

## Implementing Activity Based Budgeting as a Tool for Management in Planning and Controlling Sales Promotion Girl (SPG) Costs (Case Study at PT. XYZ)

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**Abstract:** This research aims to find solutions to the efficiency and effectiveness of the cost of sales promotion girl (SPG) that works for the company XYZ. This is a descriptive exploratory research, the object of research is data relating to the sales promotion girl (SPG) budget. The sample of this research is the cost of sales promotion girl (SPG) in the DKI group area. The financing method used is time driven activity based costing (TDABC). The result after comparing labor costs with the number of outputs / products sold, the activity based budget (ABB) with the TDABC financing method helped the company inform the performance of the sales promotion girl (SPG) for each store that has a status under capacity or over capacity. Finally, the result showed a significant effect of implementation activity based budgeting (ABB) with the time-driven activity based costing (TDABC) method succeeded in allocating a reduction in sales promotion girl (SPG) by 27 people from a total of 86 sales promotion girl (SPG) people working in the DKI group area. This research suggests the company to follow up on sales promotion girl (SPG) who has under capacity status to reduce the amount of sales promotion girl (SPG) so that it does not become a burden for the company XYZ.

**Keywords:** Activity Based Budgeting, Time-Driven Activity Based Costing, Management Control Systems.

## INTRODUCTION

Business development in the era of globalization makes business competition more competitive, so it requires companies to produce products that are cost-effective but still pay attention to satisfaction for customers. Cost-effective can only be achieved by companies that can manage costs well along with a cost-effective method [1]. In analyzing product costs, management requires accurate information to measure carefully the costs that arise from activities in the process of producing output. Understanding of product costs will help management in making decisions and achieving operational improvements.

Measuring the achievement of operational improvements and performance in accordance with the original plan is to exercise control. Control can be done in the form of internal control and management control. Internal control relates to the system of authorization, accounting records, separation of duties and functions reflected in the company's organizational structure. According to Setiyawati [2] internal control is a process carried out by the board of commissioners with the aim of ensuring the achievement of control objectives for the effectiveness and efficiency of the company's operational activities, reliability of financial statements,

and compliance with applicable laws and regulations. Internal control is measured through five dimensions, such as: environmental control, risk assessment, control activities, information and communication, and monitoring [3]. Effective internal control has a positive impact on company policy to disclose information voluntarily [4].

While management control is carried out as a form of control to ensure that existing resources are running effectively and efficiently in accordance with the company's plans and objectives. One of the management planning and control aids is the budget. The budget is basically a short-term profit plan. Planning in the budget aims to find out how to generate profits in a certain period.

The most popular budget used by most companies is traditional budgeting, because it is easy to compile and use by companies. In traditional budgeting the budgeting process is based on the amount of funds that may be received and for what funds will be used. Traditional budgeting has a weakness, one of which is not found a performance benchmark from the activities produced by the company in achieving its goals and objectives. The financing method used in traditional budgeting is traditional costing, the system of

accountability for spending funds using receipts without checking the efficiency and effective use of funds that have been spent.

Based on the weaknesses of the traditional ABC system, Time Driven Activity Based Costing appears as a solution. TDABC arises because business uncertainty causes the financing system to continue to develop and improve. The result of TDABC calculation is estimating the use of resource capacity (resource usage) and the amount of expenditure (spending) to achieve the planned output target of the company. By knowing the right amount of expenditure for each output, it is expected that the budget allocation process is more directed. Subagyo's research [5] concluded that with the ABC time driven approach, making ABC system implementation that was initially complicated, expensive and time consuming, became faster and less expensive to implement.

Companies that have developed Time Driven Activity Based Costing (TDABC) models have also developed a basic concept of an activity based budgeting system. Activity-Based Budgeting is a new approach in the budget preparation process. In this budgeting process, a predetermined strategy must be reflected in the changes in activities used to realize the strategic objectives. By using Activity-Based Budgeting, the link between the strategy and the budget becomes clearer by reflecting the strategy changes into changes in planned activities in the activity-based budget [6].

Previous research conducted by Oktavia [7] regarding the implementation of activity based budgeting on the cigarette company "Cengkir Gading" Ngajuk concluded that there was a cost savings in production costs and operating costs of the company. Oneshko and Boiko's [8] study concluded that budget methods based on port activities help loading and unloading companies get more effective results at each stage of implementation and are consistent with company objectives. One of the most obvious advantages of implementing activity based budgeting is how to calculate and analyze costs. Comparisons between the necessary resources and available resources offer management a perspective to determine the resources needed for each activity and the advantages can be directed towards lacking activity.

PT. XYZ is a company engaged in fashion retail. The company still has obstacles in planning and controlling operational costs, one of which is the sales promotion girl's SPG fee. Consideration in making SPG costs is important for the company because SPG costs are the highest cost in operational costs where the contribution costs 48.35% of the total operational costs in the realization of operating costs in 2017.

The company is currently experiencing difficulties in determining the effectiveness and efficiency of the number of SPGs working in each store. Traditional budgeting methods cause companies to experience difficulties in strategic decision making such as decisions in determining the number of SPG used in each store, decisions on new store expansion, as well as measuring the SPG performance of each store in producing output / sold products that ultimately generate profits for the company.

This reasoning has put the company under pressure to find a solution to create an accurate SPG cost budget in order to reduce the risk of losses due to SPG fees paid in excess of the available SPG capacity in producing output / sold products for the company. The application of the Time-Driven Activity Based Costing (TDABC) financing method in activity-based budgeting (ABB) is expected to help companies determine which SPG has worked effectively in each store and allocate or reduce the number of SPGs that cause waste.

Based on budget constraints, the cost of traditional budgeting SPG is the main focus of the management of PT. XYZ as a research phenomenon and based on some previous research results, the authors are interested in conducting this research which aims to:

- Analyze the difference between the SPG cost budget prepared by the traditional budgeting method and the SPG cost budget that is arranged using the budget method based on activities at PT. XYZ.
- Analyzing the benefits and the results of the implementation of budget methods based on activity as a planning and controlling tool for SPG costs at PT. XYZ.

Some theories are used as literature studies such as management control, budget and activity based budgeting. Management control according to Halim, Supomo, Kusufi [9] is the process of managers influencing members of other organizations to act in accordance with the organization's strategy. One form of management control is the budget. Understanding the budget according to Rahayu and Rachman [10], the budget is a tool for management that plays an important role in the management control system of a company, especially in the planning and controlling processes.

According to Adisaputro and Anggraini [6], Activity-Based Budgeting is a new approach in the budget preparation process. This new approach is a process of planning and controlling activities that are expected to achieve cost effectiveness in the budget, so as to meet the predicted workload and agreed strategic objectives.

#### **METHOD**

This research is explorative descriptive research. Explorative descriptive research is a series of

observation activities to look for causes that influence real phenomena that occur in the condition of the company, gain an understanding of the phenomenon and find the best solution to overcome the problems that occur. The research design used in this study is a case study. This research was carried out at PT. XYZ located at Jalan Cideng Barat No. 12 B Jakarta Pusat 10150. The time for conducting this research was from March 2018 to August 2018. Research subjects who were directly related to the budget preparation included Director, Head of Accountants & Finance Division, Head of Sales Division, Head of Production Division, Head of HRD Division of PT. XYZ. To explore

information, researchers conducted direct interviews assisted with questionnaires and documentation. The study took samples of SPG costs in DKI Group areas, considering that the DKI Group SPG costs were the highest SPG costs compared to the Outer Cities and Outer Islands and were easy to observe by researchers.

**RESULTS AND DISCUSSION**

Prior to an activity-based budgeting process that focuses on the SPG costs of PT. XYZ in 2018, then the summary of the 2017 SPG costs will be displayed as follows:

**Table 1: Total Income per Year 2017 SPG PT. XYZ per Position per Region**

Total 1 Year Income (IDR)				
	DKI Group	Out of town	Out of the island	Total
SPV SPG	263.285.100	130.503.100	412.725.950	806.514.150
SPG	3.140.845.760	1.132.340.950	2.497.759.225	6.770.945.935
	3.404.130.860	1.262.844.050	2.910.485.175	7.577.460.085

(Source: Processed from PT. XYZ's SPG payroll data December 2017)

The table above shows that the largest number of SPG one year income is SPG DKI Group area which is IDR 3,404,130,860, - or 45% of the total SPG cost. Meanwhile, when viewed from the table of the number of SPG, SPG DKI Group has contributed 38% of the total number of SPG. This means that the highest average SPG income per person is in SPG DKI

Group, this is why researchers are trying to research SPG costs with a focus on DKI Group.

Activity-based budgeting starts with identifying the main activities carried out by SPG and SPG Supervisors to produce output / sold products then making an estimate of the amount of time in carrying out each of the main activities.

**Table 2: Use of SPG Resource Capacity at SPG Main Activities PT. XYZ**

No	Activity Description	Employee Processing Time
A	Part 1: Serving customers	
1	SPG Supervisor training SPG on how to serve customer needs	SPG Supervisor 2 hours (new store / SPG replacement)
2	SPG serves customers who come to buy products	SPG 15 minutes
B	Part 2: Maintain inventory of goods / products and make stock reports	
1	SPG Supervisor performs Stock Opname initial inventory details for new stores / SPG changes	SPG Supervisor 2 hours (new store / SPG replacement)
2	SPG does the daily Global Stock Holding	SPG 30 minutes
3	SPG Supervisor performs Stock Listing per item details to ensure the amount of goods is in accordance with the SPG stock report	SPG Supervisor 4 hours
4	SPG makes monthly inventory reports	SPG 1 minute
5	SPG makes an official report on the difference in receipt of goods	SPG 15 minutes
C	Part 3: Make a sales report	
1	SPG records sales of cashier sale transactions that have been validated	SPG 1 minute (LPH) + 5 minutes (counter data)
2	SPG supervisors input and re-check sales transactions recorded by SPG	SPG Supervisor 2 minutes
3	SPG conducts and reports sales analysis	SPG 30 minutes (Whatsapp report) + 1 hour (manual report)
D	Part 4: Tidy up the product display	
1	Install POP promotional events	SPG 15 minutes
2	Neatly arrange product displays	SPG 30 minutes
3	Replacement of product displays mounted on the statue with the latest types of products	SPG 20 minutes
E	Part 5: Negotiate with the shop head	
1	Submission of promotional events at the store	SPG Supervisor 1 hour
2	Submission of a test market for new stores	SPG Supervisor 1 hour
3	Submission of goods returns in high season	SPG Supervisor 30 minutes

(Source: Processed from the results of observations, interviews and questionnaires of PT. XYZ)

The table above shows the main activities undertaken by SPG and SPG Supervisors in producing output / sold products for the company and the amount of time needed to complete the activity. This amount of

time will be the standard to be adjusted to the amount of output produced so that the budgeted capacity is obtained, which is the time needed by the resources to complete the work in accordance with the output target.

**Summary of Tables 1 and 2 - Number of DKI SPV DKI SPG Capacity Costs 1 to 6 (A to F)**

SPV DKI Group	SPG Number of Employees	Practical Capacity (hour)	Budgeted Capacity (hour)	Capacity Usage Level	
A	1	1.507	1.159	77%	Under Capacity
B	1	1.507	1.316	87%	Under Capacity
C	1	1.507	1.556	103%	over Capacity
D	1	1.507	1.126	75%	Under Capacity
E	1	1.507	1.532	102%	over Capacity
F	1	1.507	1.567	104%	over Capacity

(Source: Processed from the results of observations, interviews and documentation of PT. XYZ)

The table above shows that the budgeted capacity will differ in the results of each resource because it is adjusted to the number of outputs / products sold by each resource. The activity table above is a summary of SPG Supervisor activities consisting of seven activity details in Table-4.7.

SPG working hours provisions PT. XYZ follows the first system which is 7 working hours in 1 day or 40 working hours in 1 week for 6 working days in 1 week. Calculation of SPG practical capacity PT.

XYZ: 6 working days x 7 hours a day = 42 hours x work effectiveness 75% = 31.5 hours / 6 days = 5.25 hours / day x 287 working days a year = 1.507 hours.

The next step is to calculate the standard cost of capacity (capacity cost rates) to see whether the standard time available exceeds or is less than the time spent by the resource in completing the work. Calculated by comparing budgeted capacity with practical capacity. The results are presented in the following table:

**Table 3: Level of Use of SPG Resource Capacity DKI Group PT. XYZ Year 2017 per Position per Shop**

SPV SPG DKI Group	Total Output (pcs)	Activity (hours)							Budgeted Capacity (hour)
		1.1	2.1	2.3	3.2	5.1	5.2	5.3	
A	15.829	10	10	432	528	168	1	10	1.159
B	16.221	10	10	576	541	168	1	10	1.316
C	25.523	10	10	480	851	192	1	12	1.556
D	14.169	10	10	480	472	144	1	9	1.126
E	24.815	10	10	480	827	192	1	12	1.532
F	21.459	10	10	576	715	240	1	15	1.567

(Source: Processed from the results of observations, interviews and documentation of PT. XYZ)

The table above shows that of the 6 SPG Supervisors, 3 of them are over capacity while 3 others are under capacity. This can be caused by 3 SPG Supervisors who experienced under capacity having the responsibility of the number of shops with SPG lower than 3 other SPG Supervisors.

Whereas for SPG from 47 stores both retail store and non-store retailing, 11 stores including over capacity while 36 other stores under capacity. It should be considered again that the under capacity that occurs in several SPGs is also determined by the number of consumer contacts and customer demand for products

in different areas so that the time needed to produce an output / product sold will not be the same.

The consideration of cost efficiency that management wants to do should focus on the main activity process which is the biggest and most influential allocation for SPG costs, namely SPG activities in serving customers and SPG Supervisor activities in checking and inputting sales transactions.

The way to reduce under capacity in some SPGs, leaders need to take policy regarding the allocation of needs and the number of SPG available at this time. If the output / product target is sold the same

as the 2017 achievement for the DKI Group area, then SPG reduction is needed for SPG cost efficiency and

maximizing the available SPG capacity in accordance with the capacity needed by the company.

**Table 4: Budget Based on SPG Cost Activity PT. XYZ DKI Group Year 2018 per Position**

	Allocation +/- Number of SPG	1 year income (after deduction)	8% salary increase	SPG Total Budget Year 2018
SPV SPG	-	263.285.100	21.062.808	284.347.908
SPG	-27	2.105.247.711	168.419.817	2.273.667.528
	-27	2.368.532.811	189.482.625	2.558.015.436

(Source: Processed from SPG payroll data and SPG PT. XYZ main activity)

From the above calculation, there is no amount of reduction in DKI Group SPG Supervisor because of the plan to add SPG Supervisor activities such as customer behavior analysis and the existence of SPG Supervisor communication activities with sales managers who are not included in the main activity. But on the SPG side there were 27 SPG reductions. Reductions occur in 25 stores from 36 stores that are under capacity.

Furthermore, the 2018 SPG cost budget, which was compiled using the traditional method, resulted in 87 workers being allocated at a cost of IDR 3,532,100,903. Whereas the budget for SPG costs in 2018 which was compiled according to government regulations resulted in the allocation of 59 workers with a total cost of IDR 2,795,433,394. Summary of comparison of DKI Group SPG cost budget PT. XYZ Year 2018 is presented in the following table:

**Summary of Tables 3 and 4- SPG Cost Evaluation DKI Group PT. XYZ Based on 2017 Realization, Traditional Methods, According to Government Rules and Activity Based Budget Methods (ABB)**

	Realization in 2017	Traditional methods	According to Government Rules	Activity Based Budget Method
SPG Fee (IDR)	3.845.765.270	3.532.100.903	2.795.433.394	2.558.015.436
SPG cost difference compared to the ABB Method (IDR)	1.287.749.834	974.085.467	237.417.958	-
Number of Employees	103	87	59	59
Difference in Number of Employees compared to the ABB Method(people)	44	28	-	-

(Source: Processed from the results of observations, interviews and documentation of PT. XYZ)

When compared with the realization of the SPG DKI Group fees in 2017 which amounted to IDR 3,845,765,270, - there was a decrease in SPG DKI Group costs in 2018 amounting to IDR 1,287,749,834, - to IDR 2,558,015,436, - in the DKI Group SPG cost budget in 2018. There was a 33% decrease compared to the realization of SPG fees in 2017.

If the DKI Group SPG cost budget for 2018 uses the ABB method compared to the DKI Group SPG cost estimate in 2018 using traditional methods with a value of IDR 3,532,100,903, there will be a savings in DKI Group SPG costs of IDR 974,085,467, - or 28% of SPG budget estimation estimates with traditional methods.

The calculation of the amount of one-year income according to government regulations is higher at IDR 237,417,958, which is 8% of the SPG cost budget compiled according to the ABB method. One of the factors that led to the difference was that the amount of income paid to SPG using the ABB method for each store varied not according to government regulations.

The results of the SPG cost budget compiled by the ABB method show that there is a cost efficiency when compared to the other two methods, this is because the traditional method assumes the number of employees used is estimated by the sales party which is 87 people and according to government rules there is no difference in the amount of income between Supervisors SPG and SPG, while the SPG cost budget based on the ABB method of determining the amount of SPG resources is really adjusted to the use of resource capacity that is estimated to reach the maximum output / product sold target.

If the SPG cost budget is used to calculate SPG costs for all regions in the overall SPG budget, then the efficiency and effectiveness of the SPG will be achieved by the company.

**CONCLUSIONS**

- Comparison between the SPG cost budget compiled by the traditional budgeting method and the SPG cost budget that is compiled using the budget method based on activities at PT. XYZ as a result, the SPG cost budget that was compiled with the budget method based on better activities. This

is because the cost of SPG compiled by the traditional method in 2018 is higher in value by 28% when compared to the SPG cost budget which is prepared by the budget method based on activity.

- The implementation of budget based on activities using TDABC financing method is able to become a SPG cost planning and control tool at PT. XTZ because the TDABC financing method can be known and planned the main SPG activities that are available and the number of SPG available.

#### SUGGESTION

- Activity-based budgeting can be used by companies to calculate SPG planning and control costs nationally, not only DKI Group, but also Out of Town and Out of Islands.
- Stores that experience under capacity and experience a reduction in SPG to be followed up so that they do not become a sustainable corporate burden. Stores that experience over capacity are advised to be rewarded in the form of bonuses to SPG who work.
- The cost of SPG whose value is still under government rules so that it can be equated with government regulations, is not only based on HRD subjectivity.

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