

Analysis Of Management Accounting Implementation In Cost Planning And Control In The Retail Industry (Case Study At Cv. Arafa Berkah Indonesia)

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ABSTRACT

The Indonesian retail industry is experiencing dynamic transformation driven by advanced technology adoption, digitalization, and changing consumer behavior, with Technavio (2024) projecting industry revenue to surge to approximately USD 49.56 billion with a compound annual growth rate (CAGR) of 4.73% from 2024 to 2028. Despite significant growth opportunities, the retail sector faces complex challenges including intense competition, inventory and supply chain management issues, high operational costs, economic volatility, and regulatory compliance, making retail businesses vulnerable to cost pressures that encompass rental expenses, labor costs, logistics, and digital marketing expenses. This research aims to analyze the application of management accounting in cost planning and control at CV. Arafa Berkah Indonesia, a retail company operating in the fashion industry, evaluating the extent to which management accounting methods have been implemented and identifying constraints faced in their implementation through in-depth data analysis and examination of relevant theoretical concepts. The study reveals that CV. Arafa Berkah Indonesia has successfully implemented management accounting in cost planning and control, with the company's information system generating relevant data that significantly influences managerial decision-making. The implementation of Activity-Based Budgeting (ABB) method in cost planning assists the company in designing budgets according to activities in each division, while the use of Activity Variable Cost method in cost control supports the company in adjusting expenditures to dynamic activity volumes and market demands, with effectiveness reflected through the application of management accounting indicators across various cost types, serving as a foundation for sustainable strategy formulation. Although management accounting implementation operates optimally, the company still encounters several constraints including adjustment challenges with budget control applications and fluctuations in variable costs, particularly digital advertising costs caused by dynamic advertising competition levels and social media platform algorithms, which can affect pre-designed cost planning when actual costs exceed established budgets, requiring companies to rapidly readjust their strategies.

Keywords: Activity Based Budgeting, Cost Control, Cost Planning, Management Accounting, Retail Industry

INTRODUCTION

In the era of rapid economic transformation, management accounting has emerged as a critical tool for organizational sustainability and competitive advantage, particularly in cost-intensive industries such as retail. Management accounting, defined by Siregar et al. (2013) as "a series of systematic activities encompassing recognition, measurement, and structured collection of financial data, preparation, analysis, interpretation, and communication of economic events used by management to support planning, control, decision-making, and performance evaluation within an organization," serves as the foundation for effective cost management strategies. The application of management accounting principles in cost planning and control enables organizations to optimize resource allocation, minimize waste, and enhance operational efficiency while maintaining financial stability.

The Indonesian retail industry exemplifies the critical need for robust management accounting systems, experiencing dynamic transformation driven by advanced technology adoption, digitalization, and evolving consumer behavior. According to Technavio (2024), Indonesian retail industry revenue is projected to surge to approximately USD 49.56 billion with a compound annual growth rate (CAGR) of 4.73% from 2024 to 2028, contributing 10.89% to Indonesia's Gross Domestic Product (GDP) in Q2/2024. However, this growth trajectory is accompanied by complex challenges including intense competition, inventory and supply chain management complexities, escalating operational costs, economic volatility, and regulatory compliance requirements that necessitate sophisticated cost management approaches.

CV. Arafa Berkah Indonesia, a fashion retail company, represents a compelling case study for examining management accounting implementation in cost planning and control within the retail sector. The fashion industry's inherent characteristics of rapidly changing trends, seasonal demand fluctuations, and inventory management complexities create unique cost management challenges that require systematic approaches to financial planning and control. Despite the company's stable revenue generation, analysis of its 2024 operational cost data reveals a critical gap between cost control achievements and financial performance outcomes, with the company experiencing losses in certain months (particularly January) despite maintaining actual costs within established budget parameters.

This phenomenon challenges traditional cost control paradigms and highlights the importance of comprehensive management accounting systems that consider the relationship between costs and revenue generation rather than merely focusing on budget compliance. As noted by Anthony & Govindarajan (2007), effective management control must examine the correlation between costs incurred and results obtained, emphasizing the need for integrated cost planning and control mechanisms. The theoretical framework supporting this research draws from cost management theory, which posits that effective cost planning involves forecasting future costs based on anticipated business activities, while cost control encompasses monitoring actual costs against planned costs and implementing corrective measures when deviations occur (Hansen et al., 2015). Additionally, the study incorporates activity-based costing principles and variance analysis theories to provide a comprehensive understanding of cost behavior and management effectiveness.

The significance of this research extends beyond the specific case of CV. Arafa Berkah Indonesia, contributing to the broader understanding of management accounting applications in emerging market retail environments where traditional cost control methods may prove insufficient for addressing complex operational challenges. The study's findings will provide valuable insights for retail practitioners, academic researchers, and policymakers interested in enhancing cost management practices within dynamic business environments. Furthermore, this research addresses the gap in literature regarding management accounting implementation challenges in Indonesian retail companies, particularly in the fashion sector where demand

uncertainty and inventory management complexities create unique cost planning and control requirements that warrant systematic investigation and analysis.

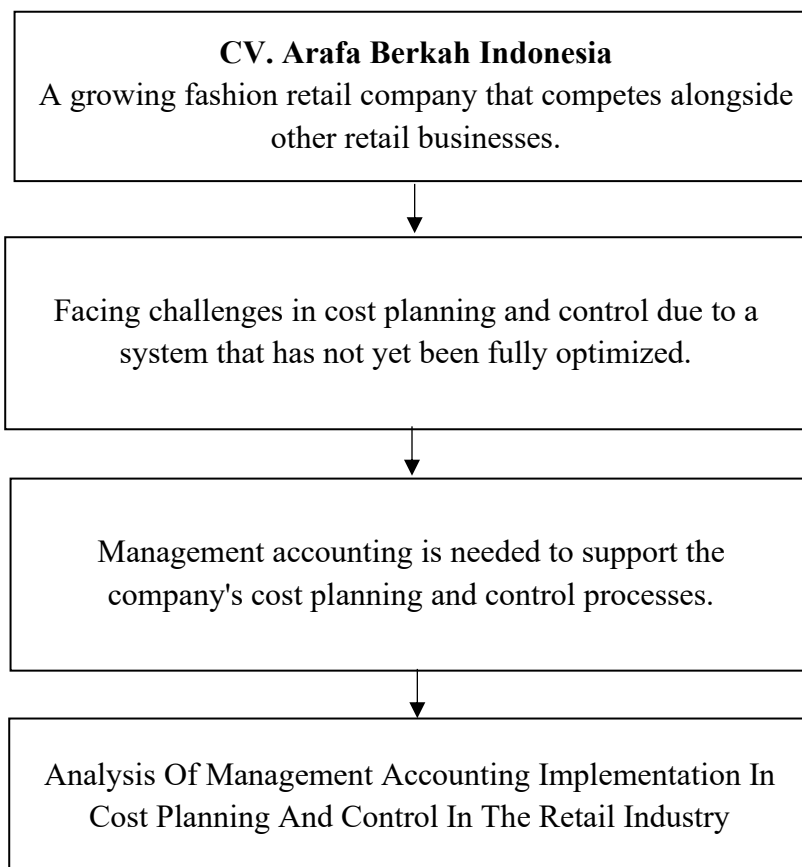
Research Objectives

1. To describe the management accounting practices implemented at CV. Arafa Berkah Indonesia.
2. To explain the role of management accounting in cost planning and control at CV. Arafa Berkah Indonesia.
3. To describe the challenges faced by CV. Arafa Berkah Indonesia in implementing management accounting for cost planning and control.

Conceptual Framework

CV. Arafa Berkah Indonesia is a growing fashion retail company that continues to compete within the dynamic Indonesian retail sector. However, the company faces notable challenges in cost planning and control due to an internal system that has yet to be fully optimized. In this context, the role of management accounting becomes essential in supporting effective cost management strategies. Management accounting provides structured financial information that aids in budgeting, cost control, and decision-making. Therefore, this study aims to analyze the application of management accounting in the cost planning and control processes at CV. Arafa Berkah Indonesia, as an effort to enhance operational efficiency and support sustainable business growth.

Figure 1. Conceptual Framework



METHODE

This study employs a qualitative method to understand and analyze the implementation of management accounting in cost planning and control at CV. Arafa Berkah Indonesia. Qualitative research is a comprehensive investigation of a subject, where the results are described in words

based on valid data that cannot be resolved through statistical calculations. The focus of qualitative research is on one or several domains within a social situation, which, in this context, is considered the population.

A social situation in qualitative research includes a place, sources of information, and activities that interact synergistically. It consists of three elements: place, actors, and activity, which together form an interconnected system.

The social situation in this study comprises the following elements:

1. Place: CV. Arafa Berkah Indonesia
2. Actors: Finance Division and Human Resource Development (HRD)
3. Activity: Implementation of management accounting in cost planning and control

Sampel

In this study, the researcher will conduct direct interviews with informants from the finance department regarding the company's budgeting and cost control processes, as well as with the Human Resource Development (HRD) department to analyze decision-making related to operational costs following the implementation of management accounting within the company.

Data Collection

The research instrument is a tool used by the researcher to systematically collect data. The data collection technique employed is field research conducted in a natural setting. Primary data sources are gathered through observation, interviews, and documentation.

Data Analysis Technique

Data analysis is carried out systematically to process data that have been collected through interviews, field notes, and documentation. This process aims to ensure that the presentation of the resulting data is structured, making it easy to understand for both researchers and readers of the research findings.

RESULT

Implementation of Management Accounting at CV. Arafa Berkah Indonesia.

At CV. Arafa Berkah Indonesia, management accounting also plays a crucial role in inventory management. By utilizing historical data information, management is able to plan stock levels more accurately, thereby preventing excess inventory or shortages that could potentially disrupt the company's operational activities. The performance evaluation process also becomes more objective, as it is assessed not only from financial aspects but also from non-financial indicators such as employee productivity and the level of customer service.

In addition, management accounting supports the development of human resources within the company. The data that have been collected and analyzed serve as a basis for planning training needs, evaluating the effectiveness of employee development programs, and designing performance-based incentive systems. Therefore, management accounting has a significant role in enhancing the effectiveness and efficiency of company operations, with a broader scope that is not solely focused on cost savings. Thus, management accounting functions not only as a tool for cost control but also as a driver of overall performance improvement.

The following are non-cost aspects used as benchmarks for evaluating the successful implementation of management accounting at CV. Arafa Berkah Indonesia:

- a. Employee Productivity
- b. Effectiveness of Decision-Making
- c. Customer Satisfaction and Loyalty
- d. Alignment of Human Resource Strategy with Business Objectives
- e. Level of Product and Process Innovation
- f. Interdepartmental Integration
- g. Ability to Adapt to Change
- h. Corporate Image and Professionalism

Based on the discussion above, it can be concluded that non-cost aspects in evaluating the success of management accounting play a crucial role and cannot be separated from a company's financial performance. Although these aspects are not directly reflected in cost reports, factors such as employee productivity, customer satisfaction and loyalty, decision-making effectiveness, and employee well-being have significant financial implications.

At CV. Arafa Berkah Indonesia, the effective implementation of management accounting helps optimize these non-cost aspects, thereby indirectly contributing to cost control and efficiency. Increased productivity, reduced promotional costs, prevention of strategic errors, and lower employee turnover rates provide clear evidence that non-cost aspects can serve as sources of competitive advantage as well as effective tools for medium- and long-term cost control. Therefore, management accounting functions not only as a tool for recording and calculating costs, but also as a strategic instrument that supports the company's overall efficiency and sustainability. These findings are consistent with the theory proposed by Effendi et al. (2025) in the book *Management Accounting: Contemporary Concepts and Practices*, which emphasizes that management accounting plays a vital role in business decision-making. The book discusses key concepts such as cost management, calculation of cost of goods manufactured, break-even analysis, as well as the application of methods like *Activity-Based Costing* (ABC) and *Just-In-Time* to improve efficiency in inventory management.

Implementation of Management Accounting in Cost Planning and Control at CV. Arafa Berkah Indonesia.

Based on the results of interviews conducted with the accountant at CV. Arafa Berkah Indonesia, it is evident that the implementation of management accounting in the cost planning process is carried out through an Activity-Based Budgeting approach. Meanwhile, cost control is implemented through Variable Cost Analysis and the use of internal applications.

a. Implementation of Management Accounting in Cost Planning through the Activity-Based Budgeting (ABB) Approach

Activity-Based Budgeting is a budgeting process that is prepared based on activities by identifying overhead activities as sources of incurred costs. This process has become a standard procedure in budget preparation at CV. Arafa Berkah Indonesia, with a focus on overhead costs within operational activities. Through the implementation of Activity-Based Budgeting, cost behavior can be more easily understood, as this approach is considered capable of providing more detailed information and producing more accurate outputs. The following are several stages of the Activity-Based Budgeting practices implemented at CV. Arafa Berkah Indonesia:

- 1) Identification of Core Activities
- 2) Grouping Activities into Activity Cost Pools
- 3) Estimation of Activity Volumes Based on Sales Targets
- 4) Calculation of Activity Costs
- 5) Preparation of the Total Budget
- 6) Budget Validation and Adjustment

The implementation of Activity-Based Budgeting in the budget preparation process at CV. Arafa Berkah Indonesia has been carried out effectively and consistently. This is evidenced by the minimal occurrence of budget overruns compared to the predetermined company budget. In addition, the cost budgets that have been prepared are well realized, as reflected in the outputs of each activity.

b. Implementation of Management Accounting in Cost Control through the Activity Variable Cost Method

Activity Variable Cost is a management accounting method that combines the principles of Activity-Based Budgeting with a stronger focus on variable costs. In its application at CV. Arafa Berkah Indonesia, this approach is closely related to sales activities, which include the cost of goods sold (COGS), sales administration expenses, and marketing costs (such as advertising and affiliate expenses). This method aims to identify and analyze how certain costs increase or decrease depending on activity levels, such as sales volume, the number of units produced, and marketing activities. In addition, the company is able to ensure that each operational activity that triggers costs can be planned in advance and controlled based on actual activity volumes.

In terms of cost control at CV. Arafa Berkah Indonesia, the Activity Variable Cost method helps clarify the relationship between costs, volume, and profit. Beyond supporting operational efficiency, this analysis also plays an important role in facilitating strategic decision-making that can enhance overall profitability. The following are several objectives of variable cost analysis:

- 1) Determining the Break-Even Point
- 2) Assisting in setting a rational selling price
- 3) Identifying activities that consume the most costs
- 4) Evaluating the effectiveness of promotions
- 5) Improving efficiency by reducing cost per unit

In the context of cost control at CV. Arafa Berkah Indonesia, the implementation of this method represents a strategic approach. It not only records costs based on activities but also highlights the relationship between costs, sales volume, and company profit. Its application aligns with the theory proposed by Kerzner (2017) in *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*, which states that cost control involves three main components: budget establishment, monitoring of actual expenditures, and taking corrective actions in case of deviations. These three components have begun to be implemented at CV. Arafa Berkah Indonesia through the Activity Variable Cost method, as the objectives and mechanisms of this method already encompass the three key processes of cost control outlined by Kerzner.

Challenges in Implementing Management Accounting for Cost Planning and Control

Although CV. Arafa Berkah Indonesia has benefited from the implementation of management accounting, the company still faces several challenges in optimizing the system for more effective cost planning and control. Some of these challenges include:

a. Rapid Fluctuation in Variable Cost

Variable costs are costs that change in proportion to the level of activity or volume of operations. The higher the sales volume, the greater the variable costs incurred. Variable costs are often a primary focus in management accounting analysis, particularly in flexible budgeting. At CV. Arafa Berkah Indonesia, the variable cost most prone to fluctuation is digital advertising expenses. These costs cover the company's spending to promote products through various digital platforms, such as social media (Instagram, TikTok, Facebook), marketplaces (Shopee Ads), and collaborations with influencers. Digital advertising costs are a critical component of the marketing strategy, as their amount heavily depends on campaign intensity and the volume of ads displayed. The broader the target reach, the higher the costs required.

In practice, digital advertising costs can change rapidly. Costs such as *Cost Per Click (CPC)* or *Cost Per Impression (CPM)* can increase drastically within a short period, making it difficult for the finance team to prepare stable and accurate budgets. As a result, initial period budgets may become less relevant when advertising costs rise suddenly. This instability necessitates a flexible cost monitoring system and regular budget updates.

b. Delayed utilization of applications for budget control

Another challenge affecting the effectiveness of cost control is the suboptimal use of digital applications as a tool for budget management. Before the implementation of a digital system, budget review and approval processes were done manually, consuming time and increasing the risk of delays. This situation made it difficult to monitor or control some expenditures promptly, limiting management's ability to detect potential overspending early. Although CV. Arafa Berkah Indonesia has implemented a digital cost control application since 2025, further adaptation is needed to maximize system integration and ensure more effective budget control.

CONCLUSIONS

Based on the research conducted, through in-depth data analysis and a review of relevant theoretical concepts, several key conclusions have been drawn. First, the implementation of management accounting in cost planning and control at CV. Arafa Berkah Indonesia has been carried out effectively. This is evident from the company's information system, which provides relevant data that significantly influences managerial decision-making. The application of the Activity-Based Budgeting (ABB) method in cost planning allows the company to design budgets aligned with activities across divisions, while the use of the Activity Variable Cost method in cost control helps adjust expenditures in response to activity volume and market demands. Second, the effectiveness of cost planning and control is reflected in the use of management accounting indicators across various cost categories. These indicators not only serve as tools for data provision and performance evaluation but also form the basis for sustainable strategic decision-making. However, despite the overall effectiveness of management accounting implementation, the company faces challenges such as adapting to budgeting control applications and dealing with variable cost fluctuations—particularly in digital advertising costs due to competitive dynamics and social media platform algorithms. These challenges can disrupt planned budgets, as actual expenses may exceed the set limits, requiring the company to quickly realign its strategies.

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