

Budgeting Application For Personal Financial Planning Among Students Majoring in Accounting

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Abstract

This study aimed to explain about the implementation of budgeting course in personal financial planning among the students majoring in accounting. It is very important, since most of the students frequently spend a lot of money after they receive pocket money from their parents and will be very frugal at the end of the month. This phenomenon might happen because of the lack of knowledge on budgeting. This study used a qualitative method involving 18 students from varying levels of knowledge. The findings showed that students of "Excellent" group were interested in and highly mastered the budgeting course, thereby most of them made a budget and performed a simple variance analysis. On the contrary, students of the "Adequate" group were less interested in learning the course so they did not get the benefits of its learning. Limitation of this study actually lies in participants who are living in boarding houses. Recommendations are seen only from the students' point of view. Further studies can be carried out by increasing the variability of participants and the improvement in learning methods can be done by observing the views of various parties.

Keywords: Budgeting course, Personal Financial Planning

Introduction

Human beings are always surrounded by their needs, both primary and secondary ones. These needs may increase noticeably due to inflation. An increase in the living cost every year may encourage one to make financial planning as early as possible. Financial planning needs to be made so individuals avoid financial problems and achieve financial prosperity in the future (Doda & Fortuzi, 2015; Winger & Frasca, 2002). Good financial planning can be developed if someone has good financial literacy (Hogarth et al., 2003). If someone has higher financial literacy than others, then he or she is less likely to face financial problems (Shen et al., 2016).

Financial literacy can be acquired by learning both formally and informally. Formal learning can be pursued in university, especially in accounting major. However, even though accounting students have gained financial planning knowledge, previous studies demonstrated that financial literacy among students is relatively low (Tiboh, 2016). Previous studies show that many students have not planned their finances and they often get financial problems (Guthrie & Nicholls, 2015; Silva et al., 2017). Other studies carried out that only less than 13% of American students have prepared comprehensive financial planning even they know that financial planning was very crucial (Murphy & Yetmar, 2010). Financial planning should become one of the important things of the current student activities. (Brounen et al., 2016; James et al., 2002), since they have to start taking responsibility for their finances (Wagner & Walstad, 2015). The use of *budget* may become effective self-control tools.

Accounting students get various subjects related to financial literacy. Cost accounting and management accounting subjects are good reference in developing personal financial planning because budgeting course is delivered in depth and obviously in those subjects (Blumentritt, 2006). With respect to the above matters, this study attempted to explain how far students majoring in accounting having received budgeting course can apply the budgeting course to prepare their personal financial planning and improvement needed to increase the students' understanding.

This study contributes to accounting educators, as a reflection of the learning process that has been done and finally can be used as a basis for improving learning methods. Furthermore, this study is

also expected to be useful for accounting students to deepen their financial planning knowledge. This is very fruitful in structuring their personal financial future.

This study was organized with the structure: first introduction consisting of the background, objectives and contributions of the study. Review literature is discussed in the next sub-section followed by research methodology. Furthermore, findings and analysis are presented in depth and ended up with conclusion.

Financial literacy is defined as the person's capability to use all knowledge about financial concepts, financial planning and understanding of financial services, and products (Berry et al., 2018; Karlan et al., 2015). Armed with the financial literacy, he will be able to read, manage and analyze personal financial conditions that may affect their economic well-being (Potrich et al., 2016). In essence, financial literacy is closely related to one's ability to manage finances. To do this, he also requires an understanding of financial skills and financial tools. Financial skill constitutes a technique for making financial planning. There are four things that are most common in financial literacy, including budgeting, savings, loans, and investment. Students should have better knowledge about these four things to prevent them from financial problems.

Budgeting is one of the planning tools that help companies or individuals to avoid unnecessary expenditures. It is also developed to help achieving certain goals (Messer, 2017). Budget is a product of the budgeting process in the form of a quantitative expression of an action plan within a certain period and may serve as a tool to help coordinate the implementation of the plan. Budget constitutes an estimate of all transactions for a predetermined period, which is arranged in a specific way for control purpose (Messer, 2017).

For individuals, budgeting brings about benefits in managing finances, first, it allows someone to see in detail the financial outflow and inflows. Individuals will be able to know which expenditure are bigger compared to other expenditure. In the later days this can be used as an evaluation tools. Second, a budget can be used as a guide in managing finances, both in setting aside and spending the money. Third, budget also serves to prevent someone from making expenditure greater than income. Budgeting frequently done by individuals is related to cash. The cash budget is prepared, and at the end of the month, the cash budget is compared and evaluated based upon the realized cash transactions. These differences are often referred to as variances.

Cash budget prepared by individual is a part of personal financial planning. Personal financial planning corresponds to a process carried out by an individual by taking into account of all current personal and financial information, determining future financial goals and developing financial plans to meet these goals (Crankshaw, 2006; Doda & Fortuzi, 2015; Patel & Kumar, 2017). Personal financial planning can help an individual in terms of safety, security and wealth creation to accomplish a better standard of life (Hanna & Lindamood, 2010). Cash flow management is considered good when a person is able to balance between income and expenditure (Herdjiono & Damanik, 2016; Hilgert et al., 2003).

Methods

This study used a qualitative explanatory method. It tried to delve deeper into the application of budgeting course on personal finance among students majoring in accounting at a private university in East Java. Participants were selected using accidental sampling. Data were collected by several methods, such as interviews, observation and analysis of documents. Semi-structured interviews were made for selected participants who had taken cost accounting courses and lived far apart from parents or living in boarding houses. The eighteen students were from the 2014 class up to the 2016 class and had varying grades for cost accounting courses (table 1). Distribution of GPA with a limit of 3.00 was made under consideration that the students having GPA 3.00 were classified as being able to master the course material taught. Thus, they can realize that budgeting course can help them prepare personal financial planning. Students will not experience difficulties in their finances.

Observations were carried out in a non-participant observation by looking directly at student activities related to financial literacy, especially personal financial planning. Observations were also

made by looking directly at the budgeting learning process. Document analysis method was undertaken by seeing student expenditure records and cost accounting lecture syllabi. Triangulation was executed by analyzing data from observation, interview and document analysis. This is useful for enhancing the data reliability and validity.

Table 1. Number of Respondents of Students in Accounting Department

Classification	GPA	Class			Number
		2014	2015	2016	
Good (G)	< 3.00	3 students	3 students	3 students	9 students
Excellent (E)	≥ 3.00	3 students	3 students	3 students	9 students
Total		6 students	9 students	6 students	18 students

Several steps taken in an effort to answer research questions were first, understanding the views of students regarding budgeting course. Some of the questions raise to find out the views of the students were including what they have known about budgeting and whether budgeting is important for students. The second stage was explaining the mastery of students about the budgeting course. Mastery of this material was known from the grades of the cost accounting course. In addition to using objective knowledge, subjective knowledge was also examined here by asking several questions, including: based on a 1-10 scale, please rate how much you have mastered the budgeting course, your interest in taking budgeting course and what was the attitude of students towards budgeting course.

The third stage explained the personal financial planning that has been carried out by students. Document analysis here took the form of records of each student's spending and interviews about their knowledge on personal financial planning, how important personal financial planning is and how personal financial planning the students have done thus far. Furthermore, a study of budgeting course application in the student's personal financial planning was conducted by analyzing students' "revenue" (pocket money) and expense documents and asking students to show the relationship between the budgeting course and the budgeting process that students have done. Before performing document analysis, the participants were interviewed about how much influence budgeting had on students' personal financial planning. The final stage was done by asking participants to explain the difficulties and challenges in developing financial planning and recommendations for improving the learning process to enhance the learning effectiveness.

Results

The first stage of this study tried to find out the views of students on budgeting course. Although students have studied the same course, each student always has their own perspectives. Here are some interviews about the definition of budget quoted from the students majoring in accounting:

"A budget is like an arrangement or like similar another else ... like how much a month you spend money, all expenses have been planned beforehand, so it's like your plan of expense for the next month" (participant A1-2014)

"It's like a company which calculates money that will be spent in the future, so it already knows what money to be spent for certain needs" (participant E1- 2015)

Of the several fragments of interviews above, most students know what budgeting means. This is consistent with the concept which states that the budget is a quantitative expression of an action plan prepared by the management within a certain period of time and as a tool to help coordinate the implementation of the plan (Ambarriani, 2012).

Most students also consider that budgeting course is very essential to apply in their lives before they go directly into an increasingly complicated business. Thus, it can be said that the budget for personal financial planning may serve as a first step for budgeting in a more complicated business. The following are interviews quoted from several accounting majors who consider that the budget is important:

"Budgeting is important because with our budgeting we know how much money to be spent" (Participant A2- 2014)

"Budgeting is important because with budgeting we can also evaluate our expenses" (Participant A3- 2015)

These quotations show that some of the students consider budgeting course as important course. This is consistent with several theories saying that the budget can be used as self-control. With the budgeting, an individual or family can see in detail the financial outflows and inflows. This means that using the budget, someone will be able to find out which expenditure are the biggest compared with other expenditure. Thus, an evaluation related to the expenses can be made (OJK, 2013).

Understanding of the ontology and epistemology of the formation of a cash budget conceptually will provoke students' interests in learning more deeply and practicing it in their personal lives. Interest in budgeting course should be directly related to the grade of the course. This is because the student's level of interest will substantially affect the level of mastery of the relevant course and the student's intention to follow the lecturing process. This is in accordance with Ajzen's statement that attitude may influence intention. The results of the interviews showed that some students are interested in the course material but some students are not interested. The trigger of disinterest among students is mainly because budgeting course material is quite difficult to understand. This is experienced by many students in the "Adequate" group. However, most students of the "Excellent" group stated that they were interested in budgeting course as budgeting could be put in practice in everyday life. For example, if you want to buy goods, then you already know a target of how much money must be spent.

A student with GPA < 3.00 honestly admitted that he was not interested in budgeting course. This is reflected in the grade he got in the cost accounting course. He got the D grade in the cost accounting and C in the management accounting. From the beginning he was not interested in the budgeting course and he also didn't like its learning methods thereby he was not comfortable attending the lecture process and this resulted in a fair low level of understanding and low grade.

Table 2. Students' Mastery of Budgeting Course and Their Interests

No	Participant	GPA	Grades of the Course		Level of Interests
			Cost accounting	Management Accounting	
1	A1-2014	2,0-3,0	D	C	Not interested
2	A2-2014	2,0-3,0	BC	C	Interested
3	A1-2016	2,0-3,0	C	On going	Fairly interested
4	A2-2016	2,0-3,0	BC	On going	Fairly interested
5	E1-2014	>3,0	D	BC	Fairly interested
6	E2-2014	>3,0	C	BC	Fairly interested
7	E3-2014	>3,0	A	A	Interested
8	E3-2015	>3,0	B	B	Interested
9	E3-2016	>3,0	A	On going	Interested

One participant, namely A3-2014, has a unique thing. He looked at budgeting course as common/not special course or he was less interested in the course, but he got the grade C for cost accounting and AB for management accounting. This is because he learnt it diligently. When he will take the exam, he studied seriously, he considered difficult. Thus it can be concluded that intention is not always reflected in the grade obtained by students as other factors may influence the lecture process, namely the learning process and student perseverance when preparing the exam.

In addition to objective knowledge, subjective knowledge also plays an indispensable role in the willingness of students to apply budgeting course in their personal lives (Aertsens et al., 2011; Vicente-Molina et al., 2013). Subjective knowledge is assessed by category of the assessment criteria scale to see the students' mastery of the budgeting course. The creation of this category was based on the distribution of scales from 1 to 10, where 10 means that a student has very good mastery. Most students answered a scale of three to eight. One student mastered the course material on scale 3. Five students mastered the course material on scale 4. Three students mastered the course material on

scale 5. Three students mastered the course material on the scale 6; five students on scale 7. While one student mastered the course material on scale 8.

The results of the interviews showed a consistency between subjective knowledge and objective knowledge, suggesting that students who mastered the course material (subjective knowledge) on the scale 4 (poor) got BC grade in the cost accounting and accounting management courses, and vice versa. This reflects that those students not only felt that they mastered the lecture material, but they also really mastered the course material well.

The mastery of course material for each student is influenced by several aspects such as lecturers, learning behavior, lecture environment, self condition, and home. All students who became the research participants stated that they were not active students in the classroom. They only listened to what the lecturer said and recorded it. When they didn't understand the course material, they will ask their friends more often or learn through an assistant class. This also occurred in non-participant observation, where students were passive in the teaching and learning process. They were more likely to be quiet and listened to what the lecturer said. They only listened and occasionally wrote down things that are considered important. The question is whether students are indeed too lazy or the way to deliver course material is less attractive for students.

Personal financial planning is one of the keys to achieving financial success and comfort in life. Personal financial planning should be done as early as possible. With personal financial planning from an early start, someone will get used to managing their finances. To make personal financial planning, students must have financial knowledge. The following are some interviews quoted from students majoring in accounting regarding their insights on personal financial planning:

"All expenses must be budgeted first so that we can know whether we are wasteful or not" (participant E3-2014)

This is consistent with the concept that personal financial planning represents a process to plan financial goals. The students also said that financial planning is important, since personal financial planning can be used as an evaluation or control over their finances. However, some students have the knowledge but didn't make their personal financial planning well, so they frequently experienced financial problems, especially at the end of the month. Some students made personal financial planning informally; they did not write down and only kept it in their minds. Such budgeting is not recommended as it might cause uncontrolled personal financial condition. This is due to the absence of formal recording which is the reference for making personal expenses. Interviews with students showed:

"Yes, I have (experienced financial problems) ... usually the money runs out after the end of the month, so I continue to owe to my friends" (participant A1-2014)

The above quotes indicate that financial planning is exceptionally important not only for a company, but also for one's personal life. If students can plan their personal finances appropriately, they will not experience financial problems. Interviews with students who recorded their cash transactions stated:

Yes, I ever recorded, usually see what the transaction looks like, I usually recorded a expense every month, then making plan in the following month, so I knew about how much I spent money at end of month, and in the next month I would reduce the expense, if the expense in this month was too large, I would decrease it in the next month, so it was calculated and planned so that the money will not be spent beyond what was given by parents" (participant E2-2014)

The document analysis on 9 May 2018 indicated that participant E2 has planned and controlled his financial transactions. Some students did not make personal financial planning because they thought that if their pocket money run out, they can ask for the money to their the parents again. This situation shows their lack of maturity. This condition is possibly caused by many aspects, such as discipline taught by family, culture, and personal character.

Principally all the course materials taught in lectures have benefits and can be put into practice to the real life, likewise with budgeting course. The course material can be used by students as a basis for personal financial planning. Using the budgeting course the students should be able to make

personal financial planning in a simple manner. At the very least, the student can do personal financial planning for a period of one month. After making personal financial planning the students can perform a variance analysis that has also been taught in the budgeting course. This variant analysis is used as an evaluation tool of the student expenses by comparing the actual expenses and budgeted expenses.

Most students feel that budgeting course is indeed crucial for personal financial planning, but for this time the course has not affected the student's personal financial planning. Several interviews to the accounting students regarding the effect of budgeting course on personal financial planning are presented below.

"This time, budgeting course had no an apparent effect on my financial planning, because I did the financial control from my own mind, for instance, I bought the item that I really needed" (participant E3-2014)

"It had no influence; in the cost accounting course I was taught to prepare a budget for one month, but I didn't apply it to my finances" (participant G1-2016)

Many students do not implement budgeting for personal financial planning as they consider that the course material is incredibly complicated. Budget as a planning tool is always followed by a variance analysis as a control and evaluation tool. This adds to the complexity of implementing the budget as a financial planning tool. In implementing personal budgeting, the students personally need to prepare budget at the beginning of the month and then they need to record all receipts and expenses for the month. After that at the end of the month they should compare actual revenues and expenses and those which have been budgeted. Thus, the students can perform a simple variance analysis.

The study of the role of knowledge in budgeting course implementation showed that, first, students of the "Adequate" group have answered correctly about the meaning of budgeting and understand the importance of budgeting in their lives. Five students claimed to be interested in the budgeting; 2 students were fairly interested and 2 students were not interested in budgeting. Students who were not interested in the budgeting felt if their passions were not in the calculation/accounting course. Even some students from the beginning were not interested in accounting so they were unenthusiastic to learn more deeply. Students who claimed to be interested in this course material said that budgeting course is beneficial for their lives now and in the future. Another reason that caused students to be interested in the course material stated that budgeting course was cool and pleasing to learn. The mastery scale of students in the medium category (GPA 2.0-3.0) is on a scale of 3 - 7, indicating that the mastery of students on budgeting course is on the poor up to good category. Three students are in the poor category; three students are in the fair category; and three students in the good category. The attitude of students in the classroom while receiving the course material was relatively passive. Although students understand the meaning and benefits of the budget, in this category no students implemented a budgeting to their personal finances. This is because they felt that there is no time to make a budgeting though the budgeting can be made without requiring a long time. Thus students who are in this category, the budgeting course have not affected their financial planning.

Students who have GPA 3.0 understood the budgeting course delivered in the class. On average, all of the students were interested in budgeting course. The mastery scale of budgeting course for students in this category is from a scale of 4 - 8. This means that mastery is in a fair up to good category. Most students participated actively in the classroom. Some students have made personal financial planning by recording revenues and expenses. Budgeting course material had an effect on students in this group because they made personal financial planning by making expenditure records.

To build up the implementation of budgeting course in the students' personal financial planning, improvements in the lecture process should be carried out constantly. This is intended to make the lecture process better. Learning effectiveness must be boosted by which this material is more useful to be implemented in everyday life.

In the cost accounting course, the lecture material is delivered by the lecturer who is explaining the material and the students are sometimes given some several assignments related to the lecture

material. Whereas for the accounting management process, the lecturing process is done by discussion of cases. Every week groups of students will present their material along with cases derived from newspapers, magazines, tabloids, online media associated with the material to be discussed.

The suggestion for improvement given by students is that to involve students actively in the learning process, the learning can be carried out using role play and a real case-based study thereby discussion in class can encourage students to be more proactive and ultimately facilitate them to understand the material. In addition, the lecturers can give students the assignments of personal financial planning and explain what benefits will be obtained when using personal financial planning by which the students can present the material on how they make personal financial planning, implement it and finding out solutions to problems that might occur when creating and implementing personal financial planning.

In fact all students' expectations related to the learning process in budgeting course are already in accordance with the current learning process. However, some of the students feel unable to understand the existing lecture process. This shows the need for communication and discussion between lecturers and students so that learning effectiveness is achieved in accordance with the existing syllabus and in line with the student's expectations. The lecturers play very significant roles to encourage students to dare to express their opinions and discuss how to understand the material discussed. Thus, the lecturing process would be comfortable and enjoyable.

Conclusions

This results of this study showed that most students understand the importance of budgeting for personal financial planning. However, the scale of mastery of budgeting course has not been satisfactory yet. The students' intention is directly associated with their knowledge and in line with their behavior in making financial planning. The biggest obstacle felt by students is that budgeting course is too complicated to implement. Therefore, improvements in the lecturing process should be carried out persistently in order to achieve learning effectiveness as expected.

This study has some limitations where the discussion on the improvement of the lecturing process was only carried out from the views of students and therefore further studies need to be carried out by looking at the views of the course material provider, namely accounting educators and students as recipients of budgeting course. In addition, this study only investigates the role of budgeting course for students living in the boarding houses under the consideration that they are students who really need personal budgeting. Further researches should be carried out in all students, considering that they would eventually become independent people who must be able to manage their personal finances.

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