

making process, it is important to know what things support the decision-making process. Decision-making in business is highly dependent on the available financial information. The income statement is one of the main reports that provides an overview of the company's financial performance in a certain period. This report presents information about the income, expenses, and profit or loss generated by the company. At the Dewi Bandung bakery, the income statement has an important role in determining business strategy, including production cost efficiency, selling price control, and resource allocation (Riskiya & Africa, 2022)

The income statement provides valuable information to company management, investors, and other parties about the company's financial performance. By analyzing the income statement, all parties can understand how efficient the company is in generating revenue, managing costs, and achieving profit targets (Wahyu Sulistyawan M, 2015)

Decision making through income statements is useful for facilitating financial performance, planning budgets, and

attracting investors. The benefits of performance evaluation help identify positive or negative trends, Help take corrective steps, if necessary, Help identify the causes of declining profits. Income statements are also an important tool in business decision making. Management can use the information contained in this report to evaluate their business performance, identify areas that need improvement, and plan strategies to increase profitability.

Research by Riskiya & Africa, (2022) with the title factors influencing profit persistence in consumer goods industry sector companies shows that based on the research results, it is known that accrual reliability and operating cash flow have a positive effect on profit persistence. Sales volatility and company size do not affect profit persistence. Research by Ferliandre A & Anggraini, M (2021) This article reviews the factors that influence the decision-making process, namely leadership style and personality, a study of Human Resource Management literature that will occur in this literature review article are: 1) Leadership style influences the decision-making process, 2) Personality influences the decision-making process, and 3) Strategy influences the decision-making process.

Several researchers who have conducted studies related to factors that influence decision making have not analyzed the factors that influence business decision making through profit and loss reports. This makes this research new and later this research will add references which means this research must be done. So this study aims to analyze the main factors that influence business decision making through the profit and loss report of the Dewi Bandung Mbawi Dompur Regency bread factory. By understanding these factors, business owners can be more optimal in developing sustainable financial and operational strategies. Based on the description in the introduction, the formulation of the problem in this study is:

How is business decision making through the profit and loss report of the Dewi Bandung Mbawi Dompur Regency bread factory?

### **Decision Making**

In the business world, a decision taken by a company leader is something that must be implemented in order to achieve the company's goals. Decisions are also made by policy makers in the company in implementing business strategies to face highly competitive competition. Sometimes decisions taken by company leaders are made unilaterally or as a result of joint discussions. Decisions taken by a company leader must consider the impact on the company, both short and long term. According to Mardani et al. (2020), a decision literally means choice. Meanwhile, according to Anwar (2014), decision making is an approach used to deal with problems systematically. Haudi (2021) defines decision making as the process of making an assessment and making a choice. The decision-making process is a method of gathering information, assessing alternatives, and determining the final choice with the aim of making the best decision for the development of the ongoing business. Decision making is very influential in the scope of the business being carried out. In a company, the people involved in it will influence what will be decided next.

Ferliandre A & Anggraini, M (2021) Human Social Model becomes a collection of feelings, emotions, and instincts, with attitudes guided by unconscious desires. If this is a complete description, it will result in ineffective decisions. Irrational decision making by a manager can be caused by pressure and social impact.

### **1. Functions and Purposes of Decision Making**

The decision-making process in a company reflects a culture and characteristics of a company. This is because the culture and characteristics

of the company are also inherent in the individual character of the decision makers themselves. The decisions taken can be a basis for the progress of the company/organization to be able to continue to compete and exist in the business world. According to Ajefri (2017), decision-making is closely related to the leadership and managerial systems. An effective leader is a leader who is able to make decisions and make relevant policies (Syamsul, 2017). The decision taken by a leader is a strategic step for the development of the organization/company against a problem faced in order to maintain competitiveness. Basically, in general the purpose of decision-making is to be able to obtain the best choice among the alternative choices available, so that the goals that the company/organization wants to achieve can be implemented properly. Of course, consideration of various mature aspects is needed in making a decision itself, because decisions basically consist of short-term and long-term.

## 2. Income statement

The income statement is one of the main financial reports that presents information about the company's revenue, expenses, profit, or loss during a certain period. This report describes the company's financial performance in generating profits and its operational efficiency. The Income Statement is one of the main financial reports that shows the financial performance of a company in a certain period. This report records revenue, expenses, net profit or loss, and other indicators used to assess profitability. (Pasca, 2019)

## 3. Business Decision Making Indicators Through Profit and Loss Reports

The main factors that influence business decision making through income statements include various financial aspects that help management, investors, and stakeholders in determining business strategies.

(Riskiya & Africa, 2022) here are some of the main factors that play a role. Indicators of Business Decision Making Through Income Statements" refers to how income statements can be used as an analytical tool in business decision making. Indicators of business decision making through income statements are net profit and the company's financial development.

### Explanation

- Net profit is an indicator of a company's profitability. Net profit is obtained from net revenue after deducting cost of goods sold, operating expenses, and income taxes.
- The company's financial development can be seen from the profit or loss obtained. If the profit is greater than the loss, then the company's future prospects will be better.
- The income statement is one of the important financial statements in financial accounting. This report can be used to ignite the company's performance and plan future strategies.

## RESEARCH METHOD

This study uses a descriptive qualitative approach, which is a method that aims to describe and explain phenomena based on factual data through the process of presentation, analysis, and interpretation (Sugiyono, 2017). The main objective of this study is to obtain an in-depth picture of the analysis of business decision making through the profit and loss report at the Dewi Bandung Bread Factory in Mbawi, Dompu Regency. The data used consists of primary data, namely information obtained directly through interviews, observations, and observations of company activities (T. Wahyuni, 2021), as well as secondary data in the form of documents, archives, and other written references, both published and unpublished (Benuf & Azhar, 2020). Data collection

techniques are carried out through non-participatory observation, structured interviews so that the flow of questions remains focused, and documentation as a complement to obtain institutional data and the company's physical condition (Ghani, 2018). To maintain the validity of the data, this study follows the stages of qualitative analysis according to Sugiyono (2017), namely data presentation through direct collection in the field, data reduction to summarize the main information, and drawing conclusions presented in descriptive form. These three methods are used in an integrated manner to reveal the main factors that influence the business decision-making process based on income statements.

## RESULTS AND DISCUSSION

### Overview of Research Object

Roti Dewi Bandung is a micro, small and medium enterprise (MSME) engaged in the food industry, especially the production of bread and cakes, located in Mbawi Village, Dompu District, Dompu Regency, West Nusa Tenggara. This business was established independently and is managed directly by the owner and business manager, Mr. Haris, who started his business with an initial capital of Rp 40,000,000.

### Research result

#### Description of research results

The informants in this study were the owner, manager and several employees who represented other employees who were considered representative in collecting information.

This study aims to analyze the main factors that influence business decision making through the income statement at Dewi Bandung Bread Factory. Based on the results of interviews with the owner/manager and several employees, it was found that the income statement is the main instrument in evaluating financial performance and formulating the company's business strategy.

The income statement is used as the main reference to determine the extent to which production and sales activities generate profitable margins every day. Informant 1 emphasized that:

"Our income per day can be around Rp1,600,000, minus operational costs such as equipment, two employees' salaries of Rp60 thousand per day, furniture depreciation of one hundred thousand, and other installments or installments. After all is calculated, that's where we can know whether we made a profit or loss that day. That's important to know whether our production strategy needs to be changed tomorrow or not." (Informant 1)

### 1. Net Profit as an Indicator of Investment and Expansion Strategy

The findings show that net profit is used as the main indicator in determining investment and expansion strategies. If the profit is stable or increasing, then the company dares to take risks such as borrowing additional capital for growth. In theory, net profit reflects the efficiency and profitability of a business (Riskiya & Africa, 2022), which is then used as a basis for planning expansion and investment. This is in line with the practice at the Dewi Bandung Bread Factory. Informant 1 stated:

"If the profit remains stable, we dare to take a loan for a bigger business. But if it starts to drop, we hold off for now. Because if we expand too quickly without calculating the profit, we might have trouble paying installments or salaries." (Informant 1)

Meanwhile, Informant 2 confirmed that: "Net profit is very important. From there we see whether this business can be developed or must be maintained first. Usually if the profit increases in two consecutive weeks, we try to add bread variants or make promotions to drive higher sales." (Informant 2)

### 2. Business Strategy Adjusted Based on Profit and Loss Trends

Business strategy refers not only to raw financial data, but also to trends in

profit development over time. When profits decline, the company's focus shifts to service consistency and maintaining customer loyalty. The income statement is also the basis for trend analysis for short-term decision making. Informants pay attention not only to nominal figures, but also to changes in profit over time.

"We look at the profit trend, for example this week the average profit is 800 thousand, but last week it could be a million. That means there is a decline. We find out why. Maybe the ingredients have gone up, or customers are bored with the product. Well, from there we change the menu a little, or give a bonus of small bread for customers." (Informant 1)

"If profits drop, we don't panic right away. We still maintain consumers first, so that their trust remains. Because loyal customers are more valuable than big profits for a moment." (Informant 2)

This strategy is in line with the adaptive approach in MSME management, namely remaining flexible to market fluctuations but maintaining continuity of customer relations.

### 3. Cash Flow as Reserve Capital

Cash flow management is also an important part of decision making. Net profit is not always spent, but is used as a reserve as a financial risk mitigation strategy. In MSME financial practices, net profit is not always used directly for subsequent operations, but is set aside as a cash flow reserve. This is in accordance with risk management theory which suggests a buffer fund for uncertainty (Benuf & Azhar, 2020).

"Cash flow is important, used for reserves. Sometimes there are quiet days, especially during the rainy season, there are few customers. We can still run production because we have savings from previous busy days. It is not visible in the report at a glance, but we note it ourselves." (Informant 1)

Informant 3 also revealed that:

"There was a week when raw materials went up, but the company could still buy them because they had reserve funds. We as employees were also calm, salaries continued to flow, production did not stop." (Informant 3).

### 4. Profit and Consumer Growth as Long-Term Indicators

The informants also agreed that growth in the number of customers is an indicator of long-term business success, along with profit growth. Employees and owners realize that the trend of profit growth must go hand in hand with the increase in the number of customers, as a sign of healthy growth.

"We try to increase consumers. Not only through promotions, but also maintaining taste and service. Because if customers are happy, they will come back, even bring their friends. That's what makes the profit stable. So it's not just numbers, but relationships too." (Informant 4)

"If customers keep coming and buying, it's a sign that our strategy is right. Usually the boss looks at daily sales data. If the chocolate bread variant keeps increasing in sales, we produce more. Those are all decisions that come from simple financial reports." (Informant 3)

This shows that MSME owners understand the principle of customer lifetime value in business management, even without formal technical terms.

### Discussion

This study aims to analyze the main factors that influence business decision making through the income statement at Dewi Bandung Bread Factory, Mbawi, Dompu Regency. Based on primary data obtained through interviews with four main informants, including the owner/manager and employees, it can be concluded that the income statement plays a strategic role as

the main control tool in operational and strategic decision making.

First, net profit is the main indicator in evaluating and planning investments. Business owners directly link the stability of daily net profit with the courage to make decisions about expansion, adding product variants, or providing promotions. This finding is consistent with the statement of Riskiya and Africa (2022) that net profit reflects efficiency and profitability, and can be the basis for developing short-term and long-term growth strategies. In the context of the Dewi Bandung Bread Factory, a simple but consistent calculation of daily profit is a vital benchmark in making quick business decisions.

Second, business strategy is heavily influenced by periodic profit and loss trends. Informants not only look at daily profit figures but also compare them weekly to analyze performance declines or increases. If there is a decline in profit, corrective actions are taken immediately, such as product modifications, promotions, or strengthening customer service. This shows a flexible and responsive performance-based decision-making approach, as suggested by the adaptive management approach in MSME literature (Permatasari & Yuniarti, 2021).

Third, cash flow management and net profit reserves indicate an awareness of the importance of financial risk mitigation. This finding is in line with the view of Benuf and Azhar (2020) that reserve funds are needed to anticipate income uncertainty and maintain business continuity in unstable market conditions. In practice, owners do not immediately use all profits for operational needs, but set aside some as a buffer, especially to deal with days with low sales or rising raw material prices. This approach shows that risk management practices have been informally internalized in the financial management of MSMEs.

Fourth, consumer growth indicators are seen as equally important to profit growth. Owners and employees understand that increasing the number of customers directly

impacts business sustainability and income stability. Strategies to maintain customer loyalty, maintain product quality, and service are part of long-term strategic decisions. This shows an implicit understanding of the principle of customer lifetime value, which is generally known in marketing and strategic management literature (Kotler & Keller, 2016), although it is not expressed in terminology by business actors.

In addition, decision making in MSMEs is not only based on quantitative data, but also relies on business intuition and practical experience. In the context of MSMEs, this is very reasonable considering the limitations of human resources and formal support systems. Informants use years of experience and direct observation of consumer behavior as a complement to financial data in developing daily and weekly strategies.

Thus, the findings of this study confirm that the income statement not only functions as a formal financial report, but has been internalized as a practical tool for fast, accurate, and adaptive decision making. These results support Wahyuni's (2019) view that MSMEs are gradually starting to integrate financial statements as a managerial tool that functions not only for external reporting purposes, but also for internal planning and control.

Overall, the results of this study provide an important contribution to understanding the role of income statements in the context of local MSMEs, especially in the processed food industry such as bakeries. These findings strengthen the literature on microfinance management and provide a real picture of how local business actors are able to utilize financial information as a basis for running their businesses sustainably and strategically.

## CONCLUSION

This study aims to analyze how the income statement is used as a basis for business decision making at the Dewi

Bandung Mbawi Bread Factory, Dompu Regency. Through a descriptive qualitative approach, data was obtained that the income statement is not only a financial record, but also functions as the main instrument in business evaluation and planning.

Based on the research results and discussion, it can be concluded that:

First, the income statement plays an important role in business decision making at Dewi Bandung Bread Factory. This report is actively used to assess daily profitability, design expansion strategies, and manage cost efficiency.

Both Net profit is a key indicator in assessing financial performance and determining the direction of the company's growth. In addition, financial development is also monitored through the balance between income and cash flow.

Third, Decision making is adaptive to the dynamics of financial reporting. Business owners use a simple yet strategic financial data-based approach to address daily business challenges.

Fourth, the profit and loss report has proven to be effective as a financial management tool on an MSME scale, which provides concrete information for business actors in designing short-term and long-term policies.

Thus, the profit and loss report can be said to be the main source of information in the business management of the Dewi Bandung Bread Factory and is the key to supporting the continuity and development of its business.

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