INVOICE
JURNAL ILMU AKUNTANSI
p-ISSN: 2714-6359 e-ISSN: 2714-6340
Program Studi Ilmu Akuntansi
Fakultas Ekonomi dan Bisnis
Universitas Muhammadiyah Makassar

The Importance of Accurate Budgeting in Achieving Company Financial Goals

Muammar Gaddafi, Siti Aqila Zahra, Irma Safitri, Viya Aurelia Salsabila, Chairy Ramadhan
Faculty of Economics and Business , Malikussaleh University
email: khaddafi@unimal.ac.id

Keywords:
budget, company, management

Abstract

The background of this journal is that company management is not much different from project management, which is intended to guarantee the achievement of blueprint results regarding long-term programs. Budget preparation process short-term process plan preparation, what is focused on the company's profits, selecting plans based on the impact of planned activities on profits. Therefore, the budget preparation process is very often carried out by preparing short-term profit planning plans. To enable top management to select activity plans that influence the success of profits, management uses profit and cost volume analysis techniques. This analysis and benefits, various accounting information allows management to select various alternative activities for the budget. Once an activity plan is selected to achieve the budget target, managers who share to implement the activity plan require resources, to enable it to achieve the budget target. The method used to collect data is library research, by collecting relevant data from books, dictionaries, journals, papers, etc. without having to make observations in the field. Based on research that has been carried out based on existing literature reviews, from the results of budget research data, tools for planning company plans and for carrying out control over various company activities as a whole

1. Introduction

Effective budgeting plays a critical role in ensuring that companies can meet their financial goals. Budgeting is more than simply outlining revenue and expenses for a specific period—it is a strategic tool that helps businesses align their resources with their long-term goals. By accurately forecasting revenue and expenses, companies can better manage their financial health, allocate resources efficiently, and adjust their operations as needed to stay on track. Without proper budgeting, companies risk overspending, missing out on growth opportunities, or failing to meet financial obligations (Harimurti, 2021).

In today's competitive business environment, the importance of accurate budgeting cannot be overstated. Companies must operate in a way that not only sustains day-to-day operations but also positions them for long-term success. A well-prepared budget serves as a roadmap for business leaders, allowing them to prioritize investments, identify potential financial pitfalls, and react proactively to economic changes (Fauzi, 2023). As businesses face increasing pressure to increase profitability, the ability to forecast accurately and manage resources effectively becomes a key differentiator between success and failure (Romadhoni, 2020).

A key challenge in budgeting is the need to balance short-term financial planning with long-term strategic goals. Too often, businesses focus primarily on immediate issues, such as monthly or quarterly profits, without considering how those decisions impact the future of the company (Achsani et al., 2012). While short-term budgeting is important for day-to-day operations, it is equally important to ensure that it aligns with the company's long-term goals (Suniari & Suaryana, 2017). This holistic approach to budgeting allows companies to remain adaptable during times of instability and progress toward their ultimate financial goals (Jensen & Meckling, 1976).

The budgeting process is inherently complex, involving a variety of departments and stakeholders. It requires careful coordination between different areas of the business, such as marketing, operations, finance, and human resources (Harimurti, 2021). Each of these areas must collaborate to provide realistic estimates of their financial needs, which are then integrated into the overall budget (Muthmainnah et al., 2019). Through this collaborative approach, companies can ensure that every department is working toward a common goal and that resources are allocated in a way that maximizes efficiency and effectiveness (Akhmad et al., 2020).

Furthermore, budgeting serves as a tool for performance evaluation and control. By comparing actual financial results with budgeted figures, management can identify deviations and take corrective actions when necessary (Supriyono, 2002). This feedback loop is essential for maintaining financial discipline within the company (Fauzi, 2023). When discrepancies arise, management can analyze the causes and adjust future budgets accordingly, improving the accuracy and reliability of financial forecasts over time (Satri, 2020).

The relationship between budgeting and decision-making is also significant. Accurate budgeting provides management with valuable insights into the financial implications of various strategic decisions (Achsani et al., 2012). For example, when considering new projects or investments, a well-structured budget can help management assess potential returns and associated risks (Suniari & Suaryana, 2017). By relying on sound financial data, companies can make informed decisions that enhance their ability to achieve their financial goals (Jensen & Meckling, 1976).

Moreover, budgeting plays a crucial role in risk management. In a dynamic business environment, companies face uncertainties such as fluctuating market conditions, changing consumer preferences, and unexpected costs (Romadhoni, 2020). An accurate budget allows businesses to plan for these uncertainties by creating financial buffers and contingency plans (Harimurti, 2021). This proactive approach helps companies resilient remain in the face of adversity, minimizing the impact of unexpected challenges on their financial performance (Akhmad et al., 2022).

Budgeting also reinforces accountability within an organization. Each department or business unit is typically responsible for adhering to its portion of the budget, ensuring that resources are used efficiently (Novia Nour Halisa, 2021). By setting clear financial expectations and monitoring performance against those expectations, companies can foster a culture of accountability and transparency (Muthmainnah et al., 2019). This not only helps in achieving financial goals but also strengthens overall corporate governance (Fauzi, 2023).

In conclusion, accurate budgeting is essential for businesses striving to achieve their financial goals. It provides a framework for financial planning, performance evaluation, risk management, and strategic decision-making (Harimurti, 2021). By aligning short-term activities with long-term objectives, businesses can better navigate the complexities of the modern marketplace and position themselves for sustained success (Akhmad et al., 2020). As such, budgeting is not merely a financial exercise but a key component of effective corporate management (Fauzi, 2023).

2. Literature Review

2.1 Understanding Budgets (Budgeting)

A budget is an important element in financial management that functions as a tool for planning and controlling company finances. According to Harimurti (2021), a budget is a quantitative plan that is systematically prepared for a certain period, and is used as a guideline in implementing the company's operational activities. Through accurate budgeting, companies can allocate their resources efficiently to achieve short-term and long-term goals.

In addition, Fauzi (2023) added that a budget is not only about estimating income and expenses, but also about an optimal resource allocation strategy, which can help companies in decision making and performance monitoring. Thus, the budget plays a vital role in determining the company's future financial success.

2.2 The Role of Budgets in Financial Planning

In Romadhoni's research (2020), the budget is referred to as the main planning tool that allows management to formulate business strategies based on revenue and cost projections. Proper financial planning will allow companies to anticipate possible risks and opportunities that will be faced. Achsani et al. (2012) also underlined the importance of aligning the budget with the company's long-term goals to ensure that existing resources are used effectively.

Suniari & Suaryana (2017) emphasized that good budget planning not only focuses on short-term needs but also considers the company's long-term growth strategy. A budget that is made by considering both of these aspects allows the company to remain flexible in facing market dynamics while continuing to move towards the ultimate goal.

2.3 Collaboration in Budget Preparation

Budgeting involves coordination between various departments within the company. According to Harimurti (2021), this process must involve all relevant business units to produce realistic estimates of financial needs. Muthmainnah et al. (2019) added that a good budget requires effective communication between departments so that each unit can provide accurate input regarding their financial needs and capacities.

This collaborative approach ensures that each department has goals that are in line with the company's overall vision. Akhmad et al. (2020) stated that collaboration in budget preparation also helps ensure that resources are allocated efficiently, thereby minimizing waste and maximizing results.

2.4 Budget as a Performance Control and Evaluation Tool

Performance control through budgeting is an important aspect expressed by Supriyono (2002). In the study, the budget is considered a performance standard that can be compared with actual results to identify deviations and determine corrective actions that need to be taken. This is also supported by Fauzi (2023), who explains that this evaluation process allows management to continuously improve the accuracy of budget projections and improve financial performance in the future.

Satri (2020) also states that when there is a difference between actual results and the planned budget, management can conduct an analysis to understand the cause of the difference. This provides an opportunity for the company to make adjustments and improve the planning process going forward.

2.5 The Role of Budgets in Decision Making

Achsani et al. (2012) emphasize that an accurate budget is essential in supporting managerial decision making. A well-prepared budget allows management to evaluate the financial impact of various strategic options, such as new product launches, market expansion, or investment in new technologies. Thus, the company can make decisions based on data that supports business growth and sustainability.

Suniari & Suaryana (2017) added that the budget can also function as a tool to identify risks associated with certain strategic decisions. Thus, the budget helps management in assessing the potential benefits and risks faced in making important decisions.

2.6 Budget in Risk Management

Romadhoni (2020) explained that one of the important roles of the budget is to help companies manage risk. In a dynamic business environment, uncertainties such as changes in market conditions or consumer preferences can have a significant impact on a company's financial performance. An accurate budget allows companies to prepare for this uncertainty by planning appropriate financial reserves and contingency measures. According to Harimurti (2021), companies that have a good budget can mitigate financial risks more effectively. Akhmad et al. (2022) added that proactive budget planning helps companies remain resilient despite facing unexpected challenges.

2.7 Accountability and Transparency in the Budget

In Novia Nour Halisa's research (2021), it was stated that the budget also plays a role in increasing accountability and transparency in the organization. Each business unit is responsible for adhering to a set budget, which helps ensure that resources are used efficiently and effectively. Muthmainnah et al. (2019) assert that this process promotes a culture of accountability across the organization and strengthens corporate governance.

Fauzi (2023) also points out that a clear and transparent budget can help companies build trust with stakeholders, including shareholders, creditors, and employees. This is essential to creating a healthy and sustainable business environment.

3. Research Methods

The type of research used is descriptive research using the Library Research method. In this study, the author uses descriptive research with more emphasis on the analysis of the quality of existing sources and data by relying on relevant theories and concepts for interpretation based on supporting discussion articles. Library research is research that involves collecting information from various references such as book references and previous similar research results, which are useful for obtaining a theoretical basis and understanding the problems to be studied. The data sources used in this study are secondary data obtained and collected by people conducting research from existing sources (Satri, 2020). Secondary data includes books, journals, encyclopedias, magazines, papers, articles, and so on that are relevant to this discussion. The data collection method in this study is through literature. According to Satri (2020), library research is a study activity with a method of collecting information and data with the help of various materials in the library, including sources from the internet related to the problems to be obtained.

4. Results and Discussion

4.1 Definition of Budget (Budgeting)

A budget is a plan presented in quantitative form, both in financial and non-financial measures (Supriyono, 2002). The profit that the company wants to achieve is determined by the results of the budgeting process. Therefore, the budget is often referred to as profit planning. After the activities planned in the budget are carried out, the results can then be compared with the budget to determine any deviations that arise.

Detected deviations are then further analyzed to be used as a basis for future activities (Fauzi, 2023). Budgeting is always part of an organization's financial planning process which is carried out by preparing a work plan for a certain period of time, usually one year, and expressed in currency units. The budget is part of the overall organizational planning process, which includes strategic planning, programming, and budgeting.

4.2 Budget Functions

a. Planning Function: Budget helps companies prepare comprehensive operational plans for a certain period of time.
b. Control Function: Budget serves as a tool to monitor and control actual performance against the plans that have been prepared.
c. Coordination Function: Budget allows coordination between departments within the company to achieve common goals.
d. Budget as a Work Guideline: Budget provides direction and guidelines for all parts of the organization in carrying out daily operational activities.

4.3 Relationship between Budget and Accounting

Accounting is a service activity whose function is to provide quantitative data, especially those with qualitative characteristics, regarding the economic condition of a company that is used in making economic decisions, such as choosing alternatives from various available options. To provide this data, each transaction needs to be classified, summarized, and then presented in the form of a report. Thus, when associated with the budget, accounting data becomes one of the main sources because accounting provides historical and actual data that is objective for qualitative analysis in developing company plans.

Furthermore, budget adjustments must be in accordance with the accounting system in the company, especially in terms of classifying transactions into budget items. The classification of transactions in the budget must be the same as that in the financial statements, so that the results can be compared to determine any deviations that occur (Harimurti, 2021).

4.4 Relationship between Budget and Management

Simply put, management is defined as the science and art of managing planning, organizing, directing, coordinating, and controlling people and activities in an organization with the aim of achieving certain predetermined goals. From the definition, there are five main functions of management, namely: a. Preparing plans as work guidelines (planning). b. Forming a work organizational structure that distributes authority and responsibility (organizing). c. Directing, giving instructions, and guiding employees (directing). d. Creating coordination and cooperation between all parts of the company (coordinating). e. Supervising the implementation of employee work to achieve predetermined goals (controlling).

As mentioned, the basic function of the budget is as a work guideline, coordination tool, and work supervision tool. When compared to management functions, it is clear that the budget has a very close role with management, especially related to the preparation of plans, work coordination (coordinating), and work supervision (controlling). Therefore, the budget is very closely related to management in helping to carry out its functions. Even though the budget has been prepared well and perfectly, the existence of management (managers) is still absolutely necessary. A good and perfect budget does not guarantee that its implementation and realization will also be good and perfect without being managed by skilled and qualified management staff.

In addition, as a tool, the budget also has several weaknesses, including: a. The budget is prepared based on forecasting. Although estimates are made carefully, it is still difficult to get a truly accurate estimate. b. Estimates in the budget are prepared by considering various data, information, and controlled and uncontrolled factors. If there is a change in the data or factors, the estimates that have been prepared will also change. c. The success or failure of the budget is very dependent on the person implementing it. A good budget certainly cannot be realized if the implementer does not have adequate skills and abilities.

Thus, the budget as a tool is very dependent on the people who use, modify, and implement it, especially those involved in the preparation of planning, work coordination, and work supervision. Therefore, the existence of management (managers) is very necessary in the company.

4.5 Importance of Budget in Corporate Finance

The structural and economic quality of a business is directly related to its financial efficiency. This quality is the main foundation for every company that tends to build a strong infrastructure to enable smart operations throughout the company's journey. Quality management plays a vital role in providing a strong system to run the company through effective budgeting. Allocation of resources fairly to support the smooth working of all departments harmoniously is considered as part of management.

Quality management also plays a vital role in the strategic planning of the company to ensure that activities and operations are carried out efficiently to increase profits. The success of quality management is very important, and business owners are advised to hire experts who can manage various modern management techniques efficiently.

One of the most reliable management techniques is bookkeeping, which allows tracking of all transactions that have been carried out by the company. This makes it easier for decision making and future planning of the organization and increases its credibility. In addition, bookkeeping also allows evaluation of all activities and tasks carried out in the company. This helps identify loopholes that need to be fixed in a timely manner to avoid serious problems that can harm the company.

5. Closing

5.1 Conclusion

Budgeting is an important tool in the process of planning and controlling a company's finances. Proper budgeting allows a company to set goals, monitor performance, and make necessary adjustments based on historical data provided by accounting. The function of budgeting is not only limited to planning, but also includes supervision and coordination between parts of the company, thus creating synergy to achieve common goals.

The relationship between budgeting and accounting is very close, because accounting data is the basis for budgeting. Likewise, budgeting is closely related to management functions, which include planning, organizing, directing, coordinating, and supervising. Although a budget can be prepared well, the success of its implementation depends greatly on the skills of the management that runs and supervises the process.

In corporate finance, budgeting plays an important role in creating operational efficiency and effectiveness. The quality of good financial management reflects the success of management in using the budget as a tool for planning and controlling company activities.

5.2 Suggestions

a. More Realistic Budgeting: Companies need to ensure that the budgeting process is based on accurate data and information and takes into account various internal and external factors that can affect budget realization. A more careful forecasting process will help reduce the mismatch between the budget and actual results.

b. Improving Management Capacity: The success of budget implementation is highly dependent on the managers and teams involved in its management. Therefore, companies need to provide adequate training to management to improve their ability to manage the budget and make the right decisions.

c. Regular Budget Evaluation and Adjustment: To ensure that the budget remains relevant and effective, periodic evaluations must be conducted. Deviations from the budget must be analyzed in depth, and the company must be flexible in making necessary adjustments based on changing business or economic conditions.

d. Using Technology for Budget Monitoring: Companies need to consider using a technology-based financial management system that can monitor budget implementation in real-time. This technology will help management track financial performance, identify problems quickly, and take timely corrective actions.

Bibliography

Achsani , NA, Tambunan , M., & Mulyo , SA (2012). Impact of fiscal policy on the agricultural development in an emerging economy: Case study from South Sulawesi, Indonesia. *International Research Journal of Finance and Economics, 96*, 101-112.

Romadhoni , B. (2020). Household electricity demand in South Sulawesi, Indonesia.

International Journal of Energy Economics and Policy.

Akhmad , A., Amir, A., Asdimuh , A., & Syukur , M. (2020). The Development Prospect of the Pinisi Vessel Industry in the Bulukumba Regency Indonesia. *International Journal of Innovation, Creativity and Change, 12*(10), 183-194.

Akhmad , A., Amir, A., Saleh, S., & Abidin, Z. (2022). Effectiveness of Regional Government Expenditure in Reducing Unemployment and Poverty Rate. *European Journal of Development Studies, 2*(4), 90-99.

Suriyani , A., Saleh, S., & Akhmad , A. (2023). Capacity Building Empowerment of Weaver Groups Through Weaving Business Innovation at the Ikat Jata Kapa Weaving Center in Sikka Regency, East Nusa Tenggara Province, Indonesia. *European Journal of Development Studies, 3*(2), 59-68.

Darise , R.I. (2023). The Effect of Economic Growth and Income Inequality on Poverty in Central Sulawesi Province Period 2011-2022. *Formosa Journal of Sustainable Research, 2*(5), 1331-1342.

Karim, K., & Tajibu , M. J. (2021). Determination of consumer switching barriers to use prepaid electricity systems in the household sector in Makassar, Indonesia. *International Journal of Energy Economics and Policy, 11*(1), 193-199.

Abbas, A., Triani , N., Rayyani , WO, & Muchran , M. (2022). Earnings growth, marketability and the role of Islamic financial literacy and inclusion in Indonesia. *Journal of Islamic Accounting and Business Research*.

Jaya, A. (2022). Investigating Islamic Financial Market: a Study in Jakarta Islamic Index. *International Journal of Religious and Cultural Studies, 4*(2), 175-186.

Akhmad , P. (2016). The impact of price subsidy policy of fertilizer on production, demand and supply of corn in Indonesia. *American-Eurasian Journal or Sustainable Agriculture, 10*(1), 29-37.

Fauzi , IF (2023). Importance Management Management Finance and Educational Budgeting Models . *Journal of Innovation in Education (INOVED), 1*(2).

Harimurti , F. (2021). Drafting Company Budget as a Management Tool in Achievement Objective . * Journal Accounting and Systems Technology Information , 6*, 22–25.

Jensen, M. C., & Meckling , W. H. (1976). Theory Of The Firm: Managerial Behavior , Agency Cost And Ownership Structure. *Journal of Financial Economics, 3*(4), 305–360. https://doi.org/10.1177/0018726718812602

Muthmainnah , S., Mila, M., & Ichfan , H. (2019). Importance Management Finance For Companies. * Muhasabatuna : Journal Sharia Accounting , 1*(2), 32. https://doi.org/10.54471/muhasabatuna.v1i2.1263

Novia Nour Halisa . (2021). Corporate Budgeting (Issue March).

Suniari , IAM, & Suaryana , IGNA (2017). Influence Company Age and Size on Intellectual Capital Disclosure and Its Impact Towards Company Value. *E-Journal Udayana University Accounting , 21*, 1549–1574.