

BUDGETING SYSTEM IN ADMINISTRATIVE ACCOUNT OF THE MODERN ORGANIZATION

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Abstract: The ordered system of tax, measurement and information interpretation which is necessary for decision-making in the managerial account of organization, is the important constituent of a finance administration of organization. Budgeting is also a part of finance administration system, and it represents budgetary management along with planning on the centers of financial responsibility. The article gives information about the conducted research, determining interrelation between the system of budgets and managerial account in financial management. The budgeting includes the mechanism of incomes, costs, resources planning. In this case the managerial account is a data vendor. Managerial account uses the methods of system construction of plans (budgets). The authors study different approaches to budgets formation and system of the managerial account formation. The paper pays special attention to storekeeping as the basic property requiring updating and to problems of security substantiation, which many organizations give not enough attention to. The basic method used in the article is the method of scientific abstraction, and also monographic method. The authors come to the conclusions that use of budgeting principles focused on the result leads to the best finance results of the enterprise, to safe-keeping and integrity, and to the increase of staff responsibility.

Keywords: budget, budgeting, managerial account, finance administration, company programming

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INTRODUCTION

It is possible to increase management efficiency of enterprise by system engineering of budgets and the control over their performance which are possible at usage of materials of managerial account. Budgetary management requires construction of organizational enterprise structure which would supply formation of necessary budgetary indicators and operative control of budgetary process. The character of organizational structure in turn depends on tools of the managerial account. Therefore it is important in enterprise economic activities to generate correct organizational structure in which budgeting and managerial account supplement each other, instead of duplicate on functions. The research objective is working out of the concept of administrative account based on budgeting and storekeeping of the enterprise.

OBJECTS AND METHODS OF STUDY

One of the most famous and effective technologies of planning and management is budgeting which at many enterprises became one of the most effective tools of revealing of possibilities for increase of business concerns efficiency. All these cannot be introduced without elements of managerial account.

Russian scholars try to adapt existing western systems of budgeting to conditions of commercial

relations development on domestic managing subjects. Recently there were domestic papers considering questions of the organization of budgeting with reference to the Russian enterprises.

Structural and logic method, monographic method and method of analysis of factors influencing on research productivity are applied at choosing of organizational enterprise structure directed on efficiency of finance administration.

RESULTS AND DISCUSSION

Budgeting is mostly often treated as one of management functions, process of definition of actions which should be executed in the future. A. Karpov determines budgeting as one of effective tools of management which at the competent approach to its usage allows the company to earn profit more effectively and to operate financial streams. M. Trachenko determines budgeting as technology of company management. It includes planning, analysis and control how the liability centres (TsFO) and the enterprise as a whole perform the budget [2].

Some other authors (V. Burtsev, D. Trubetskov) consider budgeting as continuous cyclic process of formation, assertion and performance of budgets. V. Burtsev considers, that budgeting is a system of short-range planning, account and control of resources

and activity results of commercial organization in the centres of responsibility and (or) in business segments, allowing to analyze the predicted and received economic indicators with the purpose of business processes management.

Some authors, speaking about budgeting, often mention financial model of the company. The financial model is a wider concept including a technique of planning, account, control and analysis of performance of budgets. Accordingly, the financial model of budgeting contains models of planning, model of account and model of analysis and budgets control.

M.K. Starovoitov defines budgeting as “special tool of management which essence can be determined as integrated system of drawing up budgets of a running control of the accepted budgets, account of deviations of actual indicators from budgetary and the analysis of reasons of essential deviations”.

Yu. Brigham and L. Gapenski define budgeting as “a process of the co-ordinated scheduling and management of divisions activity by means of estimates and economic indicators”.

Yu.D. Batrin, P.A. Fomin consider budgeting as “a method of resource allocation, characterized in the quantitative form, for achievement of purposes also presented quantitatively”.

M.K. Samochkin, A.A. Kalyukin, O.A. Timofeeva suggest to advance budgeting as “decision-making process through which the enterprise evaluates expediency of inflow and outflow of assets”.

V.E. Hrutsky, T.V. Sizova, V.V. Gamayunov treat budgeting on the one hand as “a process of drawing up accounting budgets and estimates”, and, on the other hand, as administrative technology intended “for development and increase of financial validity of accepted administrative decisions” [2].

The system of managerial account should cover all divisions responsible for the account of expenses and company earnings and simultaneously to be not too difficult and bulky. In each centre there should be workers responsible for the account of incomes, costs, investments etc. They develop concrete norms of reports, forms of reports under incomes and costs of budgets of business units.

Incomes and costs should be considered in the system of managerial account in two stages. At the first stage incomes and costs are fixed irrespective of the fact of the made payment. Effected payments are reflected at the second stage. The necessity for similar system of managerial account is explained by the necessity of reflexion for items of expenses, not only executed expenses, but also what the enterprise has suffered during this period and on which it has obligations on their payment. The major factor at creation of system of managerial account is its economic efficiency. These are those benefits which the enterprise receives from availability of an accounting system at the expense of improvement of quality of accepted decisions. The operation of managerial account system will be economically sound when the positive effect received as a result of this activity will surpasses necessary expenses for creation of the given system.

Putting into practice the organization of managerial account which should cover all divisions responsible for the account of incomes, costs, investments, etc. it is necessary to exclude duplication of functions and loss of information in the absence of department awareness among them (the developed horizontal ties). The American scientist, professor D. Medouz pays attention in the work “The Alphabet of System Thinking” that “big organizations of any type, from corporations to governments, lose stability simply because mechanisms of feedback, thanks to which they receive information and react to surrounding conditions, should overcome too many consecutive delays and distortions” [10]. It is also important not to forget about the necessity of connection of financial and managerial account functions, according to a principle of the developed western companies where chief financial executive and chief accountant is one and the same person.

In the book “Corporation Reengineering. The revolution manifesto in business” M. Hammer and D. Champi have developed a substantiation of necessity of basic changes in the existing management paradigm. Authors asserted, that in new postindustrial economy the inquiries of clients receive a priority, the competitiveness amplifies, and constant changes are normal for business dealing. From the point of view of control system reorganization, the realization of reengineering principles assumes replacement of a hierarchical functional principle of management to the interfunctional one, that is the process-focused method of administrative activity organization [8].

Interaction of budgeting and system of managerial account consists that budgets allow to plan and represent necessary indicators of economic activities in that kind which is the most comprehensible for acceptance of effective administrative decisions. In this case managerial account represents the system of internal account at the enterprise, or, structural system of information transmission.

Before starting the statement of managerial account system, it is necessary to do preliminary organizational preparation. The given preparation assumes division creation which tasks will include definition of incomes and costs of managerial account system, definition of interrelation degree between data of accounting and managerial account, organization of operative control system over expenses and movement of finance, etc.

At the next stage the question on structuring of managerial account system is considered. Allocation of centers of managerial account divisions, for example, centers of income account, expenses, investments, profit should become the result of studying of organizational administrative structure of enterprise [7].

According to authors, the best variant of formation of managerial account system is creation of budget committee exercising administration of financial streams and control over them. The budget committee should systematize and classify sources of incomes and receipt of money resources of enterprise. The organization of managerial account system should detail articles of expenses, centers of consumption, production kinds in places of expenses occurrence, and budget committee should receive functions of

information generalization and its interpretation that will allow to lower information losses.

In our opinion, to divide authorities between managerial account and budgeting is possible on the basis of management organizational structures. In the competence of managerial account there are places of expenses occurrence, and for budgeting aims the centers of responsibility which are carrying out activity are used.

Thus we receive a new organizational structure of finance administration in which in places of expenses occurrence structural divisions independently form requirement for resources and bear responsibility for their use. Then information is transmitted to budget committee which executes functions of financial account and control over a cash flow and on the basis of the received information about resources movement and means it can evaluate work productivity in places of expenses occurrence and make conclusions on an overall performance of divisions. Thus we observe necessary freedom in actions on reflexion of costs and we carry out the analysis of the received results, that by comparison with allowance for cash flows, allows to make decision on the necessity of those or other places of expenses occurrence. As a result of such organizational structure the place of managerial account consists in complete formation of information necessary for acceptance of administrative decisions at level of enterprise as a whole, and budgeting becomes a planning integral part in structural division. The chief of structural division controls the fulfilment of budgets.

The first interest to management consideration as a science was noted in 1911 when American engineer F. Taylor headed the movement of scientific management (it received the name “school of scientific management” later) which was determined through the knowledge used in the course of work, of its organizations. According to the theory of a scientific direction F. Taylor proved the concept of labour division. In the work “Principles of Scientific Management” which is recognized as the beginning of science management and independent area of researches F. Taylor indicated, that “the best work organization represents the present science leaning on certain laws, rules and principles, as on its foundation”. Thus, administrative knowledge produced by managers, advances the organization of executors activity, in the issue – its result [9].

The quantity of mentions in the economic literature on the budgeting focused on result increased sharply recently should attract attention.

The approach focused on results, has received enough wide circulation in activity of the state bodies of many developed countries for the purpose of perfection of mechanism controlling by the state expenditure. Such approach to distribution of public finances should be applied also in practice of the commercial organizations [3].

At introduction of the budgeting focused on result, the risk of loss of the control increases, therefore an important element of such system is growth of supervising function.

One of the main impulsive causes of budgeting introduction focused on result, is a possibility of more

effective (re-) distribution of means between competing items of expenses. It is reached thanks to reception of more complete and exact information about results of realization of business processes, stage-by-stage change of control mechanisms of budget outturn.

The budgeting focused on result, does not solve a question of optimum distribution of budgetary resources between priority directions, it only creates favorable conditions for this purpose, transferring accent on achievement of end results, which these resources are allocated on.

Quality monitoring, at a wasteful method of budget formation, consists in the following: conformity between the accepted budget and performance of costs in clause-by-clause cut, and also observance of uniform specifications are checked, the check of special-purpose character of each operation on authorization of costs (it is made before realization of costs) is done.

Quality monitoring at orientation on result provides a compliance test between the planned and reached results of activity, direct and end results of activity are planned in advance, during the check which is conducted after realization of costs, correctness of the made costs is not checked, but correctness of measurement of the received results is done. The basic responsibility for legitimacy and correctness of actions are placed at managers of means at simultaneous strengthening of their responsibility for granting of services.

The budgeting focused on result, assumes preparation of reports, whether the scheduled problems are carried out, whether the planned results are reached. The answers to such questions assume engineering of indicator system which would allow to trace and evaluate results.

So managerial account forms information on the centers of responsibility and considers expenses and incomes. Managerial account is also necessary as a layer for reflexion of intracompany turnovers. The primary goal of managerial account is the answer to a question, in what condition there is an enterprise, how it is necessary to distribute present resources to increase efficiency of activity. Accordingly, managerial account requires productivity estimation on those or other parametres in time and in connection with any event. And events about which managerial account should present the information to the proprietor and are formed in structural division on the basis of budgets made by them for themselves which productivity will advance managerial account. That is managerial account does not dictate what indicators are necessary to it, indicators are formed in a place of expenses occurrence (structural division), and the aim of account is to find out efficiency of enterprise activity as a whole with allowance for the indicators (budgets) advanced in structural division.

The purpose of modular system of managerial account consists in creation of an information product for rendering of support to a management of the economic subject in acceptance of economically reasonable administrative decisions. The information formed in the account is necessary for fulfilment of the following main objectives:

- (1) drawing up of the periodic (routine) internal reporting for administrative decisions;
- (2) drawing up of irregular (special) reports for administrative decisions.

As any information system including its modular system, in particular managerial account, executes following functions: perceives queries entered by the user and necessary basic data, processes entered and stored in the system data according to known algorithm and forms the numerous detailed microcomplete sets of output information [12].

In information system necessary functional components (functional modular systems) which help to understand restrictions of various architecture of information systems are allocated. In a contour of managerial account objects are defined, information about which is interesting to managers of the company from various functional modular systems (information systems of accounting financial account, tax account, keeping of statistical records, etc.). As a result from the general functionality of system separate components which are used through a call of methods in various modular systems of information system are allocated. Functional components of modular systems mount a substantial basis of information system which bases on models, methods and algorithms of reception of the operating information.

The result of conducted research is working out by authors the concept of management perfection by industrial stocks (Fig. 1).

The given concept captures the basic directions of creation of complex support of decision-making in the

field of management perfection by industrial stocks and expenses. The concept allows to combine system and situational approaches to management and it gives the chance to consider influence on managerial processes of internal and external factors, current requirements of the enterprise and its long-term objectives. The possibility to depart from storekeeping and expenses of production from a direction “plan-fact” in the sphere “efficiency – tactics – strategy” is granted the company, allowing to open new possible prospects in the given area of research.

As a result of the conducted researches the conclusions are made, that the system of administrative account should cover all divisions responsible for the account of expenses and company earnings, thus to exercise administration of financial streams and control over them. Also an important conceptual moment in this system of administrative account is a necessity of reflexion in expenses items, not only the made expenses, but also what the enterprise has suffered during this period and on which it has obligations on their payment. The statement of system of administrative account should include organizational preparation then system structuring at which in the competence of administrative account there are places of expenses occurrence, and for budgeting aims the centres of responsibility which are carrying out activity are used. Thus we receive a new organizational structure of finance administration where in places of expenses occurrence structural divisions independently form requirement for resources and bear responsibility for their use.

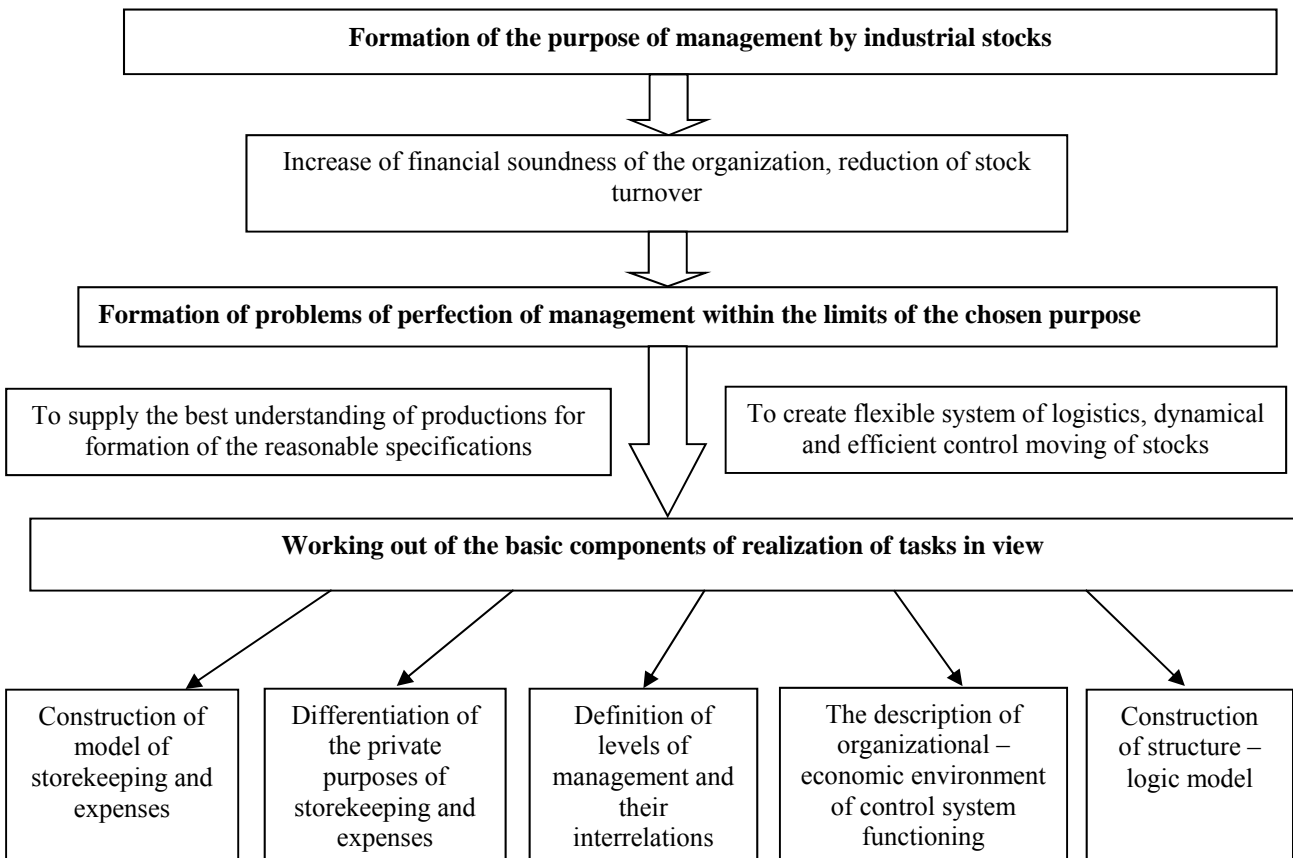


Fig. 1. Concept of perfection of management of industrial expenses.

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