

## **Scope Changes : Budget Adjustment and Budget Revision**

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### **Abstract**

This article provides a literature review focusing on budgets, budget adjustments and budget revisions. This article reviews the existing literature allowing to uncover budget problems, budget characteristics, budget adjustments, use of budget adjustments, use of E-doc budget adjustments, budget revisions, background of budget revisions, reasons for budget revisions. The research conducted is a case study on a company, namely research on certain objects in a company with a limited population, so the conclusions obtained only apply to the data and companies studied. The budget procedure consists of the stages of the budget preparation process to determine budget targets and targets, budget revisions, budget control (evaluation) and feedback. The function of the budget as a control tool is shown in the budget evaluation stage. Control is an effort intended so that the implementation of the budget does not deviate from the goals and objectives that have been set.

**Keywords:** Budget, Budget Adjustment, Budget Revision.

### **1. Introduction**

The budget is a written plan regarding the activities of an organization which is expressed quantitatively and is generally stated in a certain period of time. The budget period is usually relatively short, namely 1 year. The budgeting process involves many parties, both lower-level management, middle-level managers, and top-level managers.

The budget procedure consists of the stages of the budget preparation process to determine budget targets and targets, budget revisions, budget control (evaluation) and feedback. The policies in the budget procedure include: at the budgeting stage related to the level of participation in the budget preparation process. In preparing the budget, companies can choose participatory or top-down budgeting policies (Hansen and Mowen 1995; Hasibuan et al2020). Budget revision policies are faced with revision policiessystematic budgeting or budget revision under special events (Anthony and Govindarajan 2003). Budget control and evaluation is faced with alternatives to evaluation that emphasize the achievement of budget targets (variants) or the budget achievement process (Govindarajan 1988),

Budget Adjustments (BA) are used to record changes in income and expenditure transactions against the current budget. Each budget adjustment document will change the current budget in one account, as opposed to the initial budget. It can also be used to create budgets for new accounts created after the start of a new fiscal year. E-doc Budget Adjustment (BA) is used to record income and expenditure budget transactions. This can be used to modify the charter, the current budget, or both. To understand beforehand about understanding and scope of budget revision. Budget revision is a change in the details of the budget that has been determined based on the Budget in a Fiscal Year and ratified in the Fiscal Year in question.

Budget revision is a way to revise and update budget implementation as a continuation of the annual budget process, revisions should be a means by which companies can meet various and even conflicting objectives of budgeting, including continuity and control, change and accountability, and flexibility and predictability ( Wildavsky, 1988). Budgeting has at least three stages, namely:

1. Formulation of budget proposals,
2. Approval of budget proposals,
3. Implementation of the budget that has been determined as a legal product.

### **2. Literature Review**

#### **2.1. Budget**

According to Mulyadi (200) the budget is a work plan that is stated quantitatively, which is measured by standard monetary units and other units of measurement, covering a period of one year. According to Anthony and Govindarajan (2003), the budget is a management plan, with the implicit assumption that positive steps will be taken by the budget maker (the manager who prepares the budget) to make concrete activities related to the plan

According to Purba et al (2021) states that the budget (budget) is the result obtained after completing the planning task. Budgeting (budgeting) shows a process from the preparation stage needed before starting the preparation of plans, collecting various necessary data and information, dividing planning tasks, preparing plans, implementation of the plan until finally at the stage of monitoring and evaluating the results of implementing the plan. A budget is a plan expressed quantitatively in monetary units for a period of one year. Based on the notions of the budget that have been

described above, it can be concluded that the budget is one of the short-term planning and control tools, usually a period of one year.

### **2.1.1 Characteristics of Budget**

According to Anthony and Govindarajan (2003) stated that the budget has the following characteristics:

- 1) The budget estimates the potential profit of the company unit.
- 2) Expressed in monetary terms, although monetary amounts may be supported by non-monetary amounts.
- 3) Usually covers a period of one year.
- 4) It is a management agreement, that the manager agrees to Responsible for achieving the objectives of the budget.
- 5) The budget proposal is reviewed and approved by an official higher than the budget maker.
- 6) Once approved the budget can only be changed under certain conditions.
- 7) Periodically the actual financial performance is compared with the budget and the difference is analyzed and explained.

Meanwhile, according to Mulyadi (2001) states that the characteristics of the budget are as follows:

- 1) The budget is stated in financial units and non-financial units.
- 2) The budget generally covers a period of one year
- 3) The budget proposal is reviewed and approved by the competent authority higher than the budget preparation.
- 4) The budget contains the commitment or ability of management, which means that managers agree to accept responsibility for achieving the goals set in the budget.
- 5) Once approved, the budget can only be changed under certain conditions.
- 6) Periodically, the actual financial performance is compared with the budget and the difference is analyzed and explained.

### **2.2 Budget Adjustment**

Budget Adjustment is a tool for financial planning that allows to adjust the current and basic budget figures for a specific account. It can also be used to create budgets for new accounts created after the start of a new fiscal year. Budget Adjustment is a budget framework that is made with the aim of the results of negotiations and the budget that has been measured after the results of all departments carry out recce and test cams (Helgeby, 2021). This needs to be made to reduce the budget that will be used and suppress the need that is not needed. But it could be the other way around in an adjustment budget, it could also be an increase in price or require more needs.

#### **2.2.1 Use of Budget Adjustments**

BA documents are typically used for the following:

- a. Moving budgets after the fiscal year starts to an account that doesn't have a budget set during the SM process
- b. Move budgets between existing accounts for cost sharing or startup accounts
- c. Move spending authority between accounts in the same subfund (with the exception of Revenue Stream Function) Revenue Stream Function allows budgets to be moved to different subfunds These are subfunds that allow movement between them EG, PVM, EXPSTA, EXTEN or CSFS The KFS system creates Fund Transfers behind the scenes matching cash between the two subfunds properly .
- d. Move budget from one object code or sub-object code to another in one account
- e. Move budget from account to sub-account
- f. Revising the budget in EG's other income accounts and related expense accounts
- g. Set the current budget in the new account created during the fiscal year

#### **2.2.2 Use of E-doc Budget Adjustment**

The Budget Adjustment E-doc is usually used for things following :

- a. reallocate the current budget as necessary throughout the fiscal year,
- b. transfer budget from one general fund account to another general fund account
- c. setting budget lines in new accounts created after the fiscal year begins,
- d. make adjustments jannot long on the articles of association.

### **2.3 Budget Revision**

The policy on budget revision after the budget has been established is also important because there is a possibility that the assumptions determined in the preparation processthe budget can be unrealistic so that the comparison between the actual and the budget becomes meaningless. According to Antony and Govindarajan (1998), budget revision policies can be divided into two, namely:

- (1) procedures that provide automatic budget revisions for example quarterly, semiannually;
- (2) procedures that allow budget revisions under special circumstances.

Authorizing budget revisions when the original budget has been approved on the basis of significant changes in conditions is likely to be more effective for control. It is argued that if managers are given the opportunity to discuss and coordinate when problems occur in budget execution and are allowed to revise the budget when conditions make assumptions unrealistic, it is indicated. will improve performance.

If there is no change in assumptions, then providing convenience for budget revisions will encourage dysfunctional behavior in determining the level of budget targets. An alternative to reduce the impact of dysfunctional behavior due to the level of budget difficulty is to design a budget revision policy. There is a possibility that difficulties in achieving the budget arise due to conditions of uncertainty that arise when the budget is running. Even conditions of high uncertainty during the running of the budget can make the role of high participation in the budget preparation process meaningless if it is not followed by a budget revision policy that is fit for these conditions.

### **2.3.1 Background to the Budget Revision**

Several considerations underlie the need for a budget revision, including: is :

- The deadline between the budget planning process and budget execution is quite long, which is about 1 (one) year so that it is very possible that the plans that have been prepared have not covered all the needs for the planned year
- During the budget implementation period, it is very possible that there will be changes in circumstances or changes in priorities that were not anticipated during the planning process
- There is a change in the methodology for implementing activities, for example an activity that was originally planned to be self-managed to become contractual, from single year to multiyear
- There are changes or stipulations of government policies in the current budget year, for example budget savings, application of rewards and punishments, or budget changes planning.

### **2.3.2 Reasons for revising the budget:**

- Over/under budget allocation
- Adjustment of activity plans and available funds
- The budget received does not match the needs
- Authorized official's instructions or policy.
- New target
- Change of location of activity.

## **3. Method**

The research conducted is a case study on a company, namely research on certain objects in a company with a limited population, so the conclusions obtained only apply to the data and companies studied.

## **4. Results and Discussion**

The budget procedure consists of the stages of the budget preparation process to determine budget targets and targets, budget revisions, budget control (evaluation) and feedback. Budget control and evaluation are faced with alternatives to evaluation that emphasize the achievement of budget targets (variants) or the budget achievement process (Govindarajan 1988), Budget Adjustments (BA) are used to record changes in income and expenditure transactions against the current budget. Budget revision is a way to revise and update budget implementation as a continuation of the annual budget process, revision should be a means by which companies can meet varied and even conflicting objectives of budgeting, including continuity and control, change and accountability, and flexibility and predictability (Wildavsky, 1988). Budget revision is a change in the details of the budget that has been determined based on the Budget in a Fiscal Year and ratified in the Fiscal Year in question. According to Anthony and Govindarajan (2003), the budget is a management plan, with the implicit assumption that positive steps will be taken by the budget maker (the manager who prepares the budget) to make real activities related to the plan. According to Halim et al (2000:172) states that the budget is the result obtained after completing the planning task.

## **5. Conclusion**

The budget procedure consists of the stages of the budget preparation process to determine budget targets and targets, budget revisions, budget control (evaluation) and feedback. The function of the budget as a control tool is shown in the budget evaluation stage. Control is an effort intended so that the implementation of the budget does not deviate from the goals and objectives that have been set. Evaluations that are carried out periodically such as weekly and monthly are part of the control because this month's evaluation is the control of the following month. A policy on budget revision after the budget is set is also important because there is a possibility that the assumptions made in the budget preparation process may be unrealistic so that the comparison between the actual and the budget becomes meaningless.

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