

## The Role of Budgeting in Planning and Controlling in an International Nonprofit Organization: A Case Study in AIESEC International

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### Abstrak

There is an increasing need for nonprofit organizations to improve their way of management and operation so that they can optimally use its limited resources to provide better services to its environment. Budgeting is one of a number of important areas of management and operation. The thesis focuses on the use of budgeting as planning and controlling tools in a nonprofit organization. The information required in the development of the thesis is obtained through field study in AIESEC International as well as a study of literatures in the libraries. AIESEC International formulates its year plan prior to the development of annual budget. In such a manner, available resources can be allocated based on the priorities to achieve the organizational goals. In developing its budget, AIESEC International applies participatory budgeting with bottom-up approach. This way, the budget developed may contain a more reliable data as the persons involved are familiar with daily operation. As the budget is developed, it is then reviewed and approved by AIESEC member countries. The development of expenditures budget precedes the development of revenues budget. The targeted revenues are then expected to be balanced the estimated expenditures. The budget structure follows the management structure of AIESEC International, in which it consists of budgets for functional key areas as well as for the regions. AIESEC International allocates its revenues and expenditures to one unrestricted and a number of restricted funds. The revenues are generated from internal and external financial sources. Revenues from internal sources consist of fees collection from member countries, while those from external sources are mostly in the forms of sponsorship, grants and donations from government, private institutions and companies. As an attempt to obtain a better reflection of financial condition, starting in the 1992/1993 financial year, the accrual basis accounting is used as the revenues recognition method, replacing the former cash basis accounting. It can be concluded that AIESEC International has been using the budget as its planning and coordination tools. However, the use of budget as a controlling and performance evaluation tools has not been fully implemented.