

HOUSEHOLD ACCOUNTING: RESPONSIBILITY IN RECORDING, LONG-TERM DECISION MAKING AND PLANNING

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ABSTRACT

The purpose of this study is to describe the responsibilities and roles of a husband or wife in recording, long-term decision making and planning in the smallest organization called a household. The study was conducted by taking respondents who worked and married in Surabaya. The research sample consisted of 20 respondents. The research methods used were survey and case study. The data collection techniques used were observation and in-depth interviews. Through this research, the role of husband and wife can be described qualitatively in recording, long-term financial decision making and planning of an organization called a household. Based on the results of the study it can be concluded that recording household income and expenditure including decision making on relatively small expenditures is routinely carried out by the wife while making long-term decisions and involving a relatively large amount of funds is made by the husband, so that justice and equality are achieved in the division of work and responsibility between husband and wife in the household economy.

KEYWORDS: accounting, household, household accounting, recording, budgeting, long-term decision making and planning

INTRODUCTION

A household is a place where our hearts are, a place where we rest, and a place where happiness occurs in a personal family life with our spouse. But, maybe we are not fully aware that the household is not only a place to consume goods purchased on the market but also a place of production, and distribution of resources to achieve certain goals. Households are said to be a separate organization whose output is food and physical and mental health of couples and children which is one of the important production factors, namely human resources where the input is hard work from household members and purchased capital goods in the market.

Households are still considered as a place of consumption, not a place of production. However, a household is actually not only a place of consumption but also a place of production. Households are also producers of resources and distribution to attain the goals. There is a complex reality of professional household management in order to achieve the coveted common goal so that it is not surprising that households are places where we apply rational practices namely accounting and accountability.

The company is seen as a place of work where all financial activities are recorded and carried out professionally and rationally. Whereas household is seen as a place where there are still many decisions taken that are emotional. This also applies to the treatment of financial information practiced by company and household. The recording of the

company's financial transactions is consistent, complete and detailed. And therefore almost all companies use computers to produce financial reports needed in decision making.

Whereas financial records in households are very different, often the recording of transactions is not uniformly, consistent, complete and detailed. The use of computers in producing household financial reports is still rare. Decisions on the purchase of goods or services still tend to be irrational even though the transactions carried out involve high transaction values. Therefore the use of single-entry bookkeeping may be more suitable for household.

Since households are still widely regarded as places of consumption and irrational decisions rather than production sites, they get a marginal position. Accounting academics pay more attention to organizations that are clearly seen professionally, namely companies, household organizations that have not clearly seen still need further exploration. Therefore this research tries to explore the practices of household accounting, especially the role of husbands and wives in recording and household expenses, as well as making decisions and planning for relatively large amounts of purchases or disbursements.

LITERATURE REVIEW

Differences in Company Accounting Practices and Household Accounting

Another characteristic regarding household accounting is that decision making in the household

is multi-dimensional in nature and it is difficult to balance life's goals with economic rationality. Material, emotional and spiritual needs combine in decision making. When emotional aspects run with economic aspects, the result of the study shows that they often reject economic aspects. So, it is said that the household finance strategy is complex and determined by many social and psychological factors, rather than solely economic factors.

The company is seen as a workplace where all activities are carried out professionally and almost always rationally. This also applies to the treatment of financial information practiced by companies. Recording of company financial transactions is consistent, complete, detailed and follows general acceptable rules. And almost all companies use computers to produce financial reports needed in decision making

Whereas households are places where some of the decisions taken tend to be emotional in nature even though the transactions carried out involve high transaction values. More over, the recording of transactions is often not done in a consistent, complete, detailed, and generally accepted because of limited time and effort. The use of computers in producing household financial reports is still rarely found because there are still many household financiers who do not have sufficient capacity for computer application programs.

The role of self-accounting in the household is very important because it can avoid its own financial problems. The inability to control money will have an impact on difficulties, anxiety and illness (Hancock, 1979).

The Four Categories of Household Accounting Practices are: (Deryl and Bill, 2000)

1. Recording
2. Budgeting
3. Decision making
4. Long-term financial planning

1. Recording

Decisions about what information is recorded and how to record it are conditioned by the needs of each partner and the skills of the husband/wife who make the record. Bookkeeping requires discipline in recording and the problem of the time and effort needed for the task. The purpose of household accounting is to generate income, accumulate wealth and distribution, and achieve personal success. This leads to the conclusion that single-entry bookkeeping is more suitable for households where attention is placed on monitoring expenditure and consumption levels, rather than profit maximization.

2. Budgeting

Budgeting is the most important part that is highly recommended for everyone including budgeting in the household, budgeting is a technique that facilitates an action to control financial planning, controlling and managing family assets and is an important element in achieving family collective goals (Nickel et al, 1976, p. 274: Oppenheim, 1976, p. 131).

Sometimes, someone must learn to do a budgeting plan that is more precise and wise and really needs to be done. This is because there are several household families who are unable to manage their own finances. Households that are not able to manage their own finances will have an impact on financial destruction and can push them too far away from debt continuously to creditors or debt collectors. Financial difficulties alone can lead to loss of friends and the greatest risk of divorce in the household (Philips and Lane, 1980).

3. Decision Making

Another characteristic regarding household accounting is that decision making in the household is multi-dimensional in nature and it is difficult to balance life's goals with economic rationality. Material, emotional and spiritual needs combine in decision making. Many also from couples who think that life is short mentality then life needs to be enjoyed. This causes them to tend to be more consumptive and less thoughtful in the long run so that they do not make plans far ahead. This is not in line with the rational organization going-concern context.

Three types of household financial decisions after reading financial statements are related to decisions about how much money should be saved, short and long-term financial planning and decisions about large purchases such as house, car, and vacation. Another important thing in decision making is avoiding debt, there is a tendency to avoid spending more than income or debt to meet daily needs. Purchasing decisions that involve a relatively large amount of funds are usually carried out by the husband while daily budgeting tends to be the responsibility of the wife.

4. Long-term financial planning

Long-term financial planning is useful for anticipating large expenditures that will occur in the future, such as childbirth, child marriage and death or purchase of high-value household assets such as house or car loan payments. Besides that, long-term planning anticipates unexpected expenses and serves to protect household finances from the risks of expenditures that exceed the amount of income, thus

avoiding the family's financial condition from the debt burden.

Household accounting practices are seen not only as short-term budget control but towards lifelong planning and increased awareness of social and environmental issues. Without the going-concern context, household financial planning faces limitations, although these limitations are not clear. Making rational elections between consumption and savings is problematic in the context of the household. Besides, "Financial problems are the biggest disease in new household life rather than sex problems" (Gundrey, 1975; Allen, 1977).

RESEARCH METHODS

This research was conducted in Surabaya as the second busiest city in Indonesia, the data source is young professionals who work and are married in Surabaya. The research method used is a qualitative descriptive approach, using survey research methods and case study (Brannen, 1997: 85).

Respondents Profile

Samples of data sources were selected purposively and were snowball sampling. Those who were made the object of the study were those who had an undergraduate education background, had a permanent job, were married, had children and were married in Surabaya.

The participants studied were those who had married because of the things studied regarding the application of accounting techniques in planning and controlling household finances. The educational background of participants is undergraduate education, because those who have undergraduate education are considered to have more ability to apply accounting techniques in their household financial management.

The type of work undertaken by participants influences the possibility of properly administered household financial statements, so that prospective participants are those who have permanent jobs related to business, accounting or financial administration.

RESEARCH RESULT

One of the findings obtained from the research is the role of the wife in recording household financial expenses and the public's perception that the husband works outside and the wife who takes care of the household including monthly financial records so that the payment of bills is nothing they forget do since the beginning of marriage. Accuracy and diligence in recording are also other reasons why husbands entrust their recording assignments to their wives.

In the case of the expenditure amount there is a significant difference between the decision made by the wife and husband. Wives make more financial decisions on routine expenses whose value is relatively small, but certainly with the knowledge of their husbands while their relatively large expenditures are decided jointly through negotiations. Wider insight and knowledge from a husband is also the reason why financial decisions involving large funds are more done by the husband, but the final decision remains through collective bargaining because household life involves the husband and wife.

The conclusion from the interview results

One of the findings obtained from the research is the role of the wife in recording household financial expenses and there is a public's perception that the husband works outside and the wife takes care of the household including monthly financial records so that no payment of bills is forgotten since the beginning of marriage. Accuracy and diligence in recording are also other reasons why husbands entrust their recording tasks to their wives as told by one of the respondents as follows:

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