



# Analysis of Production Budget Implementation As a Management Tool In Company Profit Management at PT. Sari Incofood Corporation

Budi Alamsyah Siregar<sup>1</sup>, Dewi Suma<sup>2</sup>

<sup>1,2</sup>Department Management, Faculty of Economics, Universitas Pembinaan Masyarakat Indonesia, Jl. Teladan No. 15B Medan, Sumatera Utara, 20412, Indonesia

E-mail: [siregarbas@upmi.ac.id](mailto:siregarbas@upmi.ac.id)

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## ABSTRACT

The purpose of this study is to analyze the implementation of the production budget as a management tool in managing company profits at Pt. Sari Incofood. The research used in this research is descriptive qualitative research with secondary data. In this study, the results were obtained using the production budget at PT. Sari Incofood Corporation is still not completely perfect and has become a management tool. The Indocafe Maxtea product in 2017, 2018, and 2019 and the Indocafe Cappuccino product in 2017 can still earn a profit between the cost of production. However, the realization of production with a total of Rp. 11,660,000,000 (Favourable Variable) in the company's profit management on Indocafe Cappuccino products in 2018 and 2019 still has a detrimental difference or cannot earn a profit between the total cost of production and the realization of production with a total of Rp.785,000,000 (Unfavorable Variable).

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## 1. Introduction

In meeting the company's goals that have been set, the company's management relies on a good planning and control function. Good planning and control must be prepared carefully, thoughtfully, and adapted to the conditions of current developments. Planning and control are needed to prevent companies from complex cases due to increasing competition in the global business. In the process of formulating production rules, the first step taken by the company is making production forecasts and drafting production rules. Based on production estimates, other rules can be drawn up that can be used to increase the company's control activities. The production budget must be worked out first because the production rules are the basis for other regulations. Every company wants to be the best company in its field. In maintaining the company's viability, production activities have a crucial role, namely being the source of income for the company. A good company is a company that can achieve the desired goals. The company's primary goal is to earn profits to increase its income so that it can maintain its survival and be better known to the public. Income from production activities is used back to finance the company's operational activities and becomes a liability contribution for the company's risks in running its business. Based on this, it is expected that the company's management can do their best so that all operational activities of the company can run effectively and efficiently in order to achieve the goals that the company has set.

The production budget becomes a management sense that plays a significant role as a performance standard for managing company profits. Profit management is the basis for measuring the performance of management in operating a company's assets. Profit as a measure of achievement according to a company is needed to be one aspect of maintaining the company in global business competition. In profit analysis, it needs to be done correctly so that company management can achieve an adequate profit containing the number of products, the volume of products to be sold, when the product is produced, and the location/area of production. Production forecast as a starting point in preparing rules from estimates received by the production manager about the number of units and selling price per unit needed. The production budget has several primary components, namely information regarding the type (quality) of the unit, the total selling price, and details of the time and location of production.



The usefulness of the regulation itself for management in managing company profits is to get a clear image of the benefits of production rules in managing company profits. Through the image that has been obtained, management can maximize the use of production rules as an auxiliary sense in managing company profits. Indocafe Maxtea & Cappuccino products are types of products that are managed in sachets in PT. Sari Incofood Corporation is also exported to various regions. The following is the data on production rules & their realization and the main prices of products produced for the last three years:

TABLE 1.  
PRODUCTION BUDGET, PRODUCTION REALIZATION AND COST OF PRODUCTION OF  
INDOCAFE MAXTEA AND CAPPUCHINO IN 2017,2018, AND 2019

Year of	Indocafe Maxtea		Cost of Production
	Budget	Realization of	
2017	Rp.43,200,000,000	Rp.39,100,000,000	Rp.36,540,000,000
2018	Rp.41,000,000,000	Rp.40,000,000,000	Rp.38,300,000,000
2019	Rp.41,000,000,000	Rp.41,500,000,000	Rp.39,100,000,000
<b>Total</b>	<b>Rp. 125,200,000,000</b>	<b>Rp. 120,600,000,000</b>	<b>Rp.113.940,000,000</b>

Based on interviews conducted using employees of the production & personnel division in PT. Sari Incofood Corporation, it is known that the use of production rules to assist management senses in managing company profits has not been implemented carefully by the company's management. Where the company's management has not carried out a thorough analysis of the economic situation, the state of competition in the market, and previous production patterns, including quality, quantity, price, time, as well as the place of production; as a result, the income based on the production of the product is still complicated for the company management to manage. Based on the research above, it can be concluded that in a study entitled "Analysis of Production Budget Implementation as a Management Tool in Managing Company Profits at PT. Sari Incofood Corporation." With this conflict, the author tries to research the Analysis of Production Budget Implementation as a Management Tool in Managing Company Profits at PT. Sari Incofood Corporation.

The limitations of the case in this study in terms of the following include:

1. How can the production fund regulations be used to assist management in managing company profits in PT. Sari Incofood Corporation?
2. How to use the production output regulation funds to be used as a sense to assist management in managing company profits in PT. Sari Incofood Corporation?

The purpose of this research is

1. To determine whether the production rules can be used to assist management in managing company profits in PT. Sari Incofood Corporation.
2. To find out how to use production rules to be used as management senses in managing company profits in PT. Sari Incofood Corporation.

## 2. Methods

Research design is a research design used as a guide in conducting the research process to achieve research objectives. The design in the research conducted by the researcher is descriptive and qualitative. The research subjects in this study were PT. Sari Incofood Corporation. The research object being researched is the Production Budget & Realization of the Production Budget in 2017-2019. This research was conducted at PT. Sari Incofood Corporation Jl. Tanjung Morawa B, Deli Serdang Regency, 20362 North Sumatra. The research was carried out from the title submission in November 2020 until it was completed in May 2021. The data collection techniques used in this study consisted of observation or observations, documentation, and interviews. The data analysis technique used in this research is to use qualitative narrative techniques by collecting and analyzing data a series of information extracted according to the results of the study to draw conclusions and suggestions that are useful for the company, using the following stages of analysis:

- a. We are collecting data on regulations production & realization and the paramount price of production in 2017-2019.
- b. Analyzing all data on production rules and regulations at the company & comparing the company's concrete requirements and whether they have implemented synchronous production rules using the

desired goal.

- c. Conclude & make suggestions for the company.

### 3. RESULTS AND DISCUSSION

#### Definition of Production Budget at PT. Sari Incofood Corporation

The production budget is a company's revenue plan for the past year, detailed monthly. The company's production rules include regulations regarding the types of products sold, prices by-product, when produced, and production areas or regions—product marketing. Benefits of Production Budget at PT. Sari Incofood Corporation. The production budget has several benefits for the company, including the following with the production rules, the company will be a little easier to formulate other rules because if there is a significant change in volume, it will affect investment in working capital. Can motivate employees in the company, avoid waste and unnecessary payments in the company, the production budget can be used as a sense to assess the strengths and weaknesses of employees in the company, company activities can be directed towards achieving company goals through production rules.

#### Production Budget Preparation Process At PT. Sari Incofood Corporation

Based on the interview output of researchers to the Production Department in PT. Sari Incofood Corporation is known for the preparation of production rules in PT. Sari Incofood Corporation uses the Bottom Up method (from bottom to top), where subordinates are left entirely to formulate regulations that have been influenced in the future. The one who composes the production rules is the Production Manager and is approved by the principal Director for then carried out by the production department. The production budget is the central policy of the company, which is compiled through the terms of preparing production rules, while the preparation of production rules carried out by the production manager in the company is as follows determination of Budget Basics: determining relevant variables that affect production, determination of the desired generic and specific goals and determination of the production tactics used.

#### Factors Affecting Production Budget At PT. Sari Incofood Corporation

To carry out the planned production activities, the company's management must consider the factors that can affect the achievement of production targets. These factors include:

1. External factors: the influence that comes from outside the company. This influence cannot be ignored; even companies must try to reach the positive aspects based on this influence & take advantage of it. Influences that come from outside include natural disasters, the more significant the rate of population growth, various government policies in the political, economic, social, cultural, and security fields, the level of income of residents that can encourage an increase in purchasing power, competition among other Indocafe product entrepreneurs and the company's ability to respond.
2. Internal factors, namely factors or strengths that come based on the company itself, are as follows production results in previous years that have not been carefully analyzed include quality, quantity, price, time, and the location of production; as a result, income based on the production of these products is still meager. Difficult for the management of the company to manage, lack of discipline when employees work in the company and the lack of production capacity owned by the company or organization.

#### Production Budget as a Management Tool in Managing Company Profits

Relationship Between Budgets using Company Management. Functions according to budget (rules) in PT. Sari Incofood is tool management carry functions, namely Planning, Organizing, Actuating, Controlling, then the interaction of management & Rule within the has a relationship company. scenario Rule can be arranged using easy on the computer display, however, to be understood is the nature rules tends to lot of similarities using the interaction between humans rather than just numerical engineering. Techniques calculation has been created will help manage not to succeed if realization is not correct. Therefore, the success or failure of a rule depends on the attitude and individuals concerned. Mechanism regulatory is simply a technique that believes that in order for performance to be good to be achieved, a standard needs to be set. If, in reality, still their conditions are accommodating, then the goals that have already influenced can work. Thus it appears that the Rule has a relationship the very close to the company's management process. Analysis of the production budget can be used as a management tool in managing company profits. As \_ in previously described, the company's goals general is to earn profits to increase the company so that it can maintain its viability of the company, and be known by the public. To achieve that, it is hoped that the use of rules production so good that it can be made into The senses assist management in managing profits to operate a company property. The success or failure of a company depends on the production department in increasing



the production of products within the company. The production budget has been approved by the company's CEO and will be communicated to all personnel \_ accompanied use strategy-tactics will be done to achieve rules production earlier.

Achievement Goal, according to rules, will be reported monthly by the production the manager of the company, but the report will be formed for one year; where in this report, the Production Manager is responsible for creating reports carefully about the production budget, production realization, and deflection that happened so can be submitted to director primary in PT. Sari Incofood Corporation. PT. Sari Incofood Corporation performs deflection using subtract complete realization according to rules production based on target can be known because the production manager participates in the preparation rules production & is responsible for their implementation. Production manager performance is assessed using view achievement by total production. Production achievement has High can be said to be good according to the performance of the production manager. In contrast, that low production achievement or even under the rules can be production manager has performance the. The following is a list of the production achievements of Indocafe Maxtea & Indocafe Cappuccino and the prices of the primary production in PT. Sari Incofood Corporation for three years:

TABLE 2.  
PRODUCTION BUDGET, PRODUCTION REALIZATION, AND COST OF PRODUCTION OF  
INDOCAFE MAXTEA 2017, 2018, AND 2019

Year	Budget	Actual Production	Cost of Production
2017	Rp.43,200,000,000	Rp.39,100,000,000	Rp. 36,540,000,000
2018	Rp.41,000,000,000	Rp.38,300,000,000	2019
Rp.41,000,000,000	Rp.41,500,000,000	Rp.39,100,000,000	Year

  

Difference	Budget and Production	Realization Difference between Realization and Cost of Production
2017	Rp. 4,100,000,000	2,560,000,000
2018	Rp 1,000,000,000	1,700,000,000
2019	Rp.40,000,000,000	2,400,000,000

Source: PT. Sari Incofood Corporation

Based on table 4.1 above, in 2017 the production budget was Rp. 43,200,000,000 and the realization is Rp. 39,100,000,000 with a loss difference of Rp. 4,100,000,000. However, the amount between the realization and the cost of production has a profitable difference or a profit of Rp. 2,560,000,000. Whereas in 2018, the production budget was Rp. 41,000,000,000, and the realization was Rp. 40,000,000,000 with a difference of Rp. 1,000,000,000. However, the amount between the realization and the cost of production has a profitable difference or earns a profit of Rp. 1,700,000,000. Furthermore, in 2019, the production budget was Rp. 41,000,000,000, and the realization was Rp. 41,000,000,000 with a profitable difference of Rp. 500,000,000. The amount between the realization and the cost of production has a profitable difference or a profit of Rp. 2,400,000,000. Overall it can be explained that the budget data and the realization of Indocafe maxtea product production in 2017 and 2018, the expected production target could not be achieved. However, the total cost of production was smaller than the total production realization, so the company could still earn a favorable variance. Meanwhile, in 2019 the production target is expected to be achieved and exceed the budgeted target, and the total cost of production will be smaller than the realized production amount so that the company can still earn a favorable variance.

TABLE 3.  
BUDGET, PRODUCTION REALIZATION, AND COST OF PRODUCTION OF  
INDOCAFE MAXTEA FOR 2017,2018, AND 2019

Year	Fiscal (Rp)	Realization (Rp)	Cost of production (Rp)	Description
2017	43,200,000,000	39,100,000,000	36,540,000,000	Favorable variance
2018	41,000,000,000	40,000,000,000	38,300,000,000	Favorable variance

2019	41,000,000,000	41,500,000,000	39,100,000,000	<i>Favorable variance</i>
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Source : PT. Sari Incofood Corporation.

**Using the Production Budget as a Management Tool in Managing Company Profits in 2017, 2018, and 2019**

Based on the data above, it can be explained that in 2017 and 2018, the production budget can be used as a management tool in managing company profits because the difference between the total cost of production and the number of production realizations can still make a profit. However, the use of the production budget in the company has not been fully implemented by the company's management. This can be seen from the amount of the budget and the realization of products which still has a detrimental difference.

Whereas in 2019, the use of the production budget has been fully implemented by the company's management. This can be seen from the number of realizations from the budget and the cost of production, which both have a profitable difference. The results of interviews stated that the production of Indocafe maxtea products in 2017 and 2018 did not match the budget because the promotional advertising section in carrying out production promotion activities sometimes spent too much money without producing a commensurate increase in production.

In addition, the use of the existing production budget in the company has not been fully implemented by company management because in copying the previous year's budget, company management took a quick shortcut by increasing the nominal by a certain percentage without paying attention to economic conditions, competitive conditions in the market, and patterns of the previous production which includes quality, quantity, price, time, and place of production must be analyzed accurately by company management so that the realization of product production can be following the budgeted targets.

TABLE 4.  
BUDGET, PRODUCTION REALIZATION, AND COST OF PRODUCTION OF  
INDOCAFE CAPPUCHINO IN 2017,2018, AND 2019

Year	Fiscal	Realization of	Cost of Production
2017	Rp.81,750,000,000	Rp.80,000,000,000	Rp.76,750,000,000
2018	Rp.80,500,000,000	Rp.78,000 .000000	Rp.78,500,000,000
2019	Rp.77,450,000,000	Rp.80,000,000,000	Year

  

Difference	Budget and Production	Realization Difference between Realization and Cost of Production
2017	Rp.1,750,000,000	Rp.5,000,000,000
2018	Rp.2,500 .000000	Rp.2,835,000,000
2019	Rp.500,000,000	Rp.285,000,000

Source: PT. Sari Incofood Corporation.

Based on table 4. above, in 2017, the production rules were Rp. 80,000,000,000 & the realization was Rp. 81,750,000,000 using a profitable difference of Rp. 1,750,000,000. The amount between the realization and the main product price has a profitable difference or gains a profit of Rp. 5,000,000,000. Whereas in 2018, the production rule was Rp. 80,500,000,000 & the realization was Rp. 78,000,000,000 using a loss difference of Rp. 2,500,000,000. The amount between the realization and the main product price has a detrimental difference of Rp. 500,000,000. And in 2019, the production rule is IDR 80,000,000,000 & the realization is IDR 77,165,000,000 using a loss difference of IDR 2,835,000,000. The amount between the realization and the main product price has a detrimental difference of Rp. 285,000,000.

Holistically, it can be explained that the regulatory data and the production realization of Indocafe Cappuccino products in 2017, the required production targets can be achieved and even exceed the budgeted targets, and the amount between the main product price using the production realization has a favorable variance. Meanwhile, in 2018 & 2019, the required production targets could not be achieved, and the main product price was larger according to the number of realized productions; as a result, the company could not earn an unfavorable variance.

TABLE 5. BUDGET, PRODUCTION REALIZATION, AND COST OF PRODUCTION OF



INDOCAFE CAPPUCHINO IN 2017, 2018, AND 2019

Year	Fiscal (Rp)	Realization (Rp)	Cost of production (Rp)	Description
2017	80,000,000,000	81,750,000,000	76,750,000,000	Favorable variance
2018	80,500,000,000	78,000,000,000	78,500,000,000	Unfavorable variance
2019	80,000,000,000	77,165,000,000	77,450,000,000	Unfavorable variance

Source : PT. Sari Incofood Corporation.

### Using the Production Budget as a Management Tool in Managing Company Profits in 2017, 2018, & 2019

Based on the data above, it can be explained that in 2017 the production rules can be used as a management tool for managing company profits. However, the use of production rules in the company is not yet fully applied to good use by the company's management. This can be reviewed based on the number of realized production and the paramount price of the product, which still has a detrimental difference.

Furthermore, in 2018 & 2019, production rules have not been fully implemented using both the company's management; this can be reviewed based on the amount between the rules and the realization of production and the paramount price of production, which both have a detrimental difference. Based on the results of interviews, which stated that the production of Indocafe Cappuccino products in 2018 and 2019 was not in line with what was budgeted, and the paramount price of production was larger based on the realization of production, it was caused by the lack of company management ability to respond to competition among other Indocafe product entrepreneurs and the lack of analysis of determining production performance, in the future, where this analysis is fundamental to determine the company's ability to achieve production targets in the future by paying attention to production factors such as raw materials, labor energy, production capacity, and capital conditions. However, this analysis is not thoroughly carried out by the company's management; as a result, it cannot get optimal profits.

#### 4. Conclusion

Production budget in PT. Sari Incofood Corporation has not been fully effective yet; it can be used as a sense to assist management in managing corporate profits in PT. Sari Incofood Corporation. The budget funds used use existing production in Indocafe Maxtea products in 2019; production rules can be used to manage company profits in PT. Sari Incofood Corporation. However, in 2017 & 2018, the use of production rules has not been able to serve as a tool for company management, where the number of production rules and their realization still has a detrimental difference.

The regulatory funds used using existing production in Indocafe Cappuccino products in 2017 have not been able to serve as an auxiliary sense for management in managing company profits, where the amount of product realization and the paramount price of production still has a detrimental difference. Furthermore, in 2018 & 2019, the use of production rules has also not been able to serve as an auxiliary sense for management in managing company profits, where the amount between production rules, realization, and the paramount price of production still has a detrimental difference or cannot make a profit.

What the researcher can give to the company are as follows the company should carry out a synchronous regulatory fund analysis process using the established mechanism, one of which is to find out what the causes are based on the non-achievement of realization and regulation and the decreasing level of profit based on the company's product production. Analyze and then develop a new plan for the next period where in the next period there must be a balance between the level of price changes using suitable production methods within the company.

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