

Operational Cost Budget Planning and Supervision System at PT Asuransi MNC Life Assurance

Zulia Rifda Daulay¹, Khairatun Nazah²

¹Manajemen Pemasaran, Politeknik Unggul LP3M, Sumatera Utara Indonesia.

²Akuntansi, Politeknik Unggul LP3M, Sumatera Utara Indonesia

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ABSTRACT

This study aims to determine the planning and monitoring of the operational cost budget for PT MNC Life Assurance and the role of the budget in planning and monitoring these costs. As well as measuring the effectiveness of planning and tracking operational expenses. This study uses a quantitative descriptive method. And to obtain data, the author uses data collection techniques in the form of interviews and observations. At the same time, the types of data used in this research are primary and secondary. Based on the results of calculations and data collection, planning and oversight of the budget succeeded in preparing and planning the budget properly until the realization stage and was included in the practical category.



Corresponding Author:

Zulia Rifda Daulay
Manajemen Pemasaran,
Politeknik Unggul LP3M,
Jl. Iskandar Muda No.mor 3, Merdeka, Kec. Medan Baru, Kota Medan, Sumatera Utara 20156,
Email: zulia_rifda@yahoo.co.id

1. INTRODUCTION

Company. PT. MNC Life Assurance Medan is one of Indonesia's leading insurance companies that provides various services, namely education insurance, health insurance, retirement, and investment planning. Therefore PT. MNC Life Assurance requires a system for planning and controlling operational costs to achieve the desired goals.[1]

A company's success is generally marked by management's ability to see possibilities and opportunities in the future, both long-term and short-term. Planning has alternatives that may be implemented, considering business objectives and economic resources owned by the company and the constraints faced. For this purpose, management must know relevant data, especially those concerning profits and costs in the future.[2],[3]

To achieve a goal in the future, it needs to be supported by a budget to assist management in coordinating and implementing it to obtain the purposes set out in the budget. The budget provides an overview to management about the resources needed by the company to carry out the activities specified in the budget; then, the budget also explains the coordination between parts within the company so that the company's goals can be achieved so that planning is needed to develop company goals and choose activities to be carried out in the future. [4].

Good planning can be a tool for management in measuring productivity and efficiency in achieving company goals. From this efficiency, it can be concluded that planning will determine how to act before the action is carried out [5]. In other words, in planning, people are expected to think in advance about what to do, how to do it, and who will carry it out, as well as accountability for the activities carried out.[6].

2. RESEARCH METHOD

This study uses a qualitative approach method. Qualitative research focuses on aspects regarding an in-depth understanding of problems for generalization research. This research uses a qualitative method because this research is based on field theory and knows the analysis of planning and budget monitoring of operational costs at MNC Life Assurance to improve company quality. Based on the qualitative research approach, the researcher chose a descriptive analysis type of research that describes what happens in a particular situation, field, or region.[13].

The types and sources of data use primary data, which are directly obtained by researchers from sources or first parties through interviews and observations. In contrast, secondary data are obtained from journals and previous research.

Data analysis is organizing and sorting data into patterns, categories, and units that are described primarily so that themes can be seen and working hypotheses are formulated based on what is suggested in the data. [14]. In analyzing this data, the writer uses a qualitative descriptive analysis technique, where this technique the writer uses to describe, sort, describe and describe the quantitative data that the writer has obtained from the results of the method in data collection.

3. RESULTS AND DISCUSSIONS

A general description of the company

MNC Life Insurance, better known as PT. MNC Life Assurance, which was established on November 23, 2010 (previously known as Suci Life (1989-1995) and UOB Life (1995-2010), currently has 26 marketing offices spread across 21 cities in Indonesia.

Company PT. MNC Life Assurance is a place as well as a way to obtain protection from future losses, which are not definite in time or, in other words, occur suddenly. Many people have participated by investing their funds in this MNC Life Insurance company, where PT. MNC Life Assurance guarantees the availability of several funds that can replace income funds, which can be obtained from the primary financial source for families. The products available at PT MNC Life Assurance are divided into 2 (two) groups: individual insurance and group insurance.

PT MNC Life Assurance has a vision of "Providing financial protection and improving the lives of Indonesian people through operational activities, customer satisfaction levels, and strong financial performance." MNC Life is committed to assisting individual customers and group clients in managing financial risks, ensuring they make the right financial decisions, and providing products and services.

Research result

In this study, the emphasis is on the system of planning and monitoring the budget for operational costs in MNC life. This is intended to analyze MNC Life's operating budget. The research object used in this study is the Profit and Loss Report and the calculation of the operational cost budget.

Data on the company's operating expense budget in 2019 is shown in the following table:

**Table 1. 2019 Operational Budget Data
(In rupiah)**

Marketing Expenses:	
Cost of claims and benefits	Rp. 12.000.000
Marketing expenses (advertising)	Rp. 5.000.000
Marketing employee salary	Rp. 15.000.000
Total marketing expenses	Rp. 32.000.000
Administration and general fee:	
Salary	Rp. 31.000.000
Administrative cost	Rp. 2.100.000
Office vehicle maintenance costs	Rp. 500.000
Vehicle depreciation costs	Rp. 5.500.000
Fuel costs	Rp. 8.000.000
Other common expenses	Rp. 4.000.000
Office equipment depreciation expense	Rp. 600.000

Administration and general fee:	
Cost of office equipment	Rp. 5000.000
Electricity and water cost	Rp. 3.500.000
Telephone, telex, and fax costs	Rp. 1.800.000
Bank administration fees	Rp. 1.600.000
Dues	Rp. 4.000.000
Fire insurance costs	Rp. 10.000.000
Permin fee	Rp. 3.000.000
Office kitchen expenses	Rp. 3.600.000
Office maintenance costs	Rp. 3.200.000
Total administrative and general costs	Rp.87.400.000
Total All Costs	Rp. 119.400.000

Source: MNC Life, 2023

From the table above, it can be seen that the operating expense budget is divided into 2 (two) parts: marketing costs and administrative and general costs; each cost is detailed in the budget amount. The total operational budget in 2019 is Rp. 119,400,000.

Planning and Supervision of the Operational Cost Budget

Before analyzing the company's operating expense budget, to find out and evaluate whether the company can maintain the budget and whether management can make the right decisions to generate the maximum profit for the company, it is necessary to display the company's 2019 profit and loss report, where in this report it can be seen the realization of the company's operating expenses. The company's income statement is shown in Table 4.2 below:

**Table 2. Company Profit and Loss Report 2019
(In rupiah)**

Income:	
Premium income	278.000.000
Investment return	62.301.000
Recompense DPLK	-
Other income	253.000
Total income	340.554.000
Load costs:	
Insurance expense	
Claims and Benefits:	
Claims and Benefits paid	10.314.000
Reinsurance claims	618.000
Increase or decrease in premium reserves	(283.000)
Increase or decrease claims	-
Amount of claims and benefits	10.649.000
Acquisition expense	
Annual commission expense I	3.006.000s
Continued unpaid commission expense	1.073.000
Unpaid commission overriding	1.123.000
Other loads	400.000
Total acquisition expenses	5.602.000
Operating expenses	
Marketing expenses	3.340.000
General and administrative expenses:	
Bursen on employees and managers	31.000.000
Education and training burden	2.700.000
Other	-
Total Operating Expenses	37.040.000
Total load	53.291.000
Profit or loss before tax	340.554.000
Income tax	130.926.000
Profit after tax	80.606.000
Other cooperative income	-

Total comprehensive profit or loss	340.554.000
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In the profit and loss report above, it can be seen that the net profit earned by the company in 2019 amounted to Rp. 340,554,000 to facilitate comparisons between operational budget planning and its realization; the following comparison table will be presented as shown in Table 4.3. following:

Table 3. Comparison Between the Operational Budget Budget and Realization in 2019 (In rupiah)

Business costs	Budget	Realization	Difference
Claim costs and benefit	12.000.000	11.000.000	1.000.000
Advertising costs	5000.000	5.000.000	-
Marketing employee salary	15.000.000	15.000.000	-
Salary expense	.31.000.000	31.000.000	-
Other administrative costs	4.100.000	5.255.000	1.155.000
Office vehicle maintenance costs	500.000	320.000	180.000
Vehicle depreciation costs	5.500.000	5.500.000	-
Fuel costs	14.000.000	14.700.000	700.000
Other common expenses	4.000.000	4.450.000	450.000
Office equipment depreciation	600.000	650.000	50.000
Office equipment costs	5000.000	5.550.000	550.000
Electricity and water cost	3.500.000	3.500.000	-
Telephone, telex, and fax costs	1.800.000	1.825.000	25.000
Bank administration fees	8.600.000	8.600.000	-
Dues	4.000.000	4.000.000	-
Fire insurance costs	10.000.000	10.000.000	-
Permit fee	3.000.000	3.100.000	-
Office kitchen expenses	3.600.000	3.750.000	150.000
Office maintenance costs	20.000.000	24.700.000	4.700.000
Total Cost	127.700.000	128.200.000	(1.700.000)

From the comparison table above, it can be seen that the realization of operational expenses is IDR 128,200,000. This expenditure is greater than the budget of 127,700,000.

The most notable deviation is in the cost of maintaining the office, which is a difference of Rp. 1,700,000. This deviation is caused by not considering the costs incurred in connection with the repair and expansion of office space. The difference that occurs between the operational cost budget and the actual expenditure has an impact on the company's profit. In the following, the company's profit and loss report will be displayed with a comparison of profit gains, as shown in Table 4.4. following:

Table 4. Comparison of Profit Earnings in the 2019 Company L/R Report (In rupiah)

	Budget	Realization	Difference
Premium income	278.372.000	278.372.000	-
Investment return	62.301.000	62.301.000	-
Recompense DPLK	-	-	-
Other income	253.000	235.000	-
Total Income	340.554.000	340.554.000	-
Burden:			
Insurance expense			
Claims and benefits:			
Claims and benefits are paid	10.314.000	13.000.000	3.314.000
Reinsurance claims	618.000	714.000	96.000
Increase or decrease in premium reserves	(283.000)	(283.000)	-
Continued unpaid commission expense	-	-	-
Amount of claims and benefits	10.649.000	15.997.000	5.410.000
Acquisition expense			
Annual commission expense I	3.006.000	-	-

Continued unpaid commission expense	1.073.000	-	-
Unpaid commission overriding	1.123.000	-	-
Other loads	400.000	-	-
Total acquisition expenses	5.602.000	5.602.000	-
Operating expenses			
Marketing expenses	3.340.000	4.000.000	660.000
General and administrative expenses:			
Bursen on employees and managers	31.000.000	31.000.000	-
Education and training burden	2.700.000	2.700.000	-
Office repair costs	-	13.200.000	13.200.000
Other	-	150.000	150.000
Total operating expenses	37.040.000	38.050.000	1.609.000
Total Load	53.291.000	59.649.000	(6.358.000)
Profit or loss before tax	287.253.000	280.895.000	
Income tax	130.926.000	130.926.000	-
Profit after tax	156.327.000	149.969.000	
Other comprehensive income	-	-	
Total profit (loss)	156.372.000	149.969.000	6.358.000

The things that need to be explained from the comparison table above are:

1. If there is a deviation between the operational cost budget and its realization, it will impact the company's profit.
2. Therefore, in this paper, the realization of the non-operating cost budget is assumed to be the same.

This comparison of profits shows that the company's profits are not optimal because it is smaller than profits if the company can control management properly so that irregularities do not occur.

Discussion of Analysis Results

Based on the results of the comparative analysis presented above, the following results are presented:

1. The company's operating expense budget has not played a role as a management planning and control tool because there are deviations between the operating expense budget and its realization resulting from not considering the costs that will arise with the repair and expansion of office space. The variation is Rp.13,200,000, more significant than the budget (see Table 4.4).
2. Efforts are needed to improve the company's management control system so that the company will be more efficient in using funds to finance the company's operational activities, and the wastage of funds can be kept to a minimum.

From the results of the analysis performed, it is known that:

1. There is a significant discrepancy between the budget for operating expenses and actual spending on office maintenance costs of IDR 180,000 (see Table 4.4).
2. Deviations between the operational cost budget and the realization of expenses impact the company's profit, where the company's profit is smaller by Rp. 6,358,000 (see Table 4.4).

The factors that cause deviations from the actual budget for operating expenses are:

1. Implementing the planning function could be more optimal due to the lack of implemented management control activities. In carrying out the planning function, the company needs to do the following:
 - a) Determine a more realistic nominal operational cost budget. The financial manager must be able to analyze the development of conditions within and outside the company. Examples of states within the company include changes in employee salaries, additions to fixed assets that affect the cost of depreciating assets, and others. Examples of conditions outside the company such as increased advertising costs, vehicle costs, and others.
 - b) They are planning what the company should do to implement the budget properly, such as planning the costs incurred for office repairs and maintenance so that office maintenance expenses can be more directed and designed.

- c) It coordinates activities that need to be carried out by the company to support the implementation of the budget, such as monitoring operational costs.
 - d) They communicated information so that operational expenses could be directed and as needed.
 - e) Evaluating information, such as checking whether the information conveyed has been carried out correctly.
 - f) They decide what action to take if the control activities are not working correctly.
 - g) It is changing company actions and management, including organizational behavior, in a better direction so that problems that occur do not recur in the future.
2. Implementation of the management control function is not implemented correctly, so the budgeted amount is more significant than the reality. The implementation of the control function can be carried out as follows:
- a) Supervise every transaction related to the company's cash disbursements so that these expenditures are appropriate and as needed.
 - b) We are implementing internal control in spending the company's operational costs. For example, each expenditure is appropriate and as needed.

From the results of the discussion of this analysis, it can answer the formulation of the problem described earlier, where the budget at the MNC Life company has not been appropriately used as a planning and monitoring tool for operational costs because there is a lack of effectiveness and efficiency in preparing the budget.

5. CONCLUSION

Based on the description and research that has been done, the conclusions that the author can give are: Planning and monitoring the operational cost budget at the company have not played an optimal role because there are deviations between the operating cost budget and its realization resulting from not considering the costs that will arise in connection with office repairs. The required cost of supervision of the company's management system so that the company will be more efficient in using funds can be kept to a minimum. The results of the analysis carried out; it is known that the company's profit is not optimal, caused by: There must be a significant discrepancy between the operational cost budget and the realization. Deviations between the operational cost budget and the actual expenses impact the company's profit, which is the company's profit. The factors that cause deviations from the operational cost budget with the actual expenditure of operating costs are: Implementing the planning function could be more optimal due to the lack of management control activities. The supervisory function cannot be adequately implemented, so the budgeted amount is more significant than the reality.

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