PARTICULARITIES REGARDING THE INFLUENCE OF THE BUDGETARY PROCEDURE OVER THE MANAGEMENT CONTROL

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Abstract:
A budget system is independent of the company's organizational structure and its introduction requires a thorough analysis of already existing relational system. A management control system is incomplete if it does not use all the tools to enable a high degree of coverage of the complexity of economic and financial processes in an enterprise. Study the possibilities for introducing budgetary procedure should be based on business strategy analysis and diagnosis with all its known forms.

Key words: *budgetary procedure, budget system, economic and financial processes, company's organizational structure, firm diagnosis.*

JEL classification: *G3*

The firms are advisable to work out in a steady, permanent, between revenue and expenses. At present, companies fail to maintain such a balance, because production costs of achieving sales revenues exceed production, even when some industries are subsidized by the state budget. Under these conditions, a problem faced by company management is to find those methods that allow sizing and control of expenditure-income balance relationship. In this sense, the budget can become a tool for effective bridging and especially the relationship between expenditure and income within companies, and budgeting, a practice that involves the systematic economic development of a formal process for allocating financial resources for the achievement of objectives set for future periods.

The budget represents the current understanding, a financial plan, through which are provided in the financial expression, portions of all relevant resources to achieve a goal by a particular organizational subdivision. Budgets are established for short periods of time per calendar year, broken down by quarters, months, weeks or even days for each job. When business activities are varied, budgeting adapt to this situation is through the establishment of flexible budgets, elaborated on several levels of activity.

Budgeting is characterized by:

- ***planning and coordination***: because budgeting is done under general long-term objective is to develop detailed plans for different sectors and links in the organizational structure of firms. In fact, it mainly reflected in the development budget (master), which includes all secondary budgets,
- ***authority and responsibility***: for budgeting involves specifying the responsibilities of each manager has a budget. Approval of a budget authority to all business plans and enables management by exception, that a subordinate is given a clear role, having received authority to accomplish tasks;
- ***communication:*** budgeting encompasses all levels of management. It is an important means of communication between the manager of a higher echelon and the average level in terms of objectives and their implementation, and when the budget is

finalized, the approved plans are communicated to all personnel involved in this activity;

- ***control:*** because this aspect of budgeting is the best known and most often met in executive staff. The process of comparing results with those predicted and reporting violations to the establishment, thus applying the principle of budgetary control which will keep spending within agreed limits;
- ***motivation:*** for manager involvement in the middle and lower level budgets and set targets to performance is assessed to be a mobilizing factor, so motivational.

Budgeting involves setting budgets and forecasts to enable presentation of all business activity in figures. Specifically, the problem of creating autonomous subsystems called cost centers, which are concerned with optimizing resource use and making a profit. Center operating expenditures is a well-defined or part of the formal structure of the company for which expenditure can be identified. Profit Center is an extension of this option on a larger scale, where not only costs, but profits are identifiable. It is defined as that part of generating business and revenue expenditure. Center budget is defined as a segment of an entity over which it can exercise control and which may prepare a budget. Thus, we see that a budget center expenses can be a center, a group of centers may coincide with expenses or a profit center. Due to its size is very likely that a typical profit center to include a number of budget centers which in turn would have to be a single-center component of each expenditure or a cost center group linked.

Given the nature of budgeting can say that the budget as a tool, the following features: Ensures integration of forecasting, recording and control of expenditure, revenue and financial results; allows decentralization of government by the practices of companies sectorization responsibility centers, each center invests with authority and responsibility in managing resources to achieve the expected objectives, address the activity of each center through the prism of the relationship between expenditure and revenue, and on that basis it provides training to improve profitability and save company resources available to it . As a tool for the manager, the budget fulfills several functions, namely:

- **function prediction:** it is based on the fact that the budget estimate of the level of financial resources, funds and expenditures for all social and economic activities taking place within the firm. The budget can size the revenue, expenses and financial results based on production activity, resources and investment expenditure, resources and expenditures for current assets, other resources and production costs incurred, including fees, taxes and other debts to the state budget;
- **control function:** it manifests itself when they engage and spending, revenues are obtained as results of its work and set up the necessary funds. As such, organizational budget expresses the financial control function, harmonizing the preventive financial control on spending and hiring firms. Budget control function is exercised by monitoring and analyzing the execution thereof, which provide: knowledge of how to achieve the tasks set, the determination of deviations the causes that have generated these deviations compartments must act to improve work etc.;
- **function to ensure financial balance**: it is time that is used in managing the budget and authority relationships between expenditure and revenue. At the firm level, reflecting the financial stability necessary financial resources to meet projected targets and actions, including payment obligations to third parties.

Budget Activity may be schematically presented as follows[1]:

[1] Bouquin H., *Comptabilite de gestion,* Dalloz, 1997, pp. 333-334

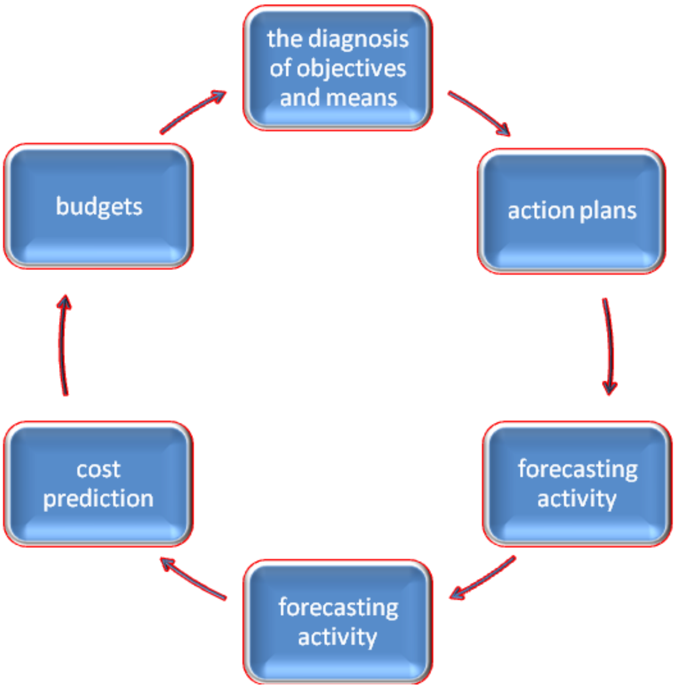


Figure no. 1 „*Budget Activity*''

Company structure and especially its adaptability to the actual conditions of the enterprise, is very important in the effectiveness of the budgetary process. The degree of centralization of the undertaking must be retained in determining and negotiating the budget, because:

- if, in a highly decentralized structure, some objectives are imposed and not negotiated on the firm's vision to change players and they're up hope;
- if a centralized structure is much negotiating objectives will increase the „reserves" are operational, designed for the difficult periods of centralization.

All these issues are conceptualized in each organization by budgetary procedures. Each organization has a budget procedures manual that describes how to make and shape their budgets, the budget calendar and schedules involved in this process. The budget calendar, that time spent negotiating process and fixation of targets, it has a direct impact on the quality of the budget process and take into account the organizational structure, the nature of the activity, but also the rate at which the budget process will unfold.

The advantages of budgeting are given roles that the tool itself must meet:

- planning,
- quantifying an action plan,
- facilitate communication and internal coordination,
- resource allocation, performance management helps;

At company level, we distinguish four categories of budgets, which are summarized as follows:

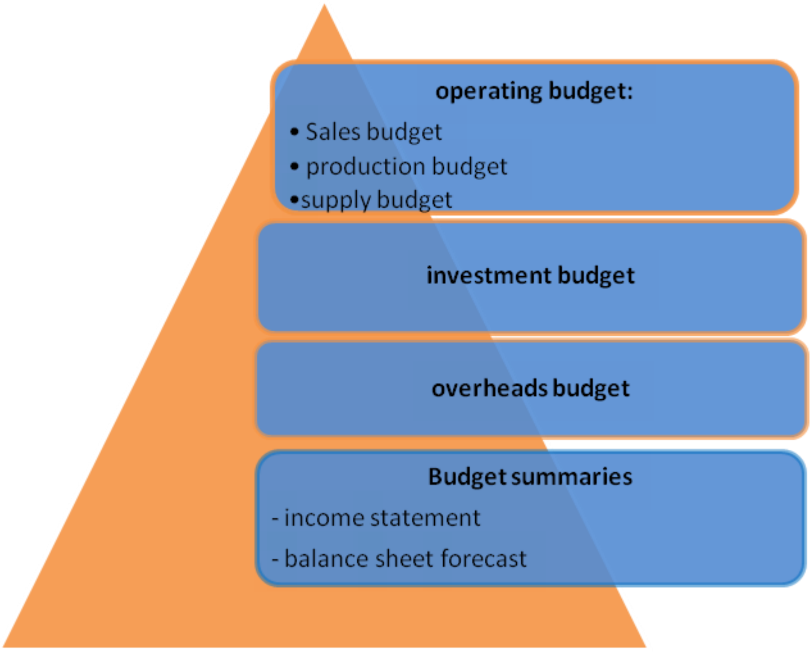


Figure no. 2„ *Typology budgets*"

This budget presents detailed forecasts for both consumption and demand of materials purchased. The objective function is to procure supplies in quantity and quality required at the desired time and at lower cost, company resources to work. The concept of supply refers to the notion of storage and acquisition cost.

For stocks getionarea use the following methods:

- graphical,
- Wilson's model,
- the method JIT (just in time).

I will present Wilson inventory management model aimed at determining optimal supply rate that minimizes total inventory management cost.

Wilson model uses the following terminology:

- the cost of acquisition;
- the cost of storage media;
- ordering cost;
- lack of inventory cost.

By optimizing the total cost[2] formula is obtained:

$$N = \sqrt{\frac{C \times t}{200 \times C_a}}$$

where:

N: the optimal number of orders,

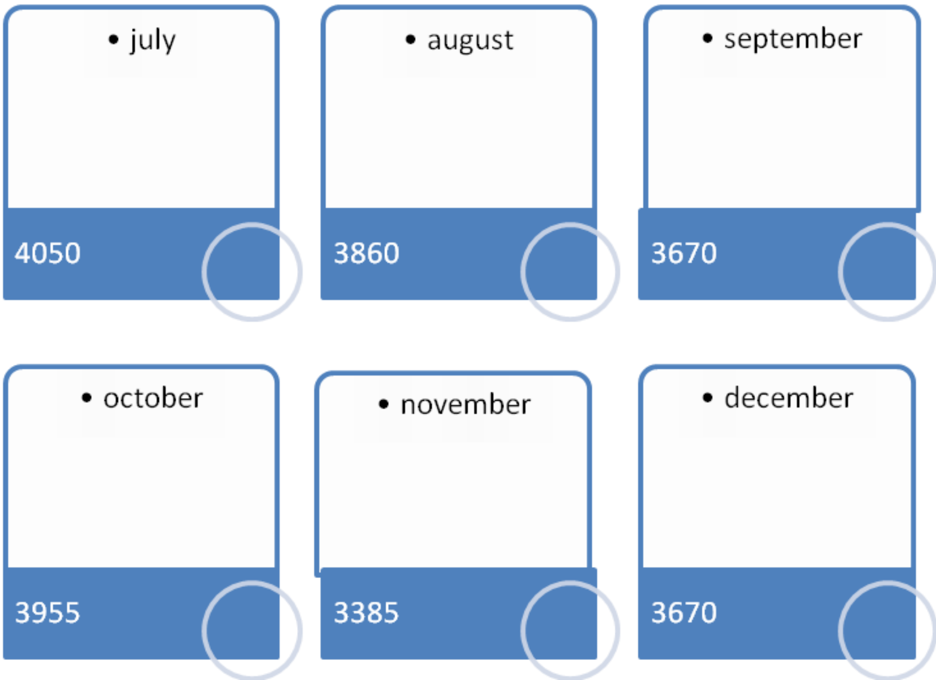
C_a: The cost of a command,

C: the quantity to be comendant,

t: retentio.

For example if you use it as a business model that has settled on the second half of the production budget, the following predictions for the consumption of raw material X:

[2] Minimum condition is expressed mathematically by the cancellation of the derivative function of N



The acquisition cost of raw material X is 15 u.m. / kg., storage cost is 9% of the shock, and the cost of carrying out an command is 950 u.m.

$$N = \sqrt{\frac{22.590 \times 15 \times 9}{200 \times 950}} = \sqrt{\frac{3049650}{190000}} = \sqrt{16} = 4\ commands$$

The amount of commands is determined as follows:

$$quantity\ orders = \frac{22.590}{4} = 5.647kg$$

Data from Wilson model is based on a constant consumption, but consumption actually varies. Wilson model is a purely economic model, and particular attention is paid to the stock. Increasingly more companies apply a tailored approach to managing inventories current economic conditions, called ,,just in time" that directs the flow to ensure achievement of value. This method directs behavior towards quality review and adapt to the situation, and not to hide errors in stock and productivity by creating a false stock.

CONCLUSIONS:

The activity starts from the budget forecast sales, which results in budget production, supply, distribution of expenditure, the natural consequence of the chains constituting a cash budget and financial forecast is. An important activity has forecast the investment decision. From the analysis I have done so far on the impact of the introduction of control through budgets, it is noted that connection very well be drawn between accounting system and in particular the management accounting on the one hand, and the budgetary system on the other side. The introduction of budgets need to be noted that they are dependent on information provided by accounting or stage projections or budgetary control of values when completed. From this point of view, might question the distinction net budgetary management accounting, as accounting data are compiled in a defined structure chart of accounts, while a budget is not necessarily identify with this structure. Proximity between the two systems can be ensured by the fact that management accounting analysis centers usually correspond responsibility centers. To enter the budget process there are several solutions depending on the particularities of each business and whether the budget is relatively relational model and other tools of management control.

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