
DESIGN OF USING THE ACTIVITY-BASED BUDGETING METHOD TO CONTROL EMPLOYEE OVERTIME COSTS

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ABSTRACT

This study aims to design and propose using overtime budgets in companies. This type of research is descriptive exploratory, and the research object is data related to employee overtime in July-December 2021. The financing method used is time-driven activity-based costing (TDABC). This study suggests that companies follow up on departments with over-capacity status to evaluate employee activities during overtime so that it does not affect company performance. The application of the activity-based budgeting method can increase the effectiveness of employee overtime costs because it can prove that there are savings in overtime costs and can increase profits. So that the ABB method can control the overtime budget more efficiently and better. The ABB method can control employee overtime budgets more efficiently. The ABB method can be proposed to companies to control their employees' overtime costs. This research has implications for identifying the need for overtime, purchasing efficient budget allocations, evaluating the impact on financial companies.

Keywords: activity-based budgeting, time-driven activity-based costing, management control system.

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INTRODUCTION

The process of globalization, industrial development, intense market competition in Indonesia and changing business philosophies in world market centres have encouraged companies to provide high-quality products at low costs (Ginanjar, 2017). Suppose a company operates in an industrial context where environmental changes can be predicted (Sugiyanto, 2018). In that case, the company can use a formal and rational process to develop a strategy first and then design a management control system to implement that strategy (Mansour, 2016). Strategic plans generally have a term of five years, 10 years or more (Butarbutar et al., 2022). In general, every company prepares a budget as a guideline for carrying out activities, which is then reported to related parties to support good corporate governance and achieve company goals. The comparison between planned and actual results for control purposes is meaningless if the classification of costs and income used in the profit plan differs from what has been planned (Anik, 2013). Activity-Based Budgeting (ABB) is the key to planning value-driven factors because Activity-Based Budgeting (ABB), which is equipped with feature costing (cost conditioning) is able to provide correct information about what factors trigger value, sources irregularities, and costs (Adisaputro & Anggraini, 2011).

Activity-Based Budgeting (ABB) allows management to direct all the efforts of members of the organization to create value (value creation) through satisfying customer needs and continuous improvement of processes. E-Learning Module Arrangement Budgeting Based on the Activity Based Budgeting Model, the results of this study indicate that employee cost is the most dominant cost and the Activity-Based Budgeting model provides more accurate information and time allocation for

working hours for each activity that is under capacity and over capacity (Amin & Nengzih, 2021); (Arnold & Artz, 2019). This is also supported by Activity-Based Budgeting research conducted by Jenerita and Nengzih, whereby budgets can be prepared better using the ABB model. This budget approach is useful for overcoming the limitations of conventional budgets that are less focused on the customer and do not motivate organizational members to improve the processes used to serve customers (Prasetyo et al., 2018).

By simulating each process, you can get a more realistic picture of the process and product. You can identify weaknesses and possible changes in the process (Wisada & Sudarma, 2019). Determining the variants with Activity-Based Budgeting (ABB) management can focus more on improving. Such is the phenomenon that occurs at PT ASN where the company still uses incremental Budgeting for its employees' overtime costs, so there are obstacles faced by the company, among others, the company in preparing its budget is not based on the thoughts and analysis of a series of activities that must be carried out to achieve predetermined goals.

The objectives of this study are as analyzing the application of Activity Based Budgeting to employee overtime costs with the Time Driven Activity Based Costing method and analyzing the comparison/difference of Activity Based Budgeting with traditional methods and its effect on the realization of employee overtime costs in controlling employee overtime costs. Based on the research objectives above, this research can provide benefits to the company as a useful input as a comparison tool in determining employee overtime costs, to future researcher to be used as a reference for further research and can be used as a worthy reference as a scientific work, and to readers for information about the application of Activity Based Budgeting and Traditional Budgeting in a telecommunications service company.

METHODS

This research uses a descriptive study because it focuses on the method of compiling employee overtime costs which have been prepared by PT ASN so far. This study uses the Activity Based Budgeting method with TDABC as the financing method.

The author uses a qualitative approach because the writer wants to understand the phenomenon of compiling employee overtime fees at PT ASN to clearly understand the conditions of the subjects studied.

The analytical method used in this study uses a qualitative descriptive analysis method with primary and secondary data (Diana & Rofiki, 2020), which is an analysis used to explain the reality of implementing Traditional Budgeting that occurs at PT ASN with the Activity Based Budgeting method which is described as following:

1. Analysis of the Application of Activity-Based Budgeting
 - a. Determine the standard capacity cost of each human resource used for each proposed employee overtime
 - b. Identify the main activities that require costs in the work process.
 - c. Determine the approximate time each resource will take to do the job.
 - d. Calculate the standard capacity cost of each resource.
 - e. Arrange Activity-Based Budgeting for each cost according to each activity.
2. Comparing Activity Based Budgeting with Traditional Budgeting

3. Analyzing the results of a comparison between Activity-Based Budgeting and Traditional Budgeting.

RESULTS AND DISCUSSION

The overtime cost in this discussion includes two departments, namely finance and sales (Amir & Rustan, 2020). The preparation of ABB using the Time Driven Activity Based Costing (TDABC) method is by calculating the standard capacity cost of each resource. One month only allowed for a maximum of 30 hours of overtime (Farida & Nurwidyaningrum, 2017). The practical capacity used in this study is 90% of the time, effectively carrying out its activities or 10% of free time (Siregar & Mukhsinuddin, 2020). So that the effective working hours become 162 hours. The next step that can be taken is to calculate the total cost of resources in the employee's work process (Adawiyah & Sukmawati, 2013). In this process, calculations will be carried out for each main activity that has previously been prepared in each work process. This main activity is based on the overtime form submitted by each employee in each departmental unit owned by PT ASN. The next stage is to calculate the amount of used capacity costs that will be incurred as employee overtime costs.

Apart from the SOP data for each departmental unit, this calculation is supported by the results of the recapitulation of the actual number of hours of overtime employees use to find out the time to complete their work. The cost of used capacity is the cost that will be incurred as employee overtime costs (Matswaya et al., 2019). The following is the level of employee overtime capacity usage. If the level of capacity utilization is less than 100%, there will be under capacity in the department concerned. Conversely, if the level of capacity utilization exceeds 100%, there will be an overcapacity in the department concerned.

Table 1 . Calculation

Unit Name	Total workforce	Time-Work Budget (Hour)	Time-Work Practical (Hour)	Capacity Used	Status
Sales Marketing	2	300.00	324.00	93%	Under Capacity
FAD	1	168.50	162.00	104%	Over Capacity

Source: Processed from the results of observations, interviews and documentation of PT ASN

The results of the table above show that Sales & Marketing units with under capacity status have 93% used capacity and FAD units with over capacity status with 104% used capacity. Comparison between the employee overtime budget prepared using the traditional budgeting method and the employee overtime budget prepared using the activity-based budget method at PT ASN results in a better employee overtime budget prepared using the ABB method. This is because the overtime cost for employees prepared using the traditional or realized method is higher in value than the ABB method by 14%. Applying the activity-based budgeting method can increase the effectiveness of employee overtime costs because it can prove that there are savings in overtime costs and can increase profits so that the ABB method can control the overtime budget more efficiently and better (Ratnawati & Kusniawati, 2016). The ABB method can be proposed to companies to control their employees' overtime costs. Look at the capacity used in the two departments. The Sales & Marketing unit is under capacity at 93%, and the FAD unit is over capacity used at 104%. The Board of Directors should consider adding employees to the two departments to prevent disruption from working productivity and so as not to potentially affect company performance.

CONCLUSION

Activity Based Budgeting (ABB) can be applied using the Time Driven Activity Based Costing (TDABC) method at PT ASN by first determining which activities are used as cost drivers. Through the TDABC method, the standard cost of each activity is obtained by dividing the capacity of the employee's overtime costs by the practice capacity using a one-time equation. After getting the standard cost, the result is multiplied by the total capacity of the resources used. ABB produces a value that is closer to the realized value of PT ASN's employee overtime costs. With ABB, the results obtained also have a lower value compared to traditional methods, so the ABB method can control employee overtime budgets more efficiently and better. The ABB method can be proposed to companies to control their employees' overtime costs.

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