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FEATURES OF APPLICATION OF BUDGETING MODELS IN MODERN CONDITIONS

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The paper deals with the issues of development and implementation of the new budgeting models and relative budgeting methods in the current practices of company management. Special focus is drawn to the advantages and disadvantages of using different budgeting models, where all models are classified according to the fact whether they cover all types of the company's activities, or just specific types of activities.

Key words: budgeting, budgeting models, budgeting methods, beyond budgeting, managing for value, balanced scorecard.

Introduction. At present, the demand for development and implementation of the budgeting system is steadily increasing. The key to optimal cost ratios for budgeting and the resulting economic and organizational effects is the choice of an optimal model of budgeting precisely at the stage of the task set.

According to O.H. Melnyk, the framework for the system of enterprise budgets should be based on scientifically grounded principles that determine the nature and activities of the enterprise, to create conditions for their efficient work and minimize the possible impact of negative factors on the process of production and sales [5, p.39]. A. Sertakov and K. Sertakov are pointing out that budgeting is a management tool for planning (distributing) the resources, expressed in terms of money and in the way,

which allows achieving the strategic goals of the enterprise [8, p.12]. Thus, A. Kucherenko describes budgeting as a general concept that includes the method and process of financial management, as well as a managerial resource allocation tool that achieves certain goals [4, p.24].

T. Pozhuieva defines the following components of the budgeting [7, p.75]: what the company wants to achieve in the future, that substantiate the main purpose of the company (improving profitability, capital enhancement, sales volume, level of staff, formation of a new positive image, etc.); how to achieve this goal, that is choosing the strategy of an enterprise (access to new markets with products that are manufactured by the company, develop new products for existing and new markets, etc.). Based on market forecasts, they work out a few alternative strategy options and choose one of them. The above-mentioned gives the opportunity to get the best current results along with the long-term financial stability of the enterprise. When substantiating the strategies of an enterprise it is also important to identify restrictive factors (“bottlenecks”), such as material resources, capacity, qualifications of employees, etc. However, the most popular “bottleneck” for the enterprise is the volume of sales that can be achieved realistically (given the market capacity), and the extent of competition; what resources and in what amount are needed by the enterprise, that is, they are developing an operational plan (budget) of the enterprise; how the control over the performance of planned indicators will be carried out.

E. Novikova describes a range of tasks covered by the budgeting:

1. Planning operations to achieve the goals of commercial operations.
2. Coordination of various businesses, structural units, linking the interests of employees of the organization and groups in general.

3. Operational finding of deviations of the actual results of the organization from the planned; identification and analysis of their causes; timely decision making.

4. Effective control over consumption of material and financial resources.

5. Motivation of managers of centers of financial responsibility to achieve the goals of their structural units [6, c.57-58].

A. Kochnev and M. Stupakova developed the list of key features that distinguish budgeting in a certain management technology:

1) the presence of centers of financial responsibility (although in some cases they are absent);

2) availability of interconnected budgets, which allow planning activities and taking into account the fact in the same sections;

3) possible refinement and optimization of the system [2, c.38].

At the same time, many experts who represent the generalized external components of such systems, namely the presence of several interconnected budgets, integration with accounting and operational records, the use of automation, etc., are not always able to objectively evaluate the relationship between time and cost on the introduction and use of the budget management system and the impact of received information support in the form of effective decision-making.

Aim and tasks of the paper. The aim of the paper is to examine the features of the budgeting models implementation in the current practices at the enterprises. The tasks of the paper are set as follows: describing the existing theoretical frameworks of the budgeting; proving the necessity for search for the new models and implementation of the more sophisticated budgeting methods; explaining the advantages and disadvantages of the budgeting models, drawing conclusions about the current issues of implementing budgeting model by the companies.

Main findings. In general, budgeting can be described as a process of analysis or control over the decisions taken by which the company can assess the expediency of the actual use of assets of the enterprise. Budgeting is one of the main tools of company management. It has long been and actively used by companies as a technology of financial planning. However, in recent years traditional budgeting is increasingly being criticized. The main problem of the traditional approach is the lack of a clear link between strategic management and budget planning. Thus, one can distinguish the main problematic aspects of traditional budgeting: employees cannot fully understand the corporate vision; there is no possibility to combine the corporate strategy with the goals of individual units and specialists; lack of a strategy for resource allocation, since it is usually carried out on the basis of previous decisions, without considering what results should be achieved in the future; feedback in traditional budget control is used to compare actual costs with the data given in the budget rather than to directly compare them with the results [6, p.58-59].

Among the tools and techniques that are successfully used to replace traditional budgeting are the following: incremental budgeting; Balanced Scorecard application; Managing for Value; Beyond Budgeting [4, p.25-26].

The basis of the method of incremental formation of budget plans is the distribution of the planning period for years, quarters, months and weeks (as necessary), after which the company's budget plans move to the same part forward. This allows the company to respond in a timely manner to changes in the environment and make appropriate adjustments in the planned indicators. It also allows the management of the company at the end of the fiscal year to make decisions in a longer perspective, which would not be possible with fixed budgeting.

The Balanced Scorecard (BSC) allows applying an efficiency management strategy at the same time in 4 areas: finance, customers, business processes, training and growth. Additionally, the BSC allows for the processing of information about the possible prospects of the organization development. The benefits of BSC are that indicators are built into a convenient schedule, where the tasks, progress parameters are measured, specific targets, and projects or programs needed to complete the tasks are written down.

Managing for Value provides managers with opportunities to maximize the value of a company. Based on the assertion that “cash flows control value”, the concept of Management for Value allows highlighting the main task of management, which has the most important characteristics - efficiency, the connection between the strategic objectives, the company and the value of the company in the capital market, which, in turn helps creating a stable profitability and increasing the share price.

The Beyond Budgeting (BB) is based on the following principles:

1) BB management principles: focusing on maximizing potential use; construction of a system of assessments and rewards based on previous experience of relative improvement; adjusting the current plan of action according to the situation; availability of resources on demand; correction of intra-corporate actions in accordance with real demand; control from the point of view of the principles of effective management and in accordance with the relative performance indicators;

2) principles of authority transfer: the management system should be based on clearly formulated principles; employees should have the opportunity to make private decisions on their own, that do not go beyond the principles of management and objectives of the organization; responsibility for making decisions should be shared among the members of the customer service team; employees must be responsible for the

results of working with clients; organization's information policy should be open [1, p. 119-120].

A very important aspect of budgeting in the context of a management system is that it forces managers to substantiate their plans quantitatively and allows them to realize the costs associated with their implementation. In the process of drawing up a budget, the manager can compare the costs and benefits of alternative action lines, determine the most effective way to use available resources. In addition, budgets motivate employees to achieve their goals, provided that they participate in the development of budgets and are interested in achieving the established indicators.

The practice of developing and implementing a budgeting system allocates the following budget models: an individual model of integrated budgeting, a universal budget model, budgeting of certain types of activities, budgeting of financial flows, budgeting of commodity-material flows.

A complex budgeting model is the most popular model that describes a number of functional budgets that assess the outputs of the company's core processes: purchases, production, sales, payments, etc., and there are operating budgets that measure the contribution of each financial responsibility center (FRC) to the final financial result. The data of two groups of budgets is consolidated into three consolidated budgets of the enterprise - the budget of income and expenditure, the budget of the movement of funds and the budget on the balance sheet. Thus, the necessary condition for the correct formation of consolidated budgets is the coverage of the functional and operational budgets of all areas of activity and units, that is, the accounting for all transactions affecting the accrual of income and expenditure, as well as the movement of cash and other assets and their respective obligations.

At the same time, the practical experience shows that the overwhelming majority of enterprises are not ready to immediately switch to an integrated model of budgeting for a number of reasons, so it is necessary to choose other models that will allow focusing on those areas of activity that require special attention from the part of managers.

The main feature of integrated budgeting is the preliminary construction of the process model of the enterprise, with the subsequent attachment of the formed functional budgets to the results (outputs of business processes). This model will be purely individual, which takes into account the features of production and financial activity of each enterprise. For sure, such an approach can be applied to the enterprise of any profile of activity, even to non-profit organizations.

The universal budget model, as well as the complex one, covers the whole enterprise, but it is simpler in terms of design and operation. The first step in developing the budget structure is to determine the list of items of the budget revenue and expenditure and the budget cash flow, as well as the formation of financial structure, based on the amount of financial capacity of the enterprise (revenue management, expenditure, profit, etc.). Then there is a comparison of items of consolidated budgets and FRCs, that is, operating budgets of incomes and expenses for each center of responsibility are created. In the case that FRS can manage payments within its activities, operating budgets of cash flow are also formed. The amount of financial results and net cash flows according to the elements of the financial structure gives the financial result and the net cash flow, respectively, in the organization as a whole.

Models of budgeting of certain areas of economic activity are the simplest, their purpose is to provide the company management with information about the actual areas for control of the enterprise. Such models can range from one to several natural or natural-material budgets.

For commercial and manufacturing enterprises, such budgets traditionally have sales and production budgets.

The budget of cash flows determines the cash flows. The main tasks of this budget are control, provision and planning of solvency of the enterprise. A special form of the cash flow budget is a payment calendar developed for certain types of cash flows (tax payment calendar, payment calendar for debt servicing, etc.) and for the enterprise as a whole (in this case, it details the current receipts and spending of funds) [3, p. 331].

The model of budgeting of the commodity-material flows is more complicated than the previous budget models. However, this model allows managing the most important indicator for the company - profitability/return of the main activities. Unlike the integrated budget model, the budgeting model of commodity-material flows has relatively low cost and timing; provides the opportunity to manage profits from core activities, which is particularly relevant in the medium and long term; possibility of effective management of the main directions of activity - production of goods, sales, purchase; ability to control and manage direct and indirect costs. But this model also has some disadvantages. Thus, insufficient complexity, that is, the dependence of the results on unrecognized factors, for example, investment expenditures. In addition, the financial results are not complete and reliable, as they are not confirmed by changes in the asset and liability balance of the enterprise.

The final budget of this model is the budget of the main activity, the structure of which reveals the sources of income formation of the enterprise from the main activities; structure of expenses of the enterprise from the main activity; volume of income and expenses (aggregate, by groups of items, by separate items); the difference between income and expenses from the main activity. Advantages and disadvantages of these models are presented in Table 1.

Table 1

Advantages and disadvantages of budgeting models

Budgeting Models	Advantages	Disadvantages
<i>I. Models covering all activities of the enterprise</i>		
<i>1. Integrated</i>	1. focused on special features of the enterprise; 2. receives the necessary details on the planned and actual indicators; 3. covers all areas of the enterprise.	1. quite a long development period; 2. high cost; 3. High risks in achieving the desired result.
<i>2. Universal</i>	1. short term of development and implementation; 2. possible relatively simple accounting of internal turnover; 3. fast planning and consolidation of factual data.	1. lack of functional plans (or their maintenance in other documents), which sometimes impedes a weighted assessment of enterprise plans by the main functional areas.
<i>II. Models of budgeting of separate areas of economic activity</i>		
<i>1. Budgeting of production activities</i>	1. rapid and relatively cheap introduction, which allows for short-term control over the most relevant areas of activity; 2. effective functioning of the model due to the small number of budgets and their simplicity.	1. some factors that affect the model sometimes are not taken into account; 2. low level of trustworthiness and budget efficiency.
<i>2. Budgeting of financial flows (Budget of cash flow)</i>	1. short terms of implementation; 2. relatively low cost of implementation.	1. no specific dates of cash flow; 2. distinction of the actual receipt of money funds with the data of

		accounting.
<i>3. Budgeting of inventories (Budget of main activities)</i>	<ol style="list-style-type: none"> 1. low implementation cost; 2. short terms of implementation; 3. possible management of profits, purchases, production, sales; 4. possible control over direct and indirect costs and their management. 	<ol style="list-style-type: none"> 1. it is not comprehensive enough and it is dependent on investment and financial flows; 2. lack of completeness and reliability of financial results.

Source: developed by the authors

It is the choice of an optimal budget model at the stage of development of financial and budget structures that allows the company not only to reduce time and costs, but also to get the maximum result, which is expressed in increasing the transparency of business and improving financial indicators in the shortest possible time, as well as ensure the possibility of further growth and development of the system.

Conclusions. All of the above suggests that budgeting is, above all, an instrument of effective management of the company. This tool allows not only to implement financial planning, but also to manage business efficiency and achieve strategic goals and objectives. Budgeting is a technology of business management, the competent use of which can significantly improve the efficiency of the enterprise and its competitiveness.

It is now necessary to replace the outdated traditional methods of budgeting, which blocked innovation, or at least supplement them with new methods of activity, to improve the efficiency of companies.

However, there are some issues that have been highlighted in the paper. These points are currently being studied by scientists, both in Ukraine and abroad. Scientific research is being carried out in this area, modern methods of budgeting are developed. Their appropriate

combination will allow businesses to reduce costs that arise under budgeting, and improve management efficiency.

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