

# BUDGETING AS AN EFFECTIVE TOOL TO ACHIEVE STRATEGIC OF THE ENTERPRISE

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Budgeting is a very popular management technology in Ukraine: more and more concerns would like to describe their financial future systematically. The main instrument of this description is the budget (more precisely - the budgets) of the company.

Budget - is the plan for a certain period in the quantitative (usually monetary) indicators compiled for the purpose of achieving the strategic targets effectively.

Budgeting - is an ongoing process of the preparation and execution of budgets.

There are basic principles to be taken up the company, look forward to the successful implementation of budgeting.

Like any procedure, budgeting should be done on predefined rules. First it is necessary to formulate and adopt common rules on the basis of which budgeting system will be based: methodology, design of tabular form, financial structure, etc. It should make those rules work. And here the important role is played by «human factor».

Rules of budgeting, the budget itself, and the system of motivation - all these you need to confirm by intercompany orders for disregard with which the staff should be punished. The second part of the budget - is the organizational arrangements. The third key to success - automation of the entire process of budgeting. At large companies the amount of information is enormous, but no matter how significant it is, it must be processed in time. In today's business yesterday's data will not need them. There should be an analysis of current performance and forecast for tomorrow, after tomorrow, one month in advance, etc. Automation of budgeting - it is primarily the automation of the planning procedures that are itemized in the rules for budgeting.

Implementation of budgeting helps to create a coherent and effective system of governance. The best budgeting system helps not only to meet the challenges of operational management, but also to achieve strategic objectives guide the company.

Establish budgeting system to enable management to plan the financial and economic activities with a view to achieving certain financial results, so define objectives clearly and set measurable targets of activity. In addition, it will be possible to send all units to achieve the goal of financial results, highlighting the responsibilities and functions of aligning the financial management of managers. Improve information exchange and interaction between the structural units.

Budgeting will help to optimize the financial flows, to determine critical periods in the company and the need for external financing. With budgeting, you can detect the "narrow" places in the management and the time to take the necessary management decisions.

This technology aims to use the analysis of deviations "plan - a fact for correction of the activity. To examine all possible options for the future, perhaps a scenario analysis of "what will be if?".

The successful staging of budgeting should take into account a number of points.

Budgeting is part of the management accounts (MAs). Budgeting for the projections used by management information. Data for the analysis of deviations "plan - a fact" comes from the MAs. Budgeting is linked closely to the financial structure of the company, which is based on the principles of decentralized management, which are the basis for a system of management accounting.

Budgeting is closely linked with the system of cost management, which is also part of MAs. It helps set limits on the cost of resources and profitability rates for certain types of goods and services, projects, lines of business and the company entity.

To introduce a system of budgeting it is necessary to implement certain preliminary steps, namely, to conduct business-diagnosis (a kind of "inventory") of the company.

Many companies have learned well the analysis of various information related to their business, be analytical reporting plan. A sufficiently large number of companies are (or at least attempt to do so) the major financial budgets - the budget cash flow and budget revenues and expenditures.

Major companies working in the Soviet time, usually distinguished by strong planning and economic departments, which previously flowed all the information about financial and economic activity and where there was established a system of planning and reporting. Such a management framework simplifies the process of setting budgeting system.

One of the main difficulties faced in the implementation of budgeting - the lack of a standard budget form, which must be strictly adhered to.

The budgeting is based on the total budget, which is a coordinated across all units or functions of a work plan for the company as a whole. It consists of the operating and financial budgets, which the company defines itself.

For commercial organizations (CO) of the master budget will be different. Here's one of his options.

Operating budget for the following:

Budget sales budget process; trade balance, budget commercial cost budget management costs, projected income statement.

The financial budget that:

Budget cash flow, credit plan, projected balance sheet.

Communications between budgets need to be reflected in the flowchart. These links will then be used in completing the budget.

When building core budget should be determined with the method of filling. There are two ways of building: Budgeting "top-down and bottom up."

Under budgeting "top down" refers to the definition of senior management of a strategic target, which provides a system of budgets.

Based on the values of this indicator at the lower levels is defined need initial conditions of business (some figures of costs) to achieve the desired size of the strategic target. If it is clear that under current conditions it is impossible to achieve the desired value, it could be reconsidered. Is the adjustment necessary to ensure that budgets were achievable. The development of strategic performance requires formalization of the strategy of the company, which is to build a strategic map and balanced system of performance indicators (Balanced Scorecards).

As strategic financial goals, you can choose various financial performance of the company, such as indicators of profitability - net profit or earnings per share, etc.

Budgeting "bottom up" involves building of budgeting system, beginning with the budget sales. Based on projected sales and the related costs, certain financial data of the company are obtained.

If top management does not like these values, the budget, members of the operating budget is up for review.

Main problem in the development budget is forecasting their sales volumes. Forecast sales volume turns to the sales, if managers believe that the anticipated volume of sales can be achieved.

In preparing the budget of selling it is necessary to take into account the levels of sales of prior periods and to analyze a number of macroeconomic factors, each of which may have a significant impact on sales volume and its dependence on the profitability of production.

At stage of the core budget price and credit policy, strategy management are analyzed and refined, risks are identified and likely consequences of management decisions are assessed.

Organization of budgeting should be begun with creating the financial structure - the center of financial responsibility (CFA).

To obtain a comprehensive evaluation of the centers of responsibility targets of industrial and economic activity are imposed (Balanced Scorecard). The effectiveness of the centers of responsibility is determined by comparing planned and actual values of these indicators. Based on the comparison of data of targets the manager of the Center of responsibility expeditiously takes steps to achieve their values, improve the efficiency of the center of responsibility. The financial structure of the company is issued the Regulation of the financial structure.

After decentralization of management, managers have the right without the consent of the leadership to take prompt action on certain issues, to a certain amount of money. There is a division of responsibility between managers of planning, cost control and performance units.

It is important to define clearly the circumstances of what should take the data for budgeting. One should also identify the relationship of indicators in all the budget forms and paperwork in planning process. It should be borne in mind that the budget uses data from the accounting service companies.

Successful implementation is impossible without automation. There is already a market for automation systems of budgeting, in which there are many proposals. Therefore, the system need to be chosen on the basis of the characteristics of business and software used in the company.

There are a range of methodological, and IT requirements, under which you can choose the system.