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THE ROLE OF BUDGETING IN THE MANAGEMENT ACCOUNTING SYSTEM

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ABSTRACT. The study and generalization of theoretical provisions, the definition of the main directions of development of bio budgeting management accounting in accordance with modern requirements for information support for management.

Methodology. The theoretical and methodological basis of the study was general economic literature, theoretical and scientific and methodological provisions contained in the works of domestic and foreign authors on the theory and methodology of management accounting. In the process of studying the topic, both general scientific methods were used - dialectics, analysis, synthesis, induction, deduction, and special techniques for systematizing scientific data: examination, comparison, generalization of theoretical and practical material, comprehensive analysis and a systematic approach.

Keywords: *Accounting, Costs, Information, Management, Organization, Budget, Budgeting*

Introduction

The trends in the growth of the global market in general and the Georgian market in particular need a complication of the enterprise's approach in defining its objectives. Creating a flexible management system capable of accounting, planning, monitoring, and analyzing data on the results of economic activity in the context of managed objects, substantiating calculations, and making prompt decisions on the basis of these data can ensure the resolution of the most important issues of tactical and strategic development.

Literature review

The scientific formulation of the problem of strategic management accounting requires a comprehensive, systemic use of theoretical heritage of domestic and foreign scholars to learn the laws of its functioning and development. In this context, the article analyzes the works of foreign scientists studying the problem of management accounting such as H. Anderson, K. Drury, D. Caldwell, B. Needles, B. Ryan, J. Siegel, CH. T. Horngren, George Shim, J. Foster and others. In the study examined the theoretical development of a number of prominent Russian scientists in the field of bookkeeping management accounting: P. S. Bezrukikh, , M. A. Bakhrushina, T. P. Karpova, V. Z. Kerimov, O. Ye. Nikolaeva, V. F. Paliy, N. G. Shevchenko, and others

Methodological approach

The methodological basis of the study is the dialectical method of cognition, involving the study of economic relations and phenomena in their development and relationships. General scientific methods of research were used, such as analysis and synthesis, classification, observation and generalization, logical, historical, comprehensive and systematic approach to the assessment of economic phenomena.

Conducting research and results

Management accounting employs several approaches thoroughly and systematically, since it includes multiple practical economic sciences: planning, organization, and management of production, regulation, operational accounting, and management analysis. Establishing a management accounting system is an enterprise-internal matter. Additionally, they derive from management's aims and objectives. It is crucial to recognize that each organization may utilize management accounting for different purposes. Therefore, when discussing its objectives, it must be borne in mind that, as a management technology, it can pursue its own objectives in each organization, use its own methodological tools, and create any necessary accounting systems within the enterprise that are superimposed on the existing organizational structure, which is highly diverse and dependent on numerous factors. Modern understanding of the essence of management accounting should be founded on the idea that the management system is a collection of management items that can be categorized as follows: Resources are everything an organization has to accomplish its objectives.

- structural divisions - officially allocated parts of the enterprise and certain areas of activity with independent tasks, functions and responsibility for their implementation;
- internal business processes - everything that makes up the organization's activities;
- various indicators of economic activity - quantitative and qualitative characteristics of one or more aspects of the organization's activities.

On the other hand, the management system is a set of management actions implemented in relation to the listed objects. This provides the ability to view and track how a certain management action is implemented in relation to a certain management object. In a market economy, such a management technique as budgeting has become in demand. The concept of this category is ambiguous, and, on the one hand, it is a process of drawing up financial plans and estimates, and on the other hand, a management technology designed to search for management decisions and increase their financial feasibility. Budgeting is a priority and effective tool for the management structures of the enterprise. The recently increased popularity is not accidental and is due to a number of advantages of this technique. because budgeting allows you to control the activities of an enterprise both as a whole and in the context of its divisions., budgets create an objective basis for evaluating the results of economic activity and allow you to identify reserves, the use of this technique involves the creation of a hierarchical enterprise management structure, which ensures the smooth operation of the entire system, based on budgets, an analysis of deviations is carried out, which helps to identify the causes of negative factors that hinder the planned actions of the enterprise to achieve the intended goals of economic activity. It is worth clarifying that the terms "budget" and "plan" are not identical, although the basis of the enterprise plan is always the consolidated budget. The budget contains a quantitative expression of centrally established indicators of the enterprise plan for a certain period of time for:

- the use of capital, inventory, financial resources;
- attracting sources of financing for current and investment activities;
- income and expenses;
- cash flow;
- investments

Budgeting is used in companies to manage the assets of the enterprise, to achieve capitalization growth or to reliably determine the investment attractiveness of certain areas of economic activity, to control certain indicators, such as the size of receivables and payables, or in order to establish cost levels in certain structural departments. You should always remember that intra-company budgeting is not so much a tool as a management technology, that budgeting is an indicator of the quality of management in a company, the compliance of the level of its management and management decisions with modern requirements. In its most general form, the purpose of budgeting in a company is that it is the basis

for: planning and making managerial decisions in a company; assessment of all aspects of the financial solvency of the company; strengthening financial discipline and subordinating the interests of individual structural divisions to the interests of the company as a whole and the owners of its capital. The main object of budgeting is business. Not an enterprise or a firm, but a business as a type or area of economic activity (Likhacheva, 142). Properly set, full-fledged budgeting will also solve the problems of optimizing financial flows, balancing sources of cash receipts and their use, determining volumes and forms, conditions and terms external financing and many other managerial tasks (Zhdanov, 201). 14. Unlike financial reporting, budget forms are not standardized. Their structure depends on the object of planning, the size of the organization and the degree of qualification of the developers. World practice has revealed positive and negative aspects in the budgeting system.

Budgeting serves the following functions within the system of management accounting and the general activity of an economic entity: Planning of finances and cost effectiveness - In this instance, budgeting enables the identification of effective possibilities for investing funds, the exclusion of unprofitable regions, and the determination of the efficient application of expenses. Coordination of departmental activities and work coordination - Information moves between managers (who establish plans) and employees inside the organization (report on results). Employee and supervisory motivation - In order to pique the interest of employees in labor activity, budgeting includes bonuses for achieving specific job results. Management accounting allows you to discover profitable divisions and develop their operations. You can also discover unprofitable departments and close them if they are no longer required. Analysis of the company's financial activities and managers' work - Budgeting has a direct effect on the activities of the business. On the basis of the outcomes of the task-implementation managers' work, the efficacy of each department's work is evaluated and the feasibility of material rewards for employees is determined. Analysis of the company's actions and formulation of a financial forecast-At the conclusion of the reporting period, the achieved results are evaluated. The following budget is constructed with the indicated "weaknesses" in mind, and includes the rectification of recognized inaccuracies.

Before introducing budgeting in a company, do the following: study the documentation, the organizational structure of the company, the relationship between departments, as well as the accounting mechanisms used; find the easiest ways to involve managers in the budgeting process; develop a plan for the implementation of budgeting in the company; develop documentation on the procedure and rules for budgeting; develop reporting by departments to form an information base; identify responsible persons for creating budgets or create a new department to control the budgeting process; train employees for competent and correct budgeting.

The disadvantages of budgeting include (Denisova, .164): - the complexity and high cost of the budgeting system; - budgets that are not brought to the attention of each employee have practically no effect on motivation and performance, but instead are perceived solely as a means to evaluate the performance of employees and track errors; - budgeting contains a contradiction between the achievability of goals and their stimulating effect: if reach the set goals too quickly, then the budget has no incentive effect to increase productivity, if it is too difficult to achieve the goals, the incentive effect disappears, because no one believes in the possibility of achieving the goals;

- The slightest modifications to the budgeting system's requirements in terms of planning and reporting data or organizational changes in businesses necessitate a new round of implementation work..

Depending on the goals, objectives, time period and some restrictions, different types of budgets are distinguished:

- ❖ the general budget, consolidating all sub-budgets into a general plan, on the basis of which management is carried out;
- ❖ private budget, consisting of items of income and expenses and relating to a specific unit, function or process;
- ❖ long-term and short-term budgets, differing in the period for which they are drawn up;

- ❖ itemized budget, in which expenses are classified according to the sources of their occurrence;
- ❖ a budget with a time period that provides for spending on each item in a certain period without the possibility of carrying over unspent funds to the next period;
- ❖ flexible budget, the indicators of which can be adjusted depending on the level of business activity. Most often, the data for this budget is fixed amounts plus variables from business activity;
- ❖ static budget, which is calculated on a certain level of business activity;
- ❖ a succession budget that is based on a template and revisions reflect changes to current processes;
- ❖ zero-level budget, which is made up without a template.

The enterprise's overall budget consists of two components: operating and financial budgets.

The operating budget is a plan of revenues and expenditures linked with the execution of operational operations over a certain time period. The number of budgets, ranging from the sales budget to the departmental cost budget, depends on the hierarchical structure of the business. The financial budget contains a budget for capital expenditures and cash, the consequence of which is the preparation of a projected balance.

The budget is a thorough strategy for the responsibility center's actions. Responsibility center (e.g., financial responsibility center - FRC) - a division of an organization, a type of activity, a distinct product, or a distinct individual for which accounting, planning, and cost management are maintained. Typically, the responsibility center is an individual (manager) who is accountable for the proper use of funds; however, a group of employees (team, team, etc.) may also be liable.

Budgeting typically initiates the budget cycle. This approach entails a recursive series of actions targeted at budget preparation, control, and any necessary revisions throughout execution.

During the formation of an enterprise, it is vital to establish its goals and objectives, which influences its long-term planning. Long-term planning defines medium-term planning and budgeting, which are meant for a shorter time frame and hence include greater specificity and complexity. The sales budget is the foundation of every budget, as production is largely focused on what will be sold, i.e., what is in demand on the market. The amount of sales influences the volume of production, which in turn determines the planning of all sorts of resources, including human resources, raw materials, and material stocks, as well as the formulation of appropriate budgets. This requires financial preparation, as well as preparing for costs and profits. Utilizing the computations of numerous quantitative indicators, budgeting should adhere to a tight system.

The organization of management accounting in conjunction with other management subsystems, namely the budgeting subsystem, produces outstanding outcomes in corporate management. The budget is a tool for organizing the actions of the enterprise's many divisions, and it also encourages the leaders of individual responsibility centers to construct their activities with the enterprise's overall interests in mind. This system's benefits are visible in the required short- and long-term planning of enterprise resources, the conduct of competitors, and the existing and projected market demand for products. Budgeting technology will become a dependable aid in the organization of good firm management if a management accounting system is constructed with skill. Utilizing a specific program will yield the most beneficial results. The budget cycle is the length of time from the start of the development of the consolidated budget for the reporting period and the stage of plan - actual - analysis of the implementation of the consolidated budget for this period.

Conclusions and Recommendations

Budgeting is currently one of the core skills that any manager must master. Cost planning, production planning, sales planning, and financial planning are all crucial components of the budgeting procedure (profit planning). Budgeting enables you to arrange operations in a manner that maximizes profit while minimizing expenses in the face of market volatility. Obviously, this entails an inherent financial risk, especially in contemporary Georgia, but a well-executed budget will mitigate the risk.

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აბსტრაქტი. კვლევის მიზანია საწარმოთა ბიუჯეტირების პროცესის თეორიული დებულებების შესწავლა და განზოგადება, უცხოური გამოცდილებების ანალიზი, მმართველობით აღრიცხვაში ბიუჯეტირების როლის და როგორც პროცესის განვითარების ძირითადი მიმართულებების განსაზღვრა მენეჯმენტის საინფორმაციო მხარდაჭერის თანამედროვე მოთხოვნების შესაბამისად.

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საკვანძო სიტყვები: ბუღალტერია, ხარჯები, ინფორმაცია, მენეჯმენტი, ორგანიზაცია, ბიუჯეტი, ბიუჯეტირება

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