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DEVELOPMENT OF DECISION-MAKING MECHANISMS BASED ON MANAGEMENT ACCOUNTING AND REPORTING

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Abstract: To obtain an objective picture of the state of financial and economic activity, the management of companies, as a rule, uses management accounting data. The management reporting of a company, as a rule, is seriously different from the financial statements, because it is prepared not for inspection and regulatory bodies, but for the management of the enterprise. If the information in management reporting is inaccurate, then management will not represent the real state of affairs in the company. In this regard, the issue related to the organization of the accounting process of management information, the formalization of management accounting, reporting and monitoring methods, as well as the formalization of budgeting and decision-making mechanisms based on management information, comes to the fore.

Keywords: budget, budgeting, planning, management accounting.

Introduction. The effective activity of any economic entity is unthinkable without preliminary planning, building a budget for financial and economic operations, ensuring accounting and control over the compliance of established plans with actual performance results. As you know, the main objectives of the system of planning, accounting and monitoring of financial and economic activities, in our opinion, are:

– creation of a centralized and interconnected enterprise management system adapted to changes in business conditions;

– providing the management of the enterprise with structured information about the current and planned state of financial and economic processes;

– streamlining the processes of distribution and movement of financial resources at the enterprise;

– creation of conditions for minimizing the uncontrolled spending of financial resources;

– increasing the manageability of financial and economic processes at the enterprise;

– creation of prerequisites for organizing a system of material incentives for personnel.

At the same time, the main tasks of planning, accounting and monitoring the financial and economic activities of an economic entity will be:

- coordination and clear regulation of the interaction of departments in management processes;
- increasing manageability by involving all departments in the budgeting process;
- division of responsibility by management levels;
- formation of activity plans of divisions for the forthcoming periods;
- drawing up budgets for the main areas of activity and for the enterprise as a whole;
- formation of consolidated predictive characteristics of the activity of an economic entity;
- reporting on the execution of planned and budgetary characteristics in a certain period of time;
- control over execution of plans and budgets;
- analysis of the causes of deviation from the approved values of planned and budget indicators.

From these numerous tasks, we propose to highlight the main principles and aspects on the basis of which it is necessary to build the following system of planning, accounting and monitoring of financial and economic activities (Table 1).

Table 1.

Basic principles of building a system of budgeting, accounting and monitoring of the financial and economic activities of an enterprise[1]

Principle	Explanation
Continuous improvement	The system of budgeting, accounting and monitoring is designed to improve and "build on" the current management structure
Manageability of the budgeting process	The budgeting process is managed through a special unit - the budget committee or the planning department
Distribution of responsibility	For the purpose of budgeting at the enterprise, all departments are allocated to responsibility centers (CR) for the main areas of activity. At the same time, the management structure for central heating does not replace the current enterprise management structure, it describes the functioning and interaction of departments only within the framework of the budgeting system.

[1] Compiled by the authors

Pre-budgeting at all levels	The plans included in the budgeting system are formed in each CO; ready-made plans are transferred to the planning and economic department (PEO) for consolidation throughout the enterprise
Centralized budgeting	Budgets for departments are prepared centrally in the IEE for each AC on the basis of plans prepared by them, taking into account the relationship between activities within the AC and between ACs. Only budgets relating to cash receipts and expenses of the AC are transferred to each AC; cost budgets that are not related to this AC are formed and accounted for centrally in the main accounting department
Completeness and unambiguity of cost allocation	All expenses of the enterprise are divided into budgets; intersection of cost accounting (i.e., parallel accounting of the same items in different budgets) or incomplete accounting (i.e., when some item of expenditure is not accounted for anywhere) is not allowed;

The budgeting system for the financial and economic activities of enterprises built on this principle finds its implementation in the following three aspects (see Figure 1).

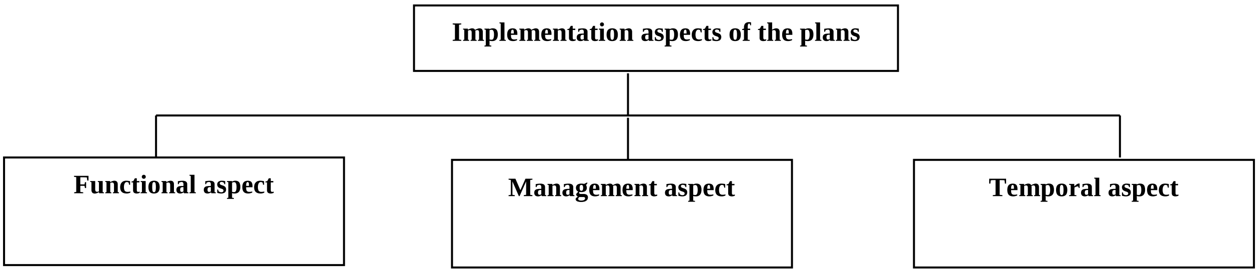
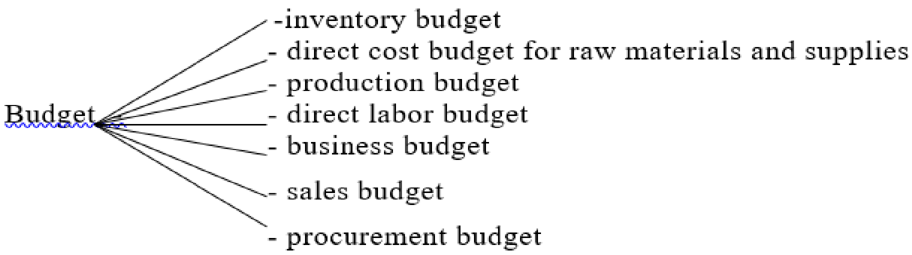


Figure 1. Aspects of management planning[2]

The functional aspect implies the division of plans according to a functional attribute (natural and monetary indicators) and includes the function of forming plans that are quite strictly divided according to their functional content:

a) operating budgets characterizing production and economic activities, namely:



[2] Compiled by the authors

b) financial budgets characterizing financial and investment activities:

Budget
- investment activity budget
- budget for taxes and obligatory payments
- budget for credit and financial activities
- profit and loss budget
- formation and use of financing
- cash flow budget
- forecast balance

The managerial aspect implies providing managers with the necessary information for making managerial decisions and includes two levels of users:

a) Level 1 - budgets, the users of which are the top management:

Budget
- profit and loss budget
- budget for the movement of financial resources
- budget of own and borrowed sources
- profit use budget
- forecast balance

b) Level 2 - budgets, users of which are the heads of structural divisions:

Budget
- sales budget
- production budget
- inventory budget
- materials budget
- direct labor costs
- budget of expenses of the period
- procurement budget

The time aspect implies the coverage of three budgeting time horizons:

a) strategic with a budgeting period of more than one year (planning and control of key performance indicators are carried out);

b) medium-term with a budgeting period from one quarter to one year (budgeting and monitoring of tactical performance indicators are carried out);

c) short-term with a budgeting period from one day to one quarter (budgeting and control of current operational activities are carried out).

Within these aspects:

- budgeting of financial and economic activities of an economic entity and its structural divisions;
- control of execution of plans;
- analysis of deviations of actual data from planned indicators;
- management reporting system;
- allocation of responsibility centers.

So, the budgeting system usually means the use of five groups of plans corresponding to five management subsystems: sales, purchases, production (costs), investments and finances:

- sales planning (sales budget, sales budget)
- procurement planning (budgets for the purchase of raw materials, materials, components and equipment)
- planning of production (costs) (cost budget for materials, budget for labor costs, budget for general production costs, budget for management costs).
- investment planning (capital budget, investment plan)
- financial planning (forecast cash flow budget, forecast balance sheet, tax plan, credit plan, profit and loss plan, plan for the formation and use of own and borrowed sources)

The totality of the listed budgets makes up the consolidated budget of the enterprise, which is drawn up for a year, detailed by quarters, the current quarter is detailed by months and days.

The function of monitoring the execution of budgeting in the system provides feedback from the management of the enterprise to the performers. The control process involves comparing actual results with budgeting indicators. If there are deviations, management decides to adjust the budgets, and if the deviations are significant, to adjust the strategy. Control over the execution of budgets in the system is carried out with the help of management accounting, which should promptly provide managers with information on the execution of plans. At the same time, management accounting is a system of information support for the management process, that is, a system of methods for accounting, analyzing and interpreting data, using which the management of an enterprise receives the information necessary for making operational management decisions and controlling the activities of an enterprise.

The system of management accounting can be based on accounting with an expanded budget account, which allows taking into account information of a managerial nature, to which additional requirements are put forward, expressed in analyticity and efficiency.

A special place in the budgeting system is occupied by the analysis of deviations of actual data from planned indicators, which allows you to identify the causes of discrepancies and assess whether the plan will be implemented. If the set goals cannot be achieved, then the data obtained in the control process is used to adjust the strategic budgets of the economic entity.

- it should be noted that the analysis of deviations of actual data from budget indicators also allows to determine the directions of management's actions aimed at strengthening favorable trends and minimizing the negative impact of unfavorable trends. Such an analysis also allows you to deepen the financial analysis by attracting accounting data, data on the technical preparation of production, as well as regulatory, planning and other information, to adequately assess the effectiveness of the economic activity of the enterprise. Features of management analysis are:
- orientation of the results of the analysis to the immediate supervisor;

- use of all sources of information for analysis;
- complexity of analysis, study of all aspects of the enterprise;
- integration of accounting, analysis, budgeting and decision making;
- maximum protection from unauthorized access to the analysis results in order to preserve trade secrets.

Another main component of the budgeting, accounting and monitoring system is management reporting. Management reporting is a set of reporting forms of an enterprise that registers and summarizes all the facts of its economic activity and is an important source of information for decision-making. Management reporting contains information describing the overall picture of the enterprise (operational information on the amount of receivables and payables, cash balances on accounts, payments made for the period, etc.); existing problems and needs of the Enterprise in any resources; potential problems that may arise in the near future.

The use of management reports by management allows:

- daily make effective decisions and resolve emerging current problems;
- make strategic decisions and prevent future problems (whether to continue to sell this product, whether to invest in promoting a new product);
- identify weaknesses in the budgeting system and adjust sales forecasting techniques.
- The correct implementation of the management reporting system (adapted to the needs of the Company) guarantees, in our opinion, the accuracy, timeliness, brevity, regularity, and effectiveness of the information received.

The modern approach to the management system involves the delimitation of the functions of strategic, tactical and operational management of an enterprise and the distribution of responsibility by management levels [1,2]. The issue of automation of the budgeting system [3], as well as issues of control [4], are also important. Therefore, it should be noted that, regardless of the level, the solution of management problems is inextricably linked with the performance of planning and control functions. According to the responsibility assigned to managers at various levels, each of them, within the framework of their authority, must solve specific tasks of planning and control.

One of the main problems of management at the functional (tactical) level is the transfer of responsibility for the implementation of specific financial and economic indicators to the heads of individual areas responsible for the purchase of raw materials and goods, marketing of products and a number of other functions. In accordance with the tasks assigned to the leaders of the tactical level, management is carried out with the help of a system of plans, budgets for areas and main divisions. The competence of these leaders should also include the coordination of plans and budgets both in the areas of activity and the main divisions, and the implementation of tactical goals in accordance with the strategic and long-term goals of the economic entity. The composition of the tasks solved at the tactical level also includes the preparation of proposals for investments, changes in the structure of working capital and the need to attract external sources of financing.

The system of plans and reports for operational management is designed to provide managers at all levels of the enterprise with information about the current activities of the enterprise, necessary for making decisions on compliance with planned indicators set at the tactical level. Among the tasks solved within the framework of operational management, a special place is occupied by the linking of financial plans and management reporting into a single integrated information system for planning, accounting and monitoring of the enterprise, which makes it possible to ensure control over the implementation of key performance indicators, both at all levels of management and within the established time intervals. Below is our proposed typical scheme for the formation of the consolidated budget of an industrial enterprise and the interaction of planning and budget forms.

At the first stage of preparing budgets for the coming period, budgets are formed, conventionally located at the fourth level of the presented hierarchy of forms. Each of the budgets is filled in by the respective responsibility center. The information reflected in the entire set of forms of the 4th level reflects the "opportunities" and "needs" of the enterprise for the planning period, coming directly from the executors of the financial and economic process of the enterprise (or persons directly close to them). This approach makes it possible to plan the activities of an economic entity in the main functional areas with greater reliability and detail.

At the next stage, all budgets are transferred to a single consolidating center (for example, the planning and economic department of the enterprise), where they are processed, analyzed and integrated into the consolidated budget of the enterprise for the planning period (year, quarter). Level 4 budgets serve as the primary information for compiling a consolidated budget, which summarizes information about upcoming revenue receipts and all expected expenses.

The consolidated budget is the main budget document, in which the maximum degree of consolidation and generalization of budget parameters has been achieved. Its main task is the enlarged distribution of the budget (income and expenditure parts) to the respective responsibility centers (CR). In addition, when drawing up a consolidated budget, a positive balance of income and expenses for the enterprise as a whole should be ensured, which in turn allows prioritizing in solving more detailed tasks. In order to achieve a positive balance, some plans related to the expenditure side of the budget may be reduced, which will be reflected in the preparation of documents of the 1st level and budgets for DH. Based on the results of the compilation of the consolidated budget, other budget documents are formed, first consolidated by the Enterprise, then detailed by the CO. It should be noted here that 3 sub-budgets are allocated from the budget for the expenses of the period for the expenses of the corresponding SC. This is necessary for the full detailing of all expenses and their binding to the place of occurrence. Based on the consolidated data of the consolidated budget, documents of the following (first) level are formed: investment plan, profit and loss forecast, cash flow budget and forecast balance.

The investment plan is formed based on the needs of the enterprise in investment projects and within the framework of the positive balance of the consolidated balance sheet or the amount of attracted long-term credit resources. Those. it is recommended to plan investments after assessing the amount of financing of expected and reasonable expenses. In addition to the data of the consolidated budget, an independently compiled credit plan in terms of attracting long-term resources serves as input information for drawing up an investment plan. In the investment plan, only those projects are indicated, the financing of which is planned not from the cost price.

The cash flow budget is compiled on the basis of information from the 4th level plans, taking into account changes (reductions) adopted in the preparation of the consolidated budget, as well as data from the investment and credit plans. The specified forecast is a key document describing the financial component of the enterprise's functioning in the planning period.

The forecast balance is compiled on the basis of the planned values of the relevant balance parameters, which come mainly from the 4th level plans, taking into account the changes adopted in the preparation of the consolidated budget, investment and credit plans. Values of parameters that are not planned to change in the coming period remain unchanged in the forecast balance.

To make a profit and loss forecast, the items of income and expenses of the consolidated budget are regrouped to a form close to Form No. 2. This forecast describes the formation of the financial result as a whole for the enterprise without dividing it by CO, which makes it possible to single out budget parameters for further detailing and subsequent operational control. To make a profit and loss forecast, information is used from forecasts of operating and non-operating income and expenses.

For the cost of commercial products, as a key budget and control indicator, a separate form is provided: cost forecast, which lists the main items that make up the cost, indicating the CO responsible for their control. To form a cost forecast, the 4th level is used, relating to the expenditure included in the cost, adjusted when forming the consolidated budget. The production program is drawn up on the basis of production, which, if necessary, was adjusted when compiling the consolidated budget, in which natural indicators of production volumes are supplemented by the financial component of production costs, is a guideline in the production of products and is taken into account when executing the procurement budget.

At the next stage, budgets are formed for each of the ACs. AC budgets are accepted or reduced AC requests in the context of the functionality performed by the divisions included in the AC. In accordance with the adopted consolidated budget, and, as a result, with the profit and loss forecast, each AC is given the right to participate in the formation of that part of the budget that is allocated to the corresponding AC. The DH budgets reflect only such revenues and expenses that can be planned and changed by the DH itself, i.e. regulated income and expenses. As a detail of some documents (in this case, sales plans and procurement plans), the following schedules are provided: receipt of payments, collection of receivables, payment for raw materials and materials, repayment of accounts payable. These schedules are documents of an operational nature, i.e. disclose planned information for the near future. Charts are intended for transfer to the management of the enterprise as an auxiliary material for making more effective tactical decisions.

Thus, the formation of budgets is recommended to start with the preparation of the procurement and procurement budget, the production budget, the sales budget at the beginning of the month preceding the budget period, and end at the beginning of the first month of the budget period with the preparation and transfer of budgets for responsibility centers.

Conclusion. Summarizing the above, we note the fact that the modern approach to the corporate governance system involves the differentiation of the performance of the functions of strategic, tactical and operational management of an enterprise and the distribution of responsibility by management levels. However, regardless of the level, the solution of management problems is inextricably linked with the performance of the functions of planning, accounting and control.

The quality of enterprise management directly depends on the quality of the formation and execution of budgets at all levels based on the use of management information and management reporting and the regulation of management accounting and monitoring procedures. In this regard, the issue related to the organization of the accounting process of information for management activities, the formalization of management accounting, reporting and monitoring methods, as well as the formalization of budgeting and decision-making mechanisms based on management information, comes to the fore.

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