JIATIS
Journal of International Accounting, Taxation and Information Systems
https://jiatis.com/index.php/journal
Online ISSN 3048-085X

Analysis of Sales Budget Preparation in Preparing Production Cost Budgets (A Study of Home Industry UD Usaha Jaya)

Dion Yanuarmawan[1], Veri Hardinansyah Dja'far[2]*

[1,2]Politeknik Negeri Malang, Indonesia

E-mail: [1)] dionyanuarmawan@gmail.com

ARTICLE INFO

Article History
Received : 20.05.2025
Revised : 15.06.2025
Accepted : 21.06.2025
Article Type: Research Article

*Coresponding author:
Dion Yanuarmawan
dionyanuarmawan@gmail.com

ABSTRACT

This study aims to analyze the preparation of the sales budget used in preparing the production cost budget at UD Usaha Jaya. The data used consist of company data from the previous three years. This study is a type of quantitative research using both primary and secondary data. The Least Square method is used for sales forecasting and separating semi-variable costs. The results indicate that the 2024 sales budget served as the basis for the production cost budget, which includes raw material costs, direct labor, and factory overhead. However, the study found that the preparation of both sales and production cost budgets did not follow standardized procedures, leading to significant discrepancies between planned and actual figures. A key weakness of this study is its limited scope, focusing on a single home industry, which may reduce the generalizability of the findings. Additionally, reliance on historical internal data may not fully capture market dynamics or external factors affecting demand. The study recommends that the company adopt a more structured approach to budgeting and consider integrating digital budgeting tools to improve forecasting accuracy and cost control.

Keywords: Sales Budget, Production Cost Budget, Financial Statement, Home Industry.

1. Introduction

The rapid development of science and technology today causes competition in the business world to be increasingly fierce (Alifah et al., 2019). Every company is required to have the right strategy in order to retain customers and achieve its main goal, which is to obtain optimal profits. The strategy not only includes production and marketing, but also careful planning of business activities, one of which is realised in the form of budgeting (Astuti et al., 2023).

A budget is a detailed plan of all company activities for a certain period expressed in numbers. The function of the budget in the company is very important, namely as a work guideline, a coordination tool between sections, and a means of evaluating company performance. Budgeting should be based on past experience, current conditions, and future predictions. Among the various types of budgets that exist, the sales budget plays an important role because it is the basis for preparing other budgets, including the production budget. Without good sales planning, companies risk producing goods in quantities that are not in accordance with market needs, which can lead to losses (Mardiana, 2018). Therefore, the sales budget is prepared to support the planning, coordination, supervision, and control of sales activities, which leads to profit optimization (Rosnidah et al., 2022).

The sales budget serves to determine the quality and quantity of goods, selling price, timing, and location of sales. The accuracy of the sales budget greatly affects other budgets. Errors in the sales budget can cause the production budget, raw material costs, labour costs, and factory overhead to be inaccurate, which ultimately affects the company's profits. Additionally, the realisation of the sales budget can be used as a reference for decision-making and budget preparation in the next period (Meiliani, 2016).

In the context of globalisation and the development of information technology, digitisation in the budget preparation process has become an important part of an effective accounting information system. These practices align with international trends where small and medium-sized enterprises (SMEs) are beginning to adopt cloud-based information systems to enhance transparency and operational efficiency. Previous study, Meiliani (2016) have emphasised the importance of accurate sales budgets in supporting production cost budget efficiency in medium and large-sized companies. However, these practices have not been fully adopted systematically in the small business sector, particularly in the home industry, which tends to prepare budgets based on rough estimates without standardised analytical methods.

One example of this was found in the home industry UD Usaha Jaya, where the sales budget preparation process was still equated with production targets without considering market demand variations. Additionally, there is a theoretical gap due to the limited research discussing the role of sales budgets as the basis for production cost budgeting, especially in the home industry sector. This results in significant discrepancies between budgeted and actual sales and production figures. This gap indicates a significant difference between theory and practice, as well as the lack of application of sales forecasting methods such as Least Squares to improve budget accuracy. Furthermore, studies examining the role of digital accounting information systems in supporting the budgeting process in home industries are still very limited, even though digitalisation has been proven to improve the efficiency and accuracy of financial planning in the SME sector (Sabri et al., 2022; Wahyuni, 2023; Ylä-Kujala et al., 2023). Thus, this research is important to fill these theoretical, contextual, and practical gaps, while contributing to the development of more accurate and adaptive financial management practices in small business environments.

The theoretical contribution of this study is to add to the literature in the field of financial management, particularly regarding the role of sales budgets in the preparation of production cost budgets in the small business sector. This study also fills a gap in research in the field of home industry and strengthens the theory of budgeting as a tool for planning, controlling, and evaluating company performance. The practical contribution expected is to provide recommendations to UD Usaha Jaya on the importance of systematically preparing sales budgets as a basis for preparing production cost budgets, enabling the company to more effectively plan business activities, control production costs, and optimise profits. Additionally, the results of this study are expected to serve as a guide for other home industries in preparing efficient and effective budgets to compete in the increasingly competitive business world.

2. Literature Review

2.1. Budget Theory

Conceptually, a budget is a detailed financial plan prepared for a specific period, usually one year, reflecting estimates of revenue, expenses, and the company's operational and investment activities (Anthony et al., 2013). In practice, budgets are used to guide decision-making, allocate resources efficiently, and as a tool for coordination and communication between different parts of an organisation (Drury, 2013). Comparisons between actual and budgeted figures also provide a basis for managers to evaluate performance and take corrective action in the event of deviations.

Theoretically, budgets are influenced by several approaches, including agency theory and contingency theory. From the perspective of agency theory, budgets serve as a control mechanism to minimise conflicts of interest between principals (owners) and agents (managers), as well as to encourage the efficient achievement of organisational goals (Jensen & Meckling, 1976). Meanwhile, contingency theory emphasises that the effectiveness of budget systems is highly dependent on contextual factors, such as organisational structure, external environment, and adopted strategies (Otley, 1980). Therefore, budget preparation and implementation must be tailored to the specific conditions of the organisation in order to function optimally.

2.2. Sales Budget

The sales budget is the basis for the entire budgeting process in a company, as it serves as a reference for planning production, purchasing, and other expenditures. As revealed by Garrison et al. (2021) A sales budget is an estimate of product sales during a specific period, compiled based on market analysis, historical trends, and company marketing strategies. This budget includes projections of quantity and selling price, making it a key guide for the production and finance departments.

2.3. Production Budget

The production budget is prepared based on the sales budget and takes into account the initial inventory and the target final inventory of finished products. Its main function is to determine the number of units that must be produced in a certain period to meet sales needs and maintain an efficient inventory level. Mowen et al. (2017) states that the production budget aims to optimise operational efficiency and avoid under- or overproduction, which can impact costs and customer service.

2.4. Raw Material Cost Budget

The raw material cost budget covers the planning of the quantity and cost of raw materials needed to meet production targets. This budget takes into account material requirements based on production standards per unit and production schedules. As noted by Horngren et al. (2005), this budget is very important to avoid production delays due to material shortages and to control the efficiency of raw material purchases.

2.5. Direct Labour Budget

The direct labour budget is an integral part of the operational budgeting system that serves to estimate the number of working hours and total costs required in the production process during a certain period. This budget is prepared based on the planned production volume and standard working time per unit of product, thus serving as the basis for calculating efficiency and planning labour requirements. Novlina and Indriani (2020) highlight that he direct labour budget plays a strategic role in controlling labour costs and ensuring the availability of adequate human resources to achieve production targets.

2.6. Factory Overhead Budget

The factory overhead budget covers all indirect costs related to the production process, such as electricity, depreciation, and machine maintenance costs. Blocher et al. (2002) reveal that this budget is prepared based on production capacity and must take into account variations in fixed and variable costs. Effective overhead budget management can improve cost efficiency and company competitiveness.

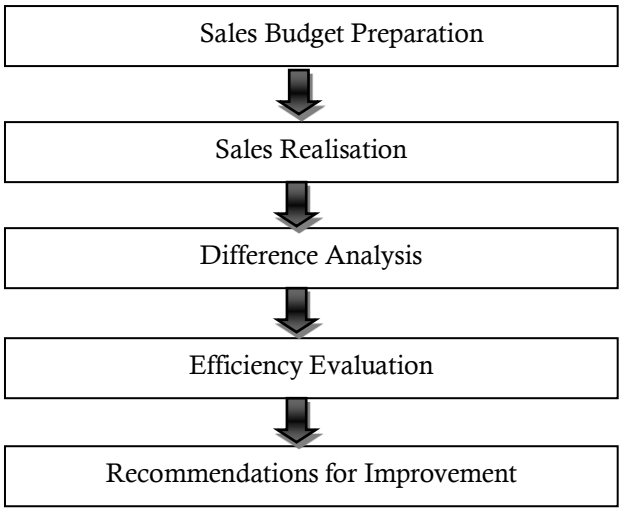

Figure 1. Research Framework Scheme

The sales budget is prepared by the management of UD Usaha Jaya at the beginning of each period. At the end of the period, actual sales realisation is recorded. Next, a comparison is made between the established budget and sales realisation. The results of this comparison are analysed to identify any variances. The variance is assessed as either favourable (positive) or unfavourable (negative). The evaluation results are used to provide recommendations for the preparation of the next period's budget to make it more effective and efficient.

3. Methodology

The object of this study is the sales budget used in preparing the production cost budget at UD Usaha Jaya. According to Sugiyono (2019), the object of research refers to anything, a person, an object, or an action that has certain qualities that researchers wish to study further.

This study is quantitative in nature with an applied research objective. This study analyses the preparation of the sales budget as the basis for preparing the production cost budget using numerical data in the form of sales reports and production costs at UD Usaha Jaya in Blawe Village, Purwoasri Subdistrict, Kediri Regency.

The population in this study is the operational budget realisation reports at UD Usaha Jaya, while the sample is a portion of the population's characteristics. The sample in this study is the sales budget and production cost budget for 2021-2023 at UD Usaha Jaya. The variable used in this study is a single variable; there are no independent and dependent variables. The variable studied is the preparation of the sales budget as the basis for preparing the production budget.

Table 1. Operational Definition of Variables

Variables	Description	Formula	Scale
Sales Budget	Systematic and more detailed planning of the company's sales during the upcoming period.	Sales Budget = Sales Q (units) X Selling Price Per Unit Unit	Ratio
Production Cost Budget	Systematic and more detailed planning of the company's production costs for the coming period	Production Cost Budget = Raw Material Cost Budget + Direct Labour Cost Budget + Factory Overhead Cost Budget	Ratio

The data in this study uses quantitative data, which is data recorded in numbers that indicate quantities. The quantitative data used includes sales data, selling price data, inventory data, and costs incurred for the production process, which have been processed by UD Usaha Jaya Desa Blawe, Purwoasri Subdistrict, Kediri Regency.

Secondary data sources in the study were obtained through documents or written reports related to this study. Secondary data sources in this study consist of sales data for 2021-2023, selling price data for finished goods in 2024, initial inventory data for finished goods and final inventory data for finished goods in 2023, production data for 2023, standard usage data for raw materials and auxiliary materials in 2024, purchase price data for raw materials and auxiliary materials in 2024; direct labour rates data for 2024, and factory overhead costs for 2021-2023.

Data collection techniques are methods used to gather relevant data for research (Sugiyono, 2019). The data collection technique used in this study was observation, which involves directly observing or examining the research object. Direct observation or review of the research object involves recording sales data, selling price data, inventory data, and costs incurred for the production process at UD Usaha Jaya to obtain the data required for this research; b). Documentation is a record of past events. Documents can take the form of writing, images, or monumental works by an individual. The interview guidelines used only outline the main issues or data required by the researcher. Interviews were conducted with the management and production department employees of UD Usaha Jaya, as well as other parties involved in this research.

This research uses descriptive statistical data analysis techniques by quantitatively analysing historical data on sales, selling prices, inventory, and costs incurred in the production process at UD USAHA JAYA to obtain the data required for this research.

4. Results and Discussion

4.1. Research Results

UD Usaha Jaya is a mosquito net and curtain manufacturing company. The company has not yet prepared its budget for sales activities and production costs for the upcoming period in accordance with the proper budget preparation procedures. The data used in preparing the production cost budget at UD Usaha Jaya are as follows:

1. Production Budget Data and Sales Realisation for 2021-2023

Table 2. Production Budget and Sales Realisation Data for 2021 -2023

Month	Sales and Production Budget 2021–2023				Sales Realization 2021				Sales Realization 2022				Sales Realization 2023			
	AMI	*Oscar*	Jodha	*Black Out*	AMI	*Oscar*	Jodha	*Black Out*	AMI	*Oscar*	Jodha	*Black Out*	AMI	*Oscar*	Jodha	*Black Out*
1	2.125	700	1.875	1.875	1.950	592	1.854	1.874	1.975	639	1.868	1.888	2.003	643	1.880	1.905
2	2.125	700	1.875	1.875	1.875	602	1.573	1.457	1.878	522	1.682	1.658	1.969	598	1.657	1.687
3	2.125	700	1.875	1.875	1.987	532	1.530	1.654	1.880	514	1.537	1.587	1.865	501	1.653	1.565
4	2.125	700	1.875	1.875	1.951	679	1.678	1.645	1.980	650	1.689	1.654	1.878	652	1.698	1.680
5	2.125	700	1.875	1.875	2.998	896	1.975	1.981	2.995	995	2.035	1.989	2.983	962	2.145	2.005
6	2.125	700	1.875	1.875	3.450	987	3.182	3.198	3.742	1.054	3.213	3.201	3.817	998	3.493	3.303
7	2.125	700	1.875	1.875	1.702	876	1.695	1.598	1.785	894	1.775	1.667	1.696	898	1.537	1.592
8	2.125	700	1.875	1.875	1.898	689	1.642	1.634	1.796	776	1.779	1.698	1.788	715	1.674	1.740
9	2.125	700	1.875	1.875	1.789	547	1.637	1.490	1.789	609	1.598	1.759	1.748	629	1.585	1.690
10	2.125	700	1.875	1.875	1.789	521	1.679	1.623	1.770	519	1.579	1.657	1.776	527	1.520	1.589
11	2.125	700	1.875	1.875	1.892	559	1.798	1.798	1.920	562	1.798	1.828	1.912	531	1.851	1.769
12	2.125	700	1.875	1.875	1.950	643	1.876	1.882	1.933	668	1.927	1.909	1.980	682	1.923	1.993
Total	25.500	8.400	22.500	22.500	25.231	8.123	22.119	21.834	25.443	8.402	22.480	22.495	25.415	8.336	22.616	22.518

Source: Processed data, 2025

Table 2 shows the sales and production budget data for 2021-2023. UD Usaha Jaya's sales and production budgets are the same because the sales target is the same as the production target for each month. In reality, monthly sales fluctuate according to customer demand. Sales realisation refers to the number of products sold by the company over time. Sales realisation data is used to calculate the sales forecast for 2023. Sales in May and June doubled due to the company receiving many wedding celebration orders during those months. December and January also saw an increase due to the Christmas and New Year holidays. The sales figures for AMI and Oscar products fluctuate from year to year, Jodha products experience a continuous increase every year, while Blackout products experienced a decline in 2022 and an increase in 2023. There is a significant difference between the budget and the actual figures because the budget was not prepared in accordance with the proper budget preparation procedures.

2. Sales Budget

A sales budget is a budget that systematically and in detail plans a company's sales for a specific period in the future, including plans for the types of goods to be sold, the timing of sales, and the marketing location (Carter, 2020). Before preparing a sales budget, the first step is to prepare a sales forecast. The method used to prepare the sales forecast is the Least Square method, with the condition that $\Sigma X = 0$.

Table 3. Sales Forecast for 2024

Product/Year	Sales (Y)	X	X2	XY
AMI				
2021	25.231	-1	1	-25.231
2022	25.443	0	0	0
2023	25.415	1	1	25.415
Total	**76.089**	**0**	**2**	**184**
Oscar				
2021	8.123	-1	1	-8.123
2022	8.402	0	0	0
2023	8.336	1	1	8.336
Total	**24.861**	**0**	**2**	**213**
Jodha				
2021	22.119	-1	1	-22.119
2022	22.480	0	0	0
2023	22.616	1	1	22.616
Total	**67.215**	**0**	**2**	**497**
Blackout				
2021	21.834	-1	1	-21.834
2022	22.495	0	0	0
2023	22.518	1	1	22.518
Total	**66.847**	**0**	**2**	**684**

Source: Processed data, 2025

The sales forecast calculations from Table 3 are used to calculate sales estimates using the Least Square formula. The Least Square formula equation is Y = a + bX.

where: $a = \frac{\sum Y}{n}$ $b = \frac{\sum XY}{\sum X^2}$

Based on this formula, estimated sales for 2024 can be calculated for each curtain package. The sales estimate calculation is as follows:

1. AMI (Air Mata Ibu)

$a = \frac{76.089}{3} = 25.363$ $b = \frac{184}{2} = 92$

$Y_{2019} = 25.363 + 92\ (2)$ $= 25.574$

2. Oscar/

$a = \frac{24.861}{3} = 8.287$ $b = \frac{213}{2} = 106{,}5$

$Y_{2019} = 8.287 + 106{,}5\ (2)$ $= 8.500$

3. Jodha

$a = \frac{67.215}{3} = 22.405$ $b = \frac{497}{2} = 248{,}5$

$Y_{2019} = 22.405 + 248{,}5\ (2)$ $= 22.902$

Based on the above calculations, the estimated sales for each product for the year 2024 can be determined. The estimated sales for AMI are 25,731, Oscar 8,713, Jodha 23,339, and Blackout 23,650. Based on the estimated sales for 2024, monthly sales for each curtain package can be calculated using the seasonal index. Based on the monthly seasonal index calculations, monthly sales estimates can be compiled for each product package. The monthly sales estimate calculation is the average sales, calculated by dividing the 2024 sales estimate by 12. The average sales are multiplied by the monthly seasonal index divided by 100 to obtain the monthly sales estimate.

Table 4. Monthly Sales Estimation

Bulan	AMI			*Oscar*			Jodha			*Blackout*		
	Y'	IM	Penjualan	Y'	IM	Penjualan	Y'	IM	Penjualan	Y'	IM	Penjualan
	(a)	(b)	c=(a) * (b)/100	(a)	(b)	c=(a) * (b)/100	(a)	(b)	c=(a) * (b)/100	(a)	(b)	c=(a) * (b)/100
Januari	2.129	85,80	1.827	708	88,57	627	1.909	99,08	1.891	1.914	101,50	1.943
Februari	2.129	83,63	1.780	708	81,42	577	1.909	86,82	1.657	1.914	85,98	1.645
Maret	2.129	85,11	1.812	708	73,14	518	1.909	83,53	1.594	1.914	86,09	1.648
April	2.129	87,73	1.868	708	94,76	671	1.909	89,91	1.716	1.914	89,25	1.708
Mei	2.129	142,59	3.036	708	137,89	977	1.909	109,72	2.094	1.914	107,21	2.052
Juni	2.129	178,28	3.795	708	147,33	1,044	1.909	177,16	3.381	1.914	174,32	3.336
Juli	2.129	81,08	1.726	708	129,43	917	1.909	89,38	1.706	1.914	87,18	1.669
Agustus	2.129	87,45	1.862	708	105,78	749	1.909	91,13	1.739	1.914	91,09	1.743
September	2.129	86,12	1.833	708	86,70	614	1.909	86,35	1.648	1.914	88,74	1.698
Oktober	2.129	87,59	1.865	708	76,31	541	1.909	85,76	1.637	1.914	87,53	1.675
November	2.129	95,48	2.033	708	80,80	572	1.909	97,98	1.870	1.914	97,03	1.857
Desember	2.129	99,14	2.111	708	97,85	693	1.909	103,18	1.969	1.914	104,08	1.992
Jumlah	**25.547**		**25.547**	**8,500**		**8,500**	**22.902**		**22.902**	**22.966**		**22.966**

Source: Processed data, 2025

Based on Table 4, monthly sales estimates for the four main product variants, AMI, Oscar, Jodha, and Blackout, show varying sales patterns, both seasonally and between products. The data shows that the highest sales for AMI products occurred in May, with a total estimate of 3,306 units, while the lowest sales were recorded in March with 1,812 units. Meanwhile, the Oscar variant is relatively stable, with the highest sales estimate in June (747 units) and the lowest in March (518 units). The Jodha and Blackout products show similar trends, with the highest sales in June and May, respectively, and a decline in sales in March and February.

These fluctuating sales indicate the influence of seasonal factors on market demand, reflected in the seasonal index (SI) used to multiply the trend value (Y') to obtain actual sales estimates. For example, the seasonal index for AMI reached its highest value in May (142.59) and its lowest in March (85.11), indicating that demand for this product is highly sensitive to timing. Similar patterns were observed for other variants, though with varying degrees of fluctuation. Cumulatively, the highest annual sales estimate was achieved by the AMI variant at 25,547 units, followed by Jodha and Blackout at 22,902 and 22,966 units respectively, and Oscar at 8,500 units.

These fluctuations indicate that the use of a trend analysis method based on historical data combined with seasonal indices is an appropriate approach for estimating sales. These estimates form an important basis for the preparation of more accurate and efficient production budgets. Without considering seasonal variations, companies may face the risk of overproduction or stock shortages. Therefore, such analysis is essential in the strategic decision-making process, particularly in production capacity planning and overall operational cost control.

Table 5. 2024 Sales Budget

Bulan	AMI			*Oscar*			Jodha			*Blackout*			Subtotal (Rp)
	Unit	Harga (Rp/Unit)	Jumlah (Rp)	Unit	Harga (Rp/Unit)	Jumlah (Rp)	Unit	Harga (Rp/Unit)	Jumlah (Rp)	Unit	Harga (Rp/Unit)	Jumlah (Rp)	
Januari	1.827	30.000	54.800.130	627	30.000	18.821.885	1.891	90.000	170.184.603	1.943	100.000	194.251.941	438.058.558
Februari	1.780	30.000	53.413.574	577	30.000	17.302.395	1.657	90.000	149.119.446	1.645	100.000	164.545.576	384.380.991
Maret	1.812	30.000	54.359.724	518	30.000	15.542.943	1.594	90.000	143.468.271	1.648	100.000	164.765.980	378.136.918
April	1.868	30.000	56.029.445	671	30.000	20.137.301	1.716	90.000	154.438.198	1.708	100.000	170.806.435	401.411.379
Mei	3.036	30.000	91.069.825	977	30.000	29.301.394	2.094	90.000	188.467.195	2.052	100.000	205.189.504	514.027.918
Juni	3.795	30.000	113.863.497	1.044	30.000	31.308.322	3.381	90.000	304.301.725	3.336	100.000	333.623.214	783.096.758
Juli	1.726	30.000	51.783.380	917	30.000	27.503.965	1.706	90.000	153.517.693	1.669	100.000	166.852.933	399.657.970
Agustus	1.862	30.000	55.850.604	749	30.000	22.478.925	1.739	90.000	156.533.014	1.743	100.000	174.339.791	409.202.334
September	1.833	30.000	55.004.026	614	30.000	18.424.172	1.648	90.000	148.312.843	1.698	100.000	169.842.166	391.583.206
Oktober	1.865	30.000	55.939.377	541	30.000	16.216.092	1.637	90.000	147.304.434	1.675	100.000	167.514.146	386.974.048
November	2.033	30.000	60.978.562	572	30.000	17.169.268	1.870	90.000	168.302.735	1.857	100.000	185.711.275	432.161.840
Desember	2.111	30.000	63.317.856	693	30.000	20.793.339	1.969	90.000	177.229.845	1.992	100.000	199.190.374	460.531.415
Jumlah	**25.547**		**766.410.000**	**8.500**		**255.000.000**	**22.902**		**2.061.180.000**	**22.966**		**2.296.633.333**	**5.379.223.333**

Source: Processed data, 2025

Based on the calculations in Table 5, it can be seen that the sales budget for 2024 is IDR 5,379,223,333, which is obtained from the product selling price multiplied by the estimated number of units sold. The breakdown for product sales is as follows: AMI (Air Mata Ibu) Rp 766,410,000, Oscar Rp 255,000,000, Jodha Rp 2,061,180,000, and Blackout Rp 2,296,633,333. Sales units are obtained from Table 13, which contains the estimated sales calculations for each month. Monthly sales estimates are compiled to determine the sales units or sales demand for each month in the coming period, facilitating the preparation of the sales budget. Sales estimates are compiled using the Least Squares formula or the least squares trend method. Monthly sales estimates are calculated by multiplying the estimated sales already calculated by the seasonal index. The seasonal index is obtained from Table 2, where the seasonal index is derived by dividing the monthly seasonal variation by the total seasonal variation multiplied by 12, then multiplying the result by 100. Seasonal variation is obtained by averaging monthly sales from 2021 to 2023, dividing by 3, and subtracting the trend.

The seasonal index for May and June doubles due to the high number of weddings during those months. December and January also see an increase due to Christmas and New Year's celebrations. The increase in sales demand during these months can be proven by the calculations in Table 12. The sales budget prepared by UD Usaha Jaya has a significant discrepancy because the sales budget prepared by UD Usaha Jaya is the same as the production budget that will be produced by UD Usaha Jaya. This budget preparation does not align with the proper procedures. Table 4 can assist UD Usaha Jaya in estimating the sales volume for 2024 by multiplying the estimated sales units by the selling price. AMI and Oscar products: estimated sales units multiplied by Rp 30,000. Jodha products: estimated sales units multiplied by Rp 90,000. Blackout products: estimated sales units multiplied by Rp 100,000.

3. Production Budget

The initial inventory of products in 2024 is the same as the final inventory of products in 2023. Before calculating the final inventory of products in 2024, first calculate the inventory difference in Table 6.

Table 6. Calculation of Inventory Difference per Month in 2024

Product	2023					2024					
	Initial Inventory (1)	Final Inventory (2)	Average Inventory (3) = (1+2)/2	Sales Volume (4)	Inventory Turnover Rate (5) = (4)/(3)	Sales Budget (6)	Avg Inventory (7) = (6)/(5)	Initial Inventory (8)	Final Inventory (9) = ((7*2) - 8)	Inventory Difference (10) = (9)-(8)	Monthly Inventory Difference (11) = (10)/12
AMI	340	425	382.5	25,415	66	25,547	384.49	425	344	81	6.75
Oscar	288	352	320	8,336	26	8,5	326.30	352	301	51	4.28
Jodha	271	155	213	22,616	106	22,902	215.69	155	276	121	10.12
Black Out	402	384	393	22,518	57	22,966	400.82	384	418	34	2.80

Source: Processed data, 2025.

Based on Table 6, which shows the monthly inventory difference calculations for 2024, it can be seen that AMI and Jodha products show a relatively high inventory difference compared to other products. The AMI product has an inventory difference of 81 units, with a monthly difference of 6.75 units, while the Jodha product shows a difference of 121 units, or 10.12 units per month. This indicates that inventory planning for these two products is not yet fully efficient, as there is a significant difference between the average monthly demand and the quantity allocated in the budget. Conversely, the Oscar and Black Out products have smaller inventory differences, at 51 units (4.28 per month) and 34 units (2.80 per month), respectively. This difference indicates that inventory planning for these two products is relatively more optimal and closer to the actual monthly demand volume.

From an accounting information system perspective, more precise inventory planning can be achieved if the company uses the inventory module in the AIS system, as this system can automatically integrate historical sales data and seasonal trends (Sabri et al., 2022; Wahyuni, 2023). Inaccurate inventory allocation, as seen in the Jodha and AMI products, is most likely caused by reliance on manual methods and static assumptions, which do not accurately account for actual demand fluctuations. Therefore, it is recommended that companies integrate digital-based inventory planning to make the budgeting and production cost control processes more efficient. This approach is in line with the results of the study (Ylä-Kujala et al., 2023), which shows that the adoption of a digital accounting management system significantly improves the accuracy of planning and decision-making in the SME sector.

The production budget prepared by UD Usaha Jaya experienced a significant discrepancy because the production budget prepared by UD Usaha Jaya was equated with the sales budget to be produced by UD Usaha Jaya. This budget preparation does not comply with the proper procedures. It is evident that this production budget was prepared based on the sales budget already prepared in Table 4, as shown in Table 7 below:

Table 7. Monthly Production Budget for 2024

Month	Sales (1)	Ending Inventory (2)	Demand (3) = (1)+(2)	Beginning Inventory (4)	Production (5) = (3)-(4)
AMI					
January	1,827	418	2,245	425	1,82
February	1,78	411	2,192	418	1,774
March	1,812	405	2,217	411	1,805
April	1,868	398	2,266	405	1,861
May	3,036	391	3,427	398	3,029
June	3,795	384	4,18	391	3,789
July	1,726	378	2,104	384	1,72
August	1,862	371	2,233	378	1,855
September	1,833	364	2,198	371	1,827
October	1,865	357	2,222	364	1,858
November	2,033	351	2,383	357	2,026
December	2,111	344	2,455	351	2,104
Total	**25,547**	—	**30,120**	—	**25,466**

Month	Sales (1)	Ending Inventory (2)	Demand (3) = (1)+(2)	Beginning Inventory (4)	Production (5) = (3)-(4)
Oscar					
January	627	348	975	352	623
February	577	343	920	348	572
March	518	339	857	343	514
April	671	335	1,006	339	667
May	977	331	1,307	335	972
June	1,044	326	1,37	331	1,039
July	917	322	1,239	326	913
August	749	318	1,067	322	745
September	614	313	928	318	610
October	541	309	850	313	536
November	572	305	877	309	568
December	693	301	994	305	689
Total	**8,500**	—	**12,390**	—	**8,449**

Month	Sales (1)	Final Inventory (2)	Demand (3) = (1)+(2)	Initial Inventory (4)	Production (5) = (3)-(4)
Blackout					
January	1,943	387	2,329	384	1,945
February	1,645	390	2,035	387	1,648
March	1,648	392	2,04	390	1,65
April	1,708	395	2,103	392	1,711
May	2,052	398	2,45	395	2,055
June	3,336	401	3,737	398	3,339
July	1,669	404	2,072	401	1,671
August	1,743	406	2,15	404	1,746
September	1,698	409	2,108	406	1,702
October	1,675	412	2,087	409	1,678
November	1,857	415	2,272	412	1,86
December	1,992	418	2,41	415	1,995
Total	**22,966**	—	**27,793**	—	**23.000**

Source: Processed data, 2025

Based on the 2024 monthly production budget data shown in the tables for each product variant (AMI, Oscar, Jodha, and Blackout), it can be seen that there is a significant discrepancy between production estimates and actual requirements. This is due to the production budget being prepared in the same manner as the sales budget, without considering other important variables such as initial inventory and monthly target inventory levels. For example, for the AMI product, the total demand (combined sales and end-of-month inventory) is recorded at 30,120 units, but the production volume is only 25,466 units. This means there is a production shortfall of 4,654 units, which could disrupt supply continuity. Similar patterns were also found in the Oscar, Jodha, and Blackout products. Oscar has a requirement of 12,390 units, but only 8,449 units were produced; Jodha requires 25,551 units, but only 23,023 units were produced; while Blackout requires 27,793 units, but production only reached 23,000 units.

This discrepancy indicates that production budgeting has not been carried out procedurally and systematically, as it only refers to sales estimates without calculating strategic inventory requirements. As a result, the difference between demand and production creates the risk of stockouts, which can hinder distribution and reduce customer satisfaction. An ideal production budget should account for actual monthly needs, which are the sum of sales estimates and end-of-period inventory targets, minus the available initial inventory. Thus, production planning will reflect more accurate real-world needs. This finding highlights the importance of integrating sales planning, inventory management, and production planning in the budget preparation process, especially for small businesses such as UD Usaha Jaya, which have limited resources and narrow operating margins.

4. The Raw Material Cost Budget

The raw material cost budget is prepared to plan the cost of raw materials used for the production process in the coming period. Table 8 shows that the raw material budget structure is prepared systematically based on the type of material and monthly requirements, but there are fundamental weaknesses in terms of the planning approach.

Table 8. Raw Material Cost Budget for 2024

Month	Finishing Dept. (Rp)	Sewing (Rp)	Trimming (Rp)	Total (Rp)
January	5,400,000	8,212,600	8,212,600	21,825,199
February	5,400,000	6,494,920	6,494,920	18,389,840
March	5,400,000	6,375,828	6,375,828	18,151,656
April	5,400,000	6,827,867	6,827,867	19,055,734
May	5,400,000	9,212,330	9,212,330	23,824,660
June	5,400,000	13,253,929	13,253,929	31,907,859
July	5,400,000	6,877,010	6,877,010	19,154,020
August	5,400,000	6,970,207	6,970,207	19,340,414
September	5,400,000	6,624,850	6,624,850	18,649,700
October	5,400,000	6,542,339	6,542,339	18,484,678
November	5,400,000	7,274,027	7,274,027	19,948,054
December	5,400,000	7,756,382	7,756,382	20,912,764
Total	**64,800,000**	**92,422,290**	**92,422,290**	**249,644,579**

Source: Processed data, 2025

Raw material costs are predicted to experience a significant difference because the sales budget prepared by UD Usaha Jaya is the same as the production budget that will be produced by UD Usaha Jaya. This will affect the preparation of other budgets because the sales budget is the basis for preparing other budgets. This budget preparation does not comply with the proper procedures. The inconsistency in the budget preparation procedures, where the sales budget is aligned with the production budget, reflects the assumption that all production output will be sold directly. However, in business practice, market conditions, consumer demand, and sales fluctuations do not always align with production capacity. This could lead to wasteful purchasing of raw materials, especially if there is excess production that is not absorbed by the market. As a result, the company may face the risk of overstocking, increased storage costs, and potential losses due to unused or damaged raw materials. Additionally, this approach may also affect the accuracy of other budget preparations, such as direct labour budgets, factory overhead budgets, and cash flow and profit/loss budgets. Therefore, a comprehensive evaluation of the budgeting logic is necessary, starting with the establishment of realistic sales

targets based on market data, so that all derivative budgets, including the raw material budget, can be prepared accurately, efficiently, and accountably.

5. The Direct Labour Budget

The direct labour budget is prepared to determine the amount of expenses that must be incurred by the company for labour directly related to the production process during the upcoming period.

Table 9. Direct Labour Force 2024

Month	Finishing Dept. (Rp)	Sewing (Rp)	Trimming (Rp)	Total (Rp)
January	5,400,000	8,212,600	8,212,600	21,825,199
February	5,400,000	6,494,920	6,494,920	18,389,840
March	5,400,000	6,375,828	6,375,828	18,151,656
April	5,400,000	6,827,867	6,827,867	19,055,734
May	5,400,000	9,212,330	9,212,330	23,824,660
June	5,400,000	13,253,929	13,253,929	31,907,859
July	5,400,000	6,877,010	6,877,010	19,154,020
August	5,400,000	6,970,207	6,970,207	19,340,414
September	5,400,000	6,624,850	6,624,850	18,649,700
October	5,400,000	6,542,339	6,542,339	18,484,678
November	5,400,000	7,274,027	7,274,027	19,948,054
December	5,400,000	7,756,382	7,756,382	20,912,764
Total	**64,800,000**	**92,422,290**	**92,422,290**	**249,644,579**

Source: Processed data, 2025.

Based on Table 9 regarding Direct Labour in 2024, it can be seen that the labour budget is divided into three main parts, namely finishing, sewing, and embroidery, with a breakdown of costs per month, which ultimately results in an annual total of Rp249,644,579. Structurally, this breakdown appears neat and detailed, but there is a fundamental problem with the approach used in its preparation. The direct labour budget is based on the number of products to be produced, which in this case is equated with the sales budget. This approach risks causing significant budget discrepancies, as production does not necessarily reflect actual sales levels. When sales assumptions are overly optimistic and used as the basis for production, labour requirements are calculated to exceed what is necessary, leading to cost overruns. This not only impacts efficiency but can also disrupt the preparation of other budgets, such as factory overhead, raw material costs, and cash flow. In proper budgeting practices, sales should be the primary basis for designing overall production activities and their associated budgets. The inconsistency in this procedure indicates that the budget planning process does not fully follow logical and systematic budget management principles.

6. Factory Overhead Cost Budget

Based on their nature, factory overhead costs are classified into fixed costs, variable costs, and semi-variable costs. The factory overhead costs incurred by UD Usaha Jaya are indirect raw material costs, auxiliary material costs, vehicle depreciation costs, building depreciation costs, equipment depreciation costs, and electricity, water, and telephone costs.

Table 10. Factory Overhead Cost Budget for 2024

Factory Overhead Costs	Amount	Percentage (%)
Building Depreciation	Rp 15,000,000	2.45%
Vehicle Depreciation	Rp 9,400,000	1.54%
Equipment Depreciation	Rp 3,240,000	0.53%
Indirect Material Costs	Rp 580,744,097	95.09%
Electricity, Water, and Telephone	Rp 2,400,000	0.39%
Total	**Rp 612,784,097**	**100%**

Source: Processed data, 2025

Table 10 shows that the total factory overhead budget for UD Usaha Jaya in 2024 is projected to be Rp612,784,097, with the largest proportion coming from auxiliary material costs, namely Rp580,744,097 or

95.05% of the total overhead budget. The dominance of auxiliary material costs indicates a high dependence of the production process on supporting materials that are not included in the main raw materials. However, this overhead cost budget is expected to experience a significant discrepancy due to inaccuracies in the preparation of the sales budget, which serves as the basis for the production budget. UD Usaha Jaya equates sales estimates with production volumes without considering market demand fluctuations and seasonal factors, thereby impacting the accuracy of the entire functional budget, including the factory overhead budget. This discrepancy has the potential to disrupt the effectiveness of the company's financial planning because the sales budget should be prepared systematically and used as a starting point for preparing other budgets.

4.2. Discussion

The preparation of the sales budget at UD Usaha Jaya serves as the main foundation in the process of preparing the production cost budget. The production cost budget, which includes the budget for raw materials, direct labour, and factory overhead costs, is prepared based on previously planned sales estimates. This finding is in line with the view from Carter and Usry (2009), which emphasises that the sales budget is the main budget because it serves as a reference for all other functional budgets. Inaccuracies in the preparation of the sales budget have been shown to have a systemic impact on the entire production cost planning process.

In practice, errors arising at UD Usaha Jaya due to aligning production targets with sales estimates without considering seasonal dynamics and market demand trends have caused significant deviations between sales plans and actual sales. This highlights the importance of using appropriate and systematic forecasting methods in sales budget preparation. Research by Mardiana (2018) emphasises that the use of systematic procedures and reliable forecasting methods is necessary for sales budgets to accurately reflect actual market needs.

The use of the Least Square method in this study has been proven to produce more realistic sales projections based on historical data, especially when combined with seasonal indices. This approach is also supported by Mulyani et al. (2021), which states that historical data-based sales planning can improve production budgeting efficiency and reduce resource waste. The preparation of a production cost budget based on sales estimates allows companies to project raw material and labour requirements with a higher degree of accuracy. However, this study also identified limitations in the budget management information system at UD Usaha Jaya, which is not yet optimally integrated. This condition is in line with the findings by Ylä-Kujala et al. (2023), which reveals that small-scale companies generally have limitations in their accounting information systems, causing discrepancies between budget plans and their implementation in the field.

These limitations are even more apparent in the lack of use of digital systems in the budget preparation process. The lack of integration between seasonal demand projections and budget preparation causes inefficiencies in planning raw material and direct labour requirements. A study by Harash et al. (2014) shows that the implementation of a cloud-based Accounting Information System (AIS) in small and medium-sized enterprises can improve production cost control and data-driven decision making. Similarly, Wahyuni (2023) recommends the implementation of a modern accounting information system to improve the accuracy, efficiency, and adaptability of companies in preparing budgets.

The results of this study provide empirical evidence that sales budgeting conducted using a scientific and data-driven approach can improve the quality of production cost planning. This has a positive impact in preventing overproduction or stock shortages, which ultimately affects the company's operational efficiency. These findings reinforce the opinion by Astuti et al. (2023), which states that comprehensive planning is an essential component in all business activities, from the production stage to distribution.

In addition, this study also reinforces the Garrison et al. (2021) argument that the sales budget acts as a key driver in the budgeting system, as it has a direct influence on all functional budgets, especially the production cost budget. In the context of UD Usaha Jaya, failure to use an appropriate forecasting method has been shown to cause discrepancies between the budget and actual results. However, the use of the Least Square method in this study has been shown to provide more accurate sales estimates, as also indicated by the findings. Dewantara and Giovanni (2023) state that the least squares method has a higher level of accuracy than other conventional methods.

This study is also consistent with the findings of Ginting and Sagala (2019) which shows that MSMEs that systematically prepare sales budgets can reduce factory overhead costs more significantly than companies that do not have good budget planning. In this case, UD Usaha Jaya's limitations in implementing a digital-based accounting information system are a major challenge in achieving budget efficiency. This is further reinforced by research by Ylä-Kujala et al. (2023), which emphasises that the digitisation of accounting systems in small businesses can significantly improve budget accuracy and cost efficiency.

From a practical perspective, the findings of this study confirm that sales budgeting using a quantitative approach based on historical data contributes significantly to improving the accuracy of production requirement estimates. The accuracy of these estimates is crucial as it directly impacts the efficiency of resource utilisation, including raw materials, labour, and production time. Sales planning based on scientific methods not only enables companies to control costs more effectively but also enhances overall operational efficiency. This aligns with the findings of the research (Syahwildan et al., 2024), which shows that micro, small, and medium enterprises (MSMEs) that implement a systematic sales budgeting system are able to reduce factory overhead costs more significantly than MSMEs that do not have adequate budget planning. Hence, the integration of accurate sales forecasting and efficient production planning is an important strategy in operational financial management, particularly in the small business sector, which has limitations in terms of economies of scale and access to modern managerial technology.

Although this study successfully identified the relationship between sales budgets and production costs, there are several limitations that need to be considered. First, this study was only conducted on one small business unit, so the generalisation of the research results needs to be done carefully. Second, the aspects of digitalisation and the use of accounting information systems have not been analysed in depth in the context of their technical implementation.

For further research, it is recommended to expand the scope of the study by involving several similar business units to obtain a more comprehensive picture. In addition, comparative analysis of the effectiveness of various sales forecasting methods and in-depth studies related to the implementation of digital accounting information systems in the SME sector need to be further explored to strengthen strategic recommendations for modern and efficient budget management.

5. Conclusion

This study concludes that UD Usaha Jaya has not prepared sales and production cost budgets in accordance with proper procedures, namely based on historical analysis and quantitative predictions. Until now, the company has equated production targets with sales targets without considering seasonal fluctuations in demand, resulting in a significant difference between the budget and actual sales. The use of the Least Squares method to forecast sales for 2024 yields more systematic and reliable results in estimating monthly sales. Based on these sales estimates, the company can prepare a more accurate sales budget, which then serves as the basis for preparing production budgets, raw material cost budgets, direct labour costs, and factory overhead costs. However, the analysis results indicate that the budgeting process has not been integrated and has not utilised digital approaches or accounting information systems. This has led to inefficiencies, particularly in inventory planning and production cost control. There is a mismatch between production planning and actual market demand, as well as cost wastage in certain production components.

To improve the effectiveness of budget preparation and production cost control, UD Usaha Jaya should begin to prepare sales budgets in a more structured manner using historical data and quantitative methods such as Least Squares to obtain more accurate sales estimates aligned with seasonal trends. The sales budget that has been developed should serve as the primary basis for designing production budgets and related costs, ensuring that production volumes align with market demand to avoid overproduction or stock shortages. Additionally, the company is strongly advised to integrate a digital accounting information system into the budgeting and inventory management processes, enabling real-time and integrated data access, thereby enhancing planning efficiency and accuracy. It is also important for companies to conduct regular evaluations and variance analyses to detect and address discrepancies between budgets and actual sales or production costs, so that corrective actions can be taken promptly. Finally, enhancing the competencies of management

and staff in finance and budgeting through training or mentoring is also essential to ensure that the budget preparation process aligns with standards and contributes optimally to achieving the company's objectives. By implementing these steps, UD Usaha Jaya is expected to improve its financial management and competitiveness in the market.

5.1. Acknowledgements.

The researchers would like to thank PSDKU Polinema Kediri for its support in this research.

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