

Production Cost Control Through Variance Analysis: Evidence from PT Kalimantan Concrete Engineering Indonesia

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Abstract

This study aims to identify and analyze the production cost budget as a control tool used to manage production costs at PT Kalimantan Concrete Engineering Banjarmasin by comparing the company's budgeted production costs with actual production costs at the end of the period and conducting variance analysis on the deviations. This research employs a quantitative research approach. The data used in this study consist of production cost data from the company's work plan and budget, as well as their realizations. Data collection techniques included direct case study field observations and literature review. The data analysis method applied in this study is descriptive analysis, which comprehensively describes the data obtained during the research process. The calculation methods used include variance analysis of direct material costs, direct labor cost variances (variance one, variance two, and variance three), and factory overhead cost variance (variance one). The conceptual framework of this study focuses on production cost budgeting, production costs, variance analysis, and deviation analysis (variance analysis) of direct material costs, direct labor costs, and factory overhead costs. The results of this study indicate that the production cost budget used as a production cost control tool at PT Kalimantan Concrete Engineering has not functioned optimally, as unfavorable variances are still observed. The overall cost variance in 2022 was favorable, amounting to Rp 25,782,095,189, while the overall cost variance in 2023 was unfavorable, amounting to Rp 9,383,538,032.

Keywords: *Control; Cost Variance; Overhead Cost Variance; Production Costs; Variance Analysis*

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1. Introduction

Industrial competition has become increasingly intense, particularly in the piling industry, which requires relatively high production costs (Amin et al., 2023; Suhidayat et al., 2023). Therefore, companies need a production cost budget as a planning and control tool to ensure that expenditures are managed efficiently. A budget is a systematically prepared work plan

expressed in numerical terms for a specific period and is used by management as a basis for decision-making (Hanum & Farhan, 2019).

Production cost budgeting plays an important role in corporate financial control, as it is directly related to the smooth operation of production activities, profit achievement, and product quality (Petropoulos et al., 2026; Thuong, 2025). Through budgeting, management can compare planned costs with actual costs to identify whether deviations (variances) occur. Variance analysis is necessary to identify the causes of differences between budgeted and actual costs and to serve as a basis for evaluation and corrective action when unfavorable variances arise (Suryana & Mildawati, 2021).

PT Kalimantan Concrete Engineering (PT KCE) is a company engaged in the concrete foundation products industry, particularly pile foundations and prestressed concrete, which are widely used in construction projects in South Kalimantan where soil conditions are predominantly soft. In carrying out its production activities, PT KCE prepares a production cost budget as a guideline for cost control. However, based on comparisons between budgeted and actual production costs for the years 2022 and 2023, variances were still found in direct material costs, direct labor costs, and factory overhead costs, both favorable and unfavorable.

These cost deviations indicate that production cost control has not been fully optimized. The main challenge faced by the company is the discrepancy between the established standard costs and the actual costs incurred during the production process, which causes the company to bear unexpected costs. This condition necessitates a more in-depth analysis of the production cost budget as a cost control tool.

Several previous studies have shown that variance analysis is effective in evaluating production cost efficiency, but they also reveal that many companies have not implemented it optimally (Kabiru Dandago & Adah, 2013; Panigrahi et al., 2023; Paula Monteiro et al., 2022; Zhou et al., 2025). Therefore, this study analyzes the use of the production cost budget as a tool for controlling production costs using variance analysis at PT Kalimantan Concrete Engineering Banjarmasin.

Although variance analysis has been widely discussed in cost accounting literature and has been proven useful for evaluating cost efficiency, most previous studies focus on large-scale manufacturing firms or discuss the concept in a theoretical manner. Empirical evidence regarding the practical effectiveness of variance analysis as a production cost control tool in medium-scale manufacturing companies, particularly in developing

regions, remains limited. Moreover, only a few studies integrate detailed variance calculations with real company budgeting practices over multiple periods. Therefore, this study aims to fill this gap by providing empirical evidence from PT Kalimantan Concrete Engineering, a medium-scale manufacturing company in Indonesia, through a comprehensive analysis of production cost variances for the 2022–2023 period.

Based on the background described above, the research problem of this study is how the production cost budget is used as a tool for controlling production costs using variance analysis at PT Kalimantan Concrete Engineering Banjarmasin. The objective of this study is to determine the effectiveness of using the production cost budget as a production cost control tool at PT KCE during the 2022 and 2023 fiscal years.

2. Research Method

The type of research used in this study is quantitative research with a descriptive approach (Abdullah et al., 2022). This study focuses on examining variance analysis as a tool for controlling production costs at PT Kalimantan Concrete Engineering Banjarmasin. The analysis is based on field data using the variance analysis method, with production cost budget data for the years 2022–2023.

This research examines data related to the amount of the production cost budget by obtaining data directly from PT Kalimantan Concrete Engineering Banjarmasin. Both qualitative and quantitative data are used in this study.

The data sources consist of primary data and secondary data. Primary data were obtained through field studies conducted to collect firsthand information by means of direct observation and in-depth inquiry regarding the research object. Secondary data were obtained through literature review and field documentation. The literature review was conducted to gather information related to the research problem from previous research journals and other relevant printed and electronic sources.

The data collection method used in this study was interviews. The authors conducted question-and-answer sessions with the management of PT Kalimantan Concrete Engineering Banjarmasin to discuss the proposed research topic and to obtain the necessary data for this final project. In addition, direct observation was conducted by visiting the office of PT Kalimantan Concrete Engineering Banjarmasin. The observation aimed to understand production activities and other activities related to budget utilization and budget realization, as well as to obtain information regarding

the research object, namely the production costs of pile foundations at PT Kalimantan Concrete Engineering Banjarmasin.

The unit of analysis in this study is the annual production cost structure of concrete pile products at PT Kalimantan Concrete Engineering for the 2022–2023 period. Variance analysis was applied by comparing standard costs (budgeted costs) and actual costs, which were further decomposed into material, labor, and overhead variances.

This study employed descriptive data analysis techniques, which aim to provide descriptions or illustrations of the research subject based on variable data obtained from a specific group of subjects. The research seeks to describe existing problems based on actual field data and to present appropriate analytical results. The data analysis procedures applied in this study include: (1) Collecting data through interviews with company representatives related to the research problem, specifically the budget and realization of pile foundation production costs at PT Kalimantan Concrete Engineering Banjarmasin for the years 2022–2023, including data on direct material costs, direct labor costs, and factory overhead costs; (2) Processing the data by presenting the production cost budget for pile foundation production at PT Kalimantan Concrete Engineering Banjarmasin, calculating standard production costs and their realizations using variance analysis, and drawing conclusions and providing recommendations based on the research findings.

3. Results and Discussion

Variance Analysis of Direct Material Costs

The favorable variance in direct material costs in 2022 indicates that the actual consumption and/or purchase prices of materials were lower than initially budgeted. This condition may be associated with more efficient material usage during the production process or more favorable supplier prices compared to the standard cost assumptions. It is also possible that production volume was lower than planned, resulting in reduced total material usage. From a cost control perspective, this suggests that the company was able to operate below its planned material cost level, although it may also reflect overestimation during the budgeting stage.

In contrast, the unfavorable material cost variance in 2023 suggests that actual material costs exceeded the budget. This may be linked to rising raw material prices in the market, particularly for cement and steel-related components, or to increased material consumption due to higher production volume or inefficiencies in usage. This situation indicates that the standard

costs used in budgeting were not fully aligned with actual market conditions, reducing the effectiveness of the production cost budget as a control tool. The unfavorable material variance in 2023 was not only influenced by market price increases but also by higher-than-standard material usage per unit of output (Olatunji et al., 2025; Teoh & Shanmugam, 2023). This suggests inefficiencies in production processes, possible material waste, or weaker supervision during batching and casting operations.

Based on the direct material cost budget for pile foundation production at PT Kalimantan Concrete Engineering Banjarmasin, the budgeted costs, actual costs, and cost percentages for the years 2022 and 2023 are presented in Table 1.

Table 1. Direct Material Cost Budget for Pile Foundation Production in 2022 of PT Kalimantan Concrete Engineering Banjarmasin

No	Description	Unit	Volume	Unit Price (Rp)	Amount (Rp)
1	Cement	Kg	11,732,766.0	1,060	12,436,731,920
2	Crushed Stone (Split)	M ³	14,692.5	230,000	3,379,283,280
3	Sand	M ³	12,198.6	220,000	2,683,692,000
4	Additive (Sika)	Liter	91,489.5	33,400	3,055,749,300
5	Connecting Plate	Pcs	67,770.0	88,000	5,963,760,000
6	Anchor	Kg	94,878.0	11,000	1,043,658,000
7	Hanger	Kg	63,703.8	11,000	700,741,800
8	PC Wire	Kg	607,219.2	20,610	12,514,787,712
9	Nail Wire Spiral	Kg	203,310.0	16,550	3,364,780,500
Total					45,143,184,512

Source: PT Kalimantan Concrete Engineering Banjarmasin (processed by the authors)

Table 1 shows that the company prepared a direct material cost budget of Rp 45,143,184,512. The largest budget allocation was for PC Wire, amounting to Rp 12,514,787,712, while the smallest allocation was for Hanger at Rp 700,741,800.

Table 2. Actual Direct Material Costs for Pile Foundation Production in 2022 of PT Kalimantan Concrete Engineering Banjarmasin

No.	Description	Unit	Volume	Unit Price (Rp)	Amount (Rp)
1	Cement	Kg	8,642,462.40	1,250	10,803,078,000
2	Crushed Stone (Split)	M ³	10,822.86	225,000	2,435,144,400
3	Sand	M ³	9,275.76	218,000	2,022,115,680
4	Additive (Sika)	Liter	67,392.00	35,000	2,358,720,000
5	Connecting Plate	Pcs	49,940.00	85,000	4,234,200,000
6	Anchor	Kg	69,888.00	11,000	768,768,000
7	Hanger	Kg	46,924.80	11,000	516,172,800
8	PC Wire	Kg	447,283.20	21,000	9,392,947,200
9	Nail Wire Spiral	Kg	149,760.00	16,200	2,426,112,000
Total					34,966,258,080

Source: PT Kalimantan Concrete Engineering Banjarmasin (processed by the authors)

Table 2 shows that the actual direct material cost for pile foundation production amounted to Rp 34,966,258,080, which is lower than the budgeted cost, indicating a favorable variance for the company. Variances occurred due to changes in both material prices and quantities used.

Table 3. Direct Material Cost Budget for Pile Foundation Production in 2023 of PT Kalimantan Concrete Engineering Banjarmasin

No.	Description	Unit	Volume	Unit Price (Rp)	Amount (Rp)
1	Cement	Kg	7,265,700.0	1,250	9,082,125,000
2	Crushed Stone (Split)	M ³	9,687.6	250,000	2,421,900,000
3	Sand	M ³	7,265.7	235,000	1,707,439,500
4	Additive (Sika)	Liter	60,547.5	35,000	2,119,162,500
5	Connecting Plate	Pcs	40,365.0	90,000	3,632,850,000
6	Anchor	Kg	56,511.0	12,000	678,132,000
7	Hanger	Kg	37,943.1	12,000	455,317,200
8	PC Wire	Kg	361,670.4	20,000	7,233,408,000
9	Nail Wire Spiral	Kg	121,095.0	13,000	1,574,235,000
Total					28,904,569,200

Source: PT Kalimantan Concrete Engineering Banjarmasin (processed by the authors)

Table 3 shows that the company prepared a direct material cost budget of Rp 28,904,569,200 for 2023. The largest budget allocation was for cement, amounting to Rp 9,082,125,000, while the smallest allocation was for hanger at Rp 455,317,200.

Table 4. Realization of Direct Raw Material Costs for Pile Production in 2023 at PT Kalimantan Concrete Engineering Banjarmasin

No.	Description	Unit	Volume	Unit Price (Rp)	Amount (Rp)
1	Cement	Kg	8,294,400.0	1,250	10,368,000,000
2	Split	m ³	11,155.2	250,000	2,788,800,000
3	Sand	m ³	8,738.7	235,000	2,053,604,605
4	Additive (Sika)	Liter	69,120	35,000	2,419,200,000
5	Joint Plate	Pcs	46,080	90,000	4,147,200,000
6	Anchor	Kg	64,512	12,000	774,144,000
7	Hanger	Kg	43,315.2	12,000	519,782,400
8	PC Wire	Kg	412,876.8	20,000	8,257,536,000
9	Nail Wire Spiral	Kg	138,240	12,000	1,658,880,000

Source: PT Kalimantan Concrete Engineering Banjarmasin (processed by the authors)

Based on Table 4, it is known that the realization of direct raw material costs for pile production at PT Kalimantan Concrete Engineering Banjarmasin amounted to Rp 32,987,147,005. The total realized cost was lower than the total budgeted cost; therefore, this condition was beneficial for the company.

Based on Table 3 and Table 4, it can be observed that there were variance differences, both favorable and unfavorable. These variances occurred due to changes in the price and quantity of direct raw materials used.

Table 5. Results of Raw Material Cost Variance Analysis in 2022

Analysis Method	Code	Favorable	Unfavorable
One-Variance	ST	Rp 10,175,219,092	–
Two-Variance	SH	–	Rp 1,649,433,684
	SK	Rp 11,824,652,776	–
Three-Variance	SH	–	Rp 2,240,096,028
	SK	Rp 11,824,652,776	–
	SHK	–	Rp 590,662,344

Source: Processed by the authors

Based on Table 5, it can be concluded that raw material variance analysis for 2022 using the one-variance method resulted in a favorable variance of Rp 10,175,219,092. Using the two-variance method also resulted in a favorable variance, while the three-variance method produced a favorable variance of Rp 8,993,894,404.

Table 6. Results of Raw Material Cost Variance Analysis in 2023

Analysis Method	Code	Favorable	Unfavorable
One-Variance	ST	–	Rp 4,082,577,100
Two-Variance	SH	Rp 121,095,000	–
	SK	–	Rp 4,220,817,100
Three-Variance	SH	Rp 121,095,000	–
	SK	–	Rp 4,220,817,100
	SHK	–	Rp 17,145,000

Source: Processed by the authors

Based on Table 6, raw material variance analysis for 2023 using the one-variance method resulted in an unfavourable variance of Rp 4,082,577,100. The two-variance method resulted in an unfavourable variance of Rp 4,099,722,100, and the three-variance method resulted in an unfavourable variance of Rp 4,116,867,100. The total realized direct labor cost in 2022 amounted to Rp 2,387,547,839, while in 2023 it increased to Rp 2,730,674,845.

**Table 7. Direct Labor Cost Variance in 2022
at PT Kalimantan Concrete Engineering
Year 2022**

Analysis Method	Code	Favorable Variance	Unfavorable Variance
One-Variance Method	ST	–	Rp 2,387,547,889
Two-Variance Method	STU	–	Rp 2,387,547,889
	SEU	–	–
Three-Variance Method	STU	–	–
	SEU	–	–
	STEU	–	Rp 8,372,801

Source: Processed by the authors

Based on Table 7, there is an unfavourable variance. This variance occurs due to the absence of a fixed budget for labor rates, as labor rates may change at any time when the company experiences an increase in production caused by high demand (Dani et al., 2019). For labor variance using the one-variance analysis method, the result is unfavourable in the amount of Rp 2,387,547,889. The two-variance method yields the same unfavourable result as the one-variance method, while the three-variance analysis results in an unfavourable variance of Rp 8,372,801.

Table 8. Direct Labor Cost Variance in 2023
at PT Kalimantan Concrete Engineering
Year 2023

Analysis Method	Code	Favorable Variance	Unfavorable Variance
One-Variance Method	ST	–	Rp 2,730,674,845
Two-Variance Method	STU	–	Rp 2,730,674,845
	SEU	–	–
Three-Variance Method	STU	–	–
	SEU	–	–
	STEU	–	Rp 9,444,078

Source: Processed by the authors

Based on Table 8, there is an unfavourable variance. This variance occurs because there is no fixed budget for labor rates, as labor rates may change when the company experiences an increase in production due to high demand. For labor variance using the one-variance analysis method, the result is unfavourable in the amount of Rp 2,730,674,878. The two-variance method yields the same unfavourable result as the one-variance method, while the three-variance analysis results in an unfavourable variance of Rp 9,444,078.

The consistently unfavorable labor variance in both years primarily reflects the absence of a predetermined standard labor cost budget. Without a clear labor cost standard, all actual labor expenses are automatically treated as variances, limiting the usefulness of variance analysis as a control mechanism. Operationally, the increase in labor costs may be influenced by overtime work, additional shifts due to project demand, or wage adjustments. This finding indicates that labor cost control at PT KCE is still reactive rather than planned, highlighting the need for a formal labor budgeting system. These findings support the argument of Dandago & Adah (2013) that variance analysis becomes ineffective when companies fail to establish realistic standard costs. Similarly, the results align with Suryana & Mildawati (2021), who found that inaccurate budgeting reduces the control function of production cost systems.

Overhead Cost Variance Analysis

In Table 9, the budgeted and actual overhead costs for the years 2022 and 2023 are presented, which were used in the production of concrete piles by PT Kalimantan Concrete Engineering Banjarmasin.

Table 9. Budgeted and Actual Overhead Costs for 2022–2023 at PT Kalimantan Concrete Engineering Banjarmasin
Overhead Costs

Year	Budget	Actual	Percentage
2022	5,417,182,141	4,195,950,970	22.5%
2023	3,468,548,304	3,298,714,697	4.9%

Source: Processed by the authors

Based on Table 9, the budgeted overhead cost in 2022 amounted to Rp 5,417,182,141, while the actual overhead cost was Rp 4,195,950,970. Meanwhile, in 2023 the budgeted overhead cost amounted to Rp 3,468,548,304, and the actual overhead cost was Rp 3,298,714,697.

Table 10. Results of Overhead Cost Analysis for 2022–2023

Variance Method	Year	Favorable	Unfavorable
One-Variance Method	2022	Rp 1,221,231,172	–
	2023	Rp 169,833,607	–

Source: Processed by the authors

Based on Table 10, it can be seen that the overhead cost variance analysis for 2022 using the one-variance method shows a favorable variance of Rp 1,221,231,172. Meanwhile, the overhead cost variance analysis for 2023 using the one-variance method shows a favorable variance of Rp 169,833,607.

The favorable overhead variance in both 2022 and 2023 indicates that actual factory overhead costs were successfully kept below the budgeted amounts. This may suggest effective control over indirect production costs such as utilities, maintenance, and supporting materials. However, it may also indicate that the overhead budget was set conservatively. Therefore, while the variance appears favorable, further evaluation is required to determine whether it reflects real efficiency or merely cautious budgeting.

Analysis of Budgeted and Actual Production Costs

The variances that occur can be either favorable or unfavorable. A variance is considered favorable when the actual cost is lower than the standard cost. Conversely, an unfavorable variance occurs when the actual cost is higher than the standard cost. Variance analysis needs to be conducted because it can provide information on the various causes of variances between predetermined costs and actual costs or costs that should have been incurred. Thus, the results of variance analysis can help management

determine the actions that need to be taken to address unfavorable variances (Wahyul, 2019; Suryana & Mildawati, 2021).

A comparison between the budgeted and actual costs must be carried out correctly and accurately so that the information provided is reliable and can be used for future production cost control (Iqbal et al., 2021). Based on the data obtained from PT KCE, the following presents a comparison between the budgeted and actual production costs of concrete piles for the years 2022 and 2023 at PT Kalimantan Concrete Engineering Banjarmasin, as shown in Table 11.

Table 11. Budgeted and Actual Production Costs for 2022 and 2023 at PT Kalimantan Concrete Engineering Banjarmasin
Year 2022

Cost Type	Budget (Rp)	Actual (Rp)	Favorable Variance	Unfavorable Variance
Direct Raw Materials	45,143,184,512	34,966,258,080	29,344,332,588	-
Direct Labor	-	2,387,547,839	-	4,783,468,571
Overhead Costs	5,417,182,141	4,195,950,970	1,221,231,172	-
Total	50,560,366,653	41,549,756,889	30,565,563,760	4,783,468,571

Total Production Cost 2022: Rp 25,782,095,189 (Favorable)

Year 2023

Cost Type	Budget (Rp)	Actual (Rp)	Favorable Variance	Unfavorable Variance
Direct Raw Materials	28,904,569,200	32,987,147,005	-	4,082,577,805
Direct Labor	-	2,730,674,845	-	5,470,793,834
Overhead Costs	3,468,548,304	3,298,714,697	169,833,607	-
Total	32,373,117,504	38,985,119,926	169,833,607	9,553,371,639

Total Production Cost 2023: Rp 9,383,538,032 (Unfavorable)

Source: Processed by the authors

Based on Table 11, it can be seen from the results of the production cost variance analysis at PT Kalimantan Concrete Engineering Banjarmasin that the comparison between the budgeted and actual costs over the last two years consists of direct raw material costs, direct labor costs, and overhead costs. The overall cost variance for 2022 is favorable for PT Kalimantan Concrete Engineering Banjarmasin, even though there is an unfavorable variance in direct labor costs amounting to Rp 4,783,468,571. This amount is smaller than the favorable variance from direct raw material costs and overhead costs totaling Rp 30,565,563,760. Overall, the recap of production

cost variances for concrete pile production at PT Kalimantan Concrete Engineering Banjarmasin in 2022 is favorable in the amount of Rp 25,782,095,189.

The overall production cost variance in 2023 indicates that PT Kalimantan Concrete Engineering experienced an unfavorable cost performance. The main source of this deviation came from direct raw material costs, which showed an unfavorable variance of Rp 9,383,538,032, indicating that actual material costs exceeded the budgeted amounts. This condition may be associated with increases in market prices of key raw materials or higher material consumption due to production volume and operational inefficiencies. In addition, direct labor costs also contributed to the unfavorable result, with an unfavorable variance of Rp 5,470,793,834, reflecting the absence of a predetermined labor cost budget and the possibility of overtime and additional workforce requirements during peak production periods.

Although factory overhead costs recorded a favorable variance of Rp 169,833,607, this amount was not sufficient to offset the large unfavorable variances in materials and labor. As a result, the net total production cost variance in 2023 was unfavorable amounting to Rp 9,383,538,032. This finding indicates that the production cost budget in 2023 did not function optimally as a cost control tool, particularly in anticipating fluctuations in raw material prices and labor cost dynamics.

Based on the conclusions described above, the authors provide the following recommendations as input for PT Kalimantan Concrete Engineering Banjarmasin: the budgets prepared should be useful as a cost control tool; therefore, budget preparation should be carried out by carefully calculating all specifications, including raw material prices, production volume, risks, and the possibility of additional costs arising during production activities. Price updates should be conducted regularly during budgeting by carrying out market price surveys so that the prepared budget does not differ significantly from actual results. Periodic analysis should be conducted to evaluate the prepared production cost budgets so that they are aligned with actual costs, with the aim of identifying both favorable and unfavorable variances.

PT Kalimantan Concrete Engineering Banjarmasin should prepare reports using variance analysis calculations by comparing the prepared budgets with actual results and calculating the variances and their percentages. Furthermore, the differences between the budget and actual results should be strictly controlled and analyzed more deeply to understand why actual results differ from the budget and why there are significant

deviations for certain cost accounts. This deeper analysis is intended to determine whether the significant deviations are caused by weak cost control or because the company initially set the budget too low.

Overall, the variance patterns indicate that PT KCE's production cost budgeting system functions more as a formal planning document than as an active control instrument. Favorable variances in 2022 were largely driven by lower production realization rather than efficiency, while the unfavorable variances in 2023 reveal the company's inability to anticipate cost fluctuations. This suggests that the budgeting process at PT KCE is not yet based on dynamic standard costing but on static historical assumptions. This study highlights the importance of integrating market-based price updates and labor standardization into budgeting practices for medium-scale manufacturing firms. The findings contribute empirical evidence that variance analysis effectiveness is highly dependent on the accuracy of standard cost determination rather than on the analytical technique itself.

4. Conclusion

Based on the results of the analysis and discussion regarding the control of production costs using variance analysis at PT Kalimantan Concrete Engineering Banjarmasin, as presented in the previous chapters, several conclusions can be drawn. The variance analysis of direct raw material costs in pile production shows that in 2022 the company experienced a favorable variance amounting to Rp 29,344,332,588, whereas in 2023 the company experienced a net unfavorable total production cost variance of Rp 9,383,538,032. This condition occurred because the budgeted raw material prices were not in accordance with the actual realized prices. The variance analysis of direct labor costs in pile production indicates that in 2022 the company experienced an unfavorable variance of Rp 4,783,468,571, and in 2023 an unfavorable variance of Rp 5,470,793,834. This situation arose because the company did not determine a fixed annual budget for direct labor costs, as there is the possibility of increased production in certain months, which leads to overtime work and additional direct labor costs. Furthermore, the analysis of overhead costs in pile production reveals that in 2022 the company experienced a favorable variance of Rp 1,221,231,172, while in 2023 it also recorded a favorable variance of Rp 169,833,607. This occurred because the realized overhead costs did not exceed the budgeted amounts, and the calculation results for the last two years consistently showed favorable outcomes for the company. To reduce the occurrence of such variances, the company should strengthen cost control measures by regularly recalculating market prices, budgeted costs, and realized costs each year. Periodic variance analysis needs to be

conducted to evaluate the production cost budgets that have been prepared so that they align more closely with actual costs. This approach aims to identify both favorable and unfavorable variances and to support more effective production cost control in the future.

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