

The Role of The Production Cost Budget in Supporting The Effectiveness of Production Cost Control in CV. Cita Mandiri, Batu City

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INDEXING	ABSTRACT
Keywords: Keyword 1; Production Cost Budget Keyword 2; Effectiveness Keyword 3; Control Keyword 4; Production Cost Keyword 5; Supporting	The purpose of this study is to determine the role of the production cost budget in supporting the effectiveness of production cost control in CV. Cita Mandiri Batu City. This research uses a qualitative method. The data used was an interview with the leader and one of the employees in the production field at CV. Cita Mandiri Batu City. The data analysis method used is descriptive. The results of the description analysis prove that the process of preparing the production cost budget carried out by CV. Cita Mandiri Batu City is to determine production needs by detailing the cost of raw materials, detailing labor costs and operational costs. The details of the production cost budget are the cost of raw materials per production of Rp. 2,733,000, the cost of labor per production of Rp. 500,000 and the overhead cost of the factory (additional costs) per production of Rp. 151,500, meaning the total cost of production materials in one production on CV. Cita Mandiri Batu City as much as Rp.3.384,500. The results of the study prove that CV. Cita Mandiri Kota Batu is very effective in controlling production costs with a profit of 127,64% in one production, because the income is higher than the cost of production. Costs incurred by CV. Cita Mandiri Kota Batu in one production is IDR 3.384,500, the revenue obtained in one production is IDR 4.320.000 and the net profit obtained in one production is IDR 935.500. The importance of controlling production costs to increase income and improve CV progress. Cita Mandiri Batu City.

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INTRODUCTION

Companies must establish control by creating a budget for their activities based on past data while adjusting to future conditions. Effective management control enables businesses to assess performance, implement corrective actions, and develop better strategies to achieve long-term goals (Sahli & Hefnaoui, 2023). To ensure a smooth production process and sustain operations, companies need an alternative approach to calculating raw material costs by preparing a production budget. For the production budget to function effectively, its estimates must be sufficiently accurate, minimizing discrepancies between projections and actual outcomes. This requires reliable data, relevant information, and experience, all of which are crucial factors in production budgeting (Rasmussen et al., 2003).

According to Tukunan et al., a budget is a systematically and meticulously prepared work plan, expressed in monetary terms, and typically covering a short-term period of one year (Tukunan et al., 2024). One crucial aspect of cost control is its connection to the production process, as production costs play a significant role in determining production outcomes.

The budget of an accountability center plays a crucial role in controlling activities by comparing the predetermined budget with its actual implementation (Lawyer, 2014). This process ensures the effectiveness of all company operations. Assessing the effectiveness of goal achievement provides management with a clear understanding of operational efficiency. Many companies evaluate effectiveness by analyzing one or more key success factors to determine whether these factors contribute to achieving the desired operating costs.

Based on the background outlined above, this study is titled "The Role of the Production Cost Budget in Supporting the Effectiveness of Production Cost Control in CV. Cita Mandiri Batu City." The primary objectives of this research are to examine the process of preparing the production budget at CV. Cita Mandiri Batu City and to analyze the role of the production cost budget in enhancing the effectiveness of production cost control within the company.

LITERATURE REVIEW

The production cost budget serves as a production plan that takes into account all cost-related aspects within the production department. Its primary purpose is to ensure that future cost realizations do not exceed the planned budget, thereby achieving production cost efficiency. According to Ardiansya et al., a budget is defined as a work plan that is expressed qualitatively and measured in standard monetary and other units, typically covering a one-year period (Ardiansya et al., 2019).

A production budget outlines the production plan and supporting activities related to the sales plan (Railis, 2022). This plan includes key aspects such as production, inventory requirements, materials, labor, and production capacity. The number of goods to be sold influences different approaches, including a production-level policy that focuses on maintaining stable production with fluctuating inventory levels. Conversely, if the policy prioritizes sales levels, it emphasizes controlling inventory fluctuations to align with sales demand.

According to Renaningtyas et al., the production budget serves as the initial step in preparing the overall production budget (Renaningtyas et al., 2022). It consists of several key components, including the raw material cost budget, the direct labor cost budget, and the factory overhead cost budget, all of which are essential in determining total production expenses.

According to Damanik et al., cost control serves as an essential component of effective planning, functioning as a set of constraints that guide the planning process (Damanik et al., 2020). Meanwhile, Mahsina and Poniewatie define control as the relationship between procedures and systems that contribute to achieving company objectives (Mahsina & Poniewatie, 2021). The effectiveness of a control mechanism significantly influences the success of a plan's implementation, making it crucial to execute properly. Control is carried out by comparing actual performance with planned targets and taking necessary corrective actions to address any deviations.

Effectiveness is directly related to the attainment of objectives. According to Pusid et al., effectiveness is defined as "a condition that indicates the level of success (or failure) of management activities in achieving predetermined goals." (Pusid et al., 2018).

RESEARCH METHOD

This study employs a qualitative descriptive research design, as the researcher aims to analyze and examine the role of production cost budgets and additional costs in supporting the effectiveness of production cost control. The qualitative descriptive method is utilized, with data sources consisting of both primary and secondary data. Data collection methods include interviews, documentation, and observations.

The data analysis technique in this study employs qualitative methods by comparing existing theories or concepts with real-world findings (Robson, 2024). This approach is based on facts obtained from the research, aiming to extract accurate information for discussion and decision-making. The study involves collecting production cost budget reports from CV. Cita Mandiri Batu City and analyzing them to determine their effectiveness in controlling production costs. A target accuracy analysis tool is used, focusing on the alignment between company goals and the actual implementation of activities. The effectiveness level is measured using the following formula:

$$\text{Effectiveness} = \frac{R}{T} \times 100\%$$

R represents revenue relation and T denotes the budget realization target.

RESULT AND DISCUSSION

The research data is derived from the financial statements provided by CV. Cita Mandiri Batu City and is presented as follows.

Table. 1 Research Data (in the form of Millions of Rp)

Year	Cost of Production	Net Sales	Net Profit
2019	1.210.021.000	1.790.714.000	336.469.430
2020	1.298.132.000	1.858.077.449	315.485.062
2021	1.096.279.720	1.658.605.400	320.662.653
2022	1.198.121.154	1.816.856.180	347.410.745
2023	1.203.130.000	1.836.510.000	356.367.450

Source: CV. Cita Mandiri Batu City (2025).

Based on the data, it is evident that the cost of production, net sales, and net profit at CV. Cita Mandiri Batu City have shown an upward trend each year, with a decline observed in 2020 due to the impact of Covid-19. These findings indicate that an increase in production levels directly correlates with higher revenue and business profitability.

Production Cost Budget Preparation Process

According to an interview with the business owner, Mrs. Wati, the process of preparing a production cost budget involves several stages, including determining production needs, detailing raw material costs, and outlining labor costs. The primary raw material used in production is potatoes, which are purchased directly from farmers.

Each order consists of 1,200 kg of potatoes, covering five production cycles per week, meaning that each production requires 240 kg of potatoes. The cost of raw materials for 1 kg of potatoes is Rp. 10,000. Additional ingredients used in the production process include flavoring, garlic, sweetened sugar, and salt (Interview, January 8, 2025).

These findings are further supported by the author's observations conducted from January 8, 2025, to January 10, 2025. During this period, the researcher directly observed the raw materials used in production, specifically potatoes, which were purchased directly from farmers. The potatoes, totaling 1,200 kg per order, were stored in the warehouse of CV. Cita Mandiri Batu City.

Table 2. 1st observation sheet

No	Date	Activity
1	08-01-2025	The researcher was directed to look at the stock of raw materials, namely potatoes, by Mrs. Wati as the owner of CV. Cita Mandiri Batu City which is directly purchased from farmers directly
2	10-01-2025	The researcher saw that Mrs. Wati herself supervised employee performance.

Source: Primary Data Processed (2025)

According to an interview with Mbak Puput, an employee in the production department at CV. Cita Mandiri Batu City, the process of preparing the production cost budget involves calculating production needs, including raw material costs, labor costs, and operational costs. She explained, "As far as I know, the production cost budget is prepared by calculating production needs, starting with raw material costs, labor costs, and operational costs. The main raw material used is potatoes, with an order quantity of 1,200 kg per batch, which is used for five production cycles per week" (Interview, January 18, 2025).

These findings are further supported by the researcher's observations on January 18, 2025, which confirmed the production cost budget incurred by CV. Cita Mandiri Batu City for a single production cycle. The production budget includes raw material costs, labor costs, and operational costs, all of which contribute to the overall production expenses.

Table 3. Observation sheet

No	Date	Activity
1	18-01-2025	The researcher looked at the production cost budget on CV. Cita Mandiri Kota Batu for its raw materials consists of potatoes, spices/flavorings, garlic, sweetened sugar, and salt where for the number of employees per production there are 5 people.

Source : Primary Data Processed (2025)

The interview results indicate that CV. Cita Mandiri Batu City prepares its production cost budget by determining production needs and detailing raw material costs, labor costs, and operational expenses. The primary raw material used is potatoes, which are directly purchased from farmers in quantities of 1,200 kg per order for five production cycles per week, at a price of Rp. 10,000 per kg. Additionally, complementary raw materials include flavoring, garlic, sweetened sugar, and salt.

1. Raw Material Cost

The determination of raw material costs involves detailing the required ingredients, including potatoes, flavorings, garlic, sweetened sugar, and salt. The calculation of raw material costs incurred for a single production cycle is as follows:

Table 4 Calculation of Raw Material Costs

No	Raw materials	Quantity	Unit price	Total price
1	Potato	240 kg	10.000	Rp 2.400.000
2	Seasoning/flavoring	1 pax	2.500	Rp 2.500
3	Garlic	2 kg	37.000	Rp 74.000
4	Sweetened sugar	9 pax	4.500	Rp 40.500
5	Salt	8 pax	3.000	Rp 24.000
6	Cooking oil	10 liter	192.000	Rp 192.000
Total				Rp 2.733.000

Source: Secondary Data Processed (2025)

Based on the calculation of raw materials, the total cost of raw materials per production cycle at CV. Cita Mandiri Batu City amounts to Rp. 2,733,000.

2. Labor Costs

Labor costs refer to expenses incurred by the company to compensate employees, including salaries, wages, benefits, and other related costs. At CV. Cita Mandiri Batu City, there are five employees, each earning a monthly salary of Rp. 2,000,000. Given that they work 20 days per month, the wage per production cycle is Rp. 100,000 per employee. Consequently, the total labor cost per production amounts to Rp. 500,000 (5 employees × Rp. 100,000).

3. Factory Overhead Costs (Add-on Costs)

Factory overhead costs (BOP) refer to production expenses that are not directly tied to the manufacturing process of goods or services. These costs, also known as additional production costs, factory expenses, or production overhead, are essential for maintaining production operations. The factory overhead costs incurred by CV. Cita Mandiri Batu City for one production cycle include the following:

Table 5 Factory Overhead Costs (add-on costs)

No	Information	Quantity	Unit Price	Total Price
1	LPG 3 kg	1 pcs	19.500	Rp 19.500
2	Electricity			Rp 10.000
3	Plastic 100 grams	50 pcs	1.800	Rp 90.000
4	Sticker	3 sheet	6.500	Rp 19.500
5	Box	5 pax	2.500	Rp 12.500
Total				Rp 151.500

Source: Secondary Data Processed (2025)

Based on calculations, it is known that the amount of factory overhead costs (additional costs) per production on CV. Cita Mandiri Batu City as much as Rp. 151,500. Based on the calculation of the production cost budget per production on CV. The Cita Mandiri Kota Batu is presented in the following table.

Table. 6 Production Cost Budget

No	Information	Total Price
1	Raw material cost	Rp 2.733.000
2	Labor costs	Rp 500.000
3	Factory overhead costs	Rp 151.500
	Total	Rp 3.384.500

Source: Secondary Data Processed (2025)

Based on calculations, it is known that the amount of production cost budget per production on CV. Cita Mandiri Batu City amounted to Rp.3,384,500.

Effectiveness of Production Cost Control

Production cost control is a crucial activity for companies to regulate, manage, and optimize the production process at minimal costs. According to an interview with the business owner, Mrs. Wati, she explained the production cost control process as follows:

"The way we control production costs includes purchasing raw materials once a week, with 1,200 kg of potatoes allocated for five production cycles. Each production yields 24 kg of potato chips, priced at Rp. 180,000 per kg. The chips are then packaged and sold in 100-gram portions for Rp. 18,000 per pack." (Interview, January 20, 2025).

This statement is further supported by observations conducted by researchers on January 20, 2025. The researchers directly observed the quantity of potato chips produced in one production cycle and the packaging process at CV. Cita Mandiri Batu City. These observations confirmed that the production output and packaging were in line with the production cost control measures described by the business owner.

Table. 7 3rd observation sheet

No	Date	
1	20-01-2025	Researchers saw that employees were packing potato chips weighing 100 grams per pack

Source: Primary Data Processed (2025)

According to the interview with one of the production department employees at CV. Cita Mandiri Batu City, Mbak Puput explained the process of controlling production costs:

"In my opinion, raw material costs are controlled by purchasing potatoes directly once a week to avoid additional delivery expenses. Each production batch yields 24 kg of potato chips, with 1 kg sold for Rp. 180,000." (Interview, January 26, 2025). This statement is supported by the researcher's observations on January 26, 2025, where employees were seen packaging potato chips at CV. Cita Mandiri Batu City.

Table. 8 4th observation sheet

No	Date	Activity
1	26-01-2025	The researcher saw that in controlling the production cost of CV. Cita Mandiri Kota Batu is directed directly by the owner or business owner himself who provides direction to employees in packaging products.

Source: Primary Data Processed (2025)



Figure. 1 Product Brand

Source : Primary Documentation (2025)

The interview results reveal that the production cost control process at CV. Cita Mandiri Batu City involves purchasing raw materials once a week, with 1,200 kg of potatoes used for five production cycles. Each production cycle yields 24 kg of potato chips, with a selling price of Rp. 180,000 per kg. The chips are sold in 100-gram packages for Rp. 18,000 per pack. Based on the research findings, the total revenue from one production cycle at CV. Cita Mandiri Batu City amounts to Rp. 4,320,000 (24 kg x Rp. 180,000/kg).

Based on the results of the study, it is known that the difference between expenses and income in one production on CV. The Cita Mandiri Kota Batu is presented in the following table.

Table. 9 List of Expenditure and Income Per Production

No	Information	Price
1	Cost Production	Rp 3.384.500
2	Revenue per production	Rp 4.320.000
Total		Rp 935.500

Source: Secondary Data Processed (2025)

The effectiveness of production cost control at CV. Cita Mandiri Batu City is around 127.64%. This demonstrates that the company is managing its production costs efficiently, as the revenue significantly surpasses the expenses.

$$\text{Effectiveness} = \frac{\text{Revenue Realization}}{\text{Budget Realization Target}} \times 100\%$$

Account:

$$\text{Effectiveness} = \frac{\text{Rp } 4.320.000}{\text{Rp } 3.384.500} \times 100 = 127,64\%$$

Based on the calculations, it is evident that CV. Cita Mandiri Batu City is highly effective in controlling production costs, achieving a profit margin of 127.64% per production cycle. These results confirm that revenue exceeds production costs, demonstrating the company's efficiency in managing production expenses.

The Process of Preparing The Production Budget on CV. Cita Mandiri Batu City

Based on the research findings, the process of preparing the production cost

budget at CV. Cita Mandiri Batu City involves determining production needs by detailing raw material costs, labor costs, and operational expenses. The breakdown of the production cost budget includes raw material costs of Rp. 2,733,000 per production, labor costs of Rp. 500,000 per production, and factory overhead costs (additional expenses) of Rp. 151,500 per production. This results in a total production cost of Rp. 3,384,500 per production cycle. These findings highlight the crucial role of production cost budgeting in setting selling prices and increasing revenue.

These findings support the research of Sutikno and Tin, which explains that planning the preparation of a production cost budget provides several benefits, including determining the quantity and type of products to be produced within a specific period, maintaining a balance between supply and demand, ensuring adequate inventory levels, and regulating production to minimize costs (Sutikno & Tin, 2012). The study also reveals that the raw materials required for production activities consist of potatoes, which are directly purchased from farmers at a quantity of 1,200 kg per order for five production cycles per week, at a price of Rp. 10,000 per kg. Additional raw materials include flavoring, garlic, sweetened sugar, and salt.

The Role of The Production Cost Budget To Support The effectiveness of Production Cost Control in CV. Cita Mandiri Batu City

Based on the research findings, CV. Cita Mandiri Kota Batu has demonstrated high effectiveness in controlling production costs, achieving a profit margin of 127.64% per production cycle. This effectiveness is attributed to the company's ability to generate higher revenue compared to production costs. The total production cost incurred by CV. Cita Mandiri Batu City in one production cycle amounts to Rp 3,384,500, while the revenue generated reaches Rp 4,320,000, resulting in a net profit of Rp 935,500. These results highlight the crucial role of production cost control in increasing revenue and contributing to the overall growth and development of CV. Cita Mandiri Batu City.

The findings of this study are in line with the research of Ulfah et al., which shows that budget calculations for production costs play a crucial role in ensuring effective control of production costs (Ulfah et al., 2024). Maintaining optimal production costs helps reduce operational expenses, ultimately supporting revenue growth. Effective production cost control offers several benefits, including facilitating smooth sales operations, maintaining financial stability, improving operational efficiency, aiding in decision-making, and supporting long-term planning. Additionally, production cost budgets are essential for planning raw material requirements and determining product selling prices.

CONCLUSION

Based on the research findings, the following conclusions can be drawn:

1. The process of preparing the production cost budget at CV. Cita Mandiri Batu City involves determining production needs by detailing raw material costs, labor costs, and operational costs. The production cost budget consists of raw material costs per production of Rp. 2,733,000, labor costs per production of Rp. 500,000, and factory overhead costs (additional costs) per production of Rp. 151,500. This results in a total production cost of Rp. 3,384,500 per production cycle. These findings highlight the crucial role of production cost budgeting in

- setting selling prices and increasing revenue.
2. The study results indicate that CV. Cita Mandiri Batu City effectively controls production costs, achieving a profit margin of 127.64% per production cycle. This efficiency is due to revenue exceeding production costs. The company incurs a production cost of Rp. 3,384,500 per cycle, generates revenue of Rp. 4,320,000, and secures a net profit of Rp. 935,500 per production. Effective production cost control plays a vital role in increasing revenue and supporting the company's overall growth.

Based on the conclusions drawn from the data analysis, several recommendations are proposed:

1. **Increase Production Costs to Boost Revenue**
CV. Cita Mandiri Batu City should consider increasing production costs strategically to enhance revenue. Additionally, the company should expand its sales channels by leveraging online platforms such as Shopee, TikTok Shop, Facebook, and Instagram to reach a broader market and increase product visibility.
2. **Optimize Production Efficiency and Diversify Products**
CV. Cita Mandiri Batu City should invest in machinery to accelerate the production process and improve labor efficiency. Furthermore, the company should expand its product line by producing mushroom chips, cassava chips, and fruit chips to attract more customers and diversify its revenue streams.

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