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THEORETICAL ASPECTS OF BUDGETING AS AN INTEGRAL PART OF MANAGERIAL ACCOUNTING

The main normative acts that form the regulatory framework of accounting in the Republic of Moldova address two of its components - financial accounting, which provides information to external users, and managerial accounting, which represents a system of collecting, recording, processing and transmitting the necessary information for planning, control and analysis of the entity's activity for the purpose of drawing up the internal reports and taking the managerial decisions [1].

The constitutive elements of managerial accounting determine its particularities and tasks, aimed at the achievement of the pursued goals. A special role in this context belongs to one of the basic tools of managerial accounting, namely the budgeting process. Budgeting ensures the functionality of administrative records, creating a system of self-regulation of business, which adequately and timely reacts to external environmental [4, p.59]. At the same time, budgeting contributes to the efficient management of resources and the entity's financial stability, due to the development and adoption of short-term and long-term objectives, both quantitatively and qualitatively.

Theoretical and applied aspects of budgeting in national accounting practice were studied by the researchers M. Bajan [2], G. Badicu [3; 4], O. Ghedrovici [4], E. Hlaciuc [3], S. Mihaila [3; 4], A. Mihaila [5] etc. It is important to note that in their works, among other things, are studied the possibilities of applying the international experience in the field in order to make the budgeting, as a control tool, more efficient, taking into account the particularities of the national accounting system.

Being a key element of the management process, the budgeting includes the following main elements:

- the budgeting technology;
- the organization of the budgeting process;
- the control over the budgets execution.

One of the distinctive characteristics of the budgeting technology implies that it must be developed based on certain principles: the principle of integrity, the principle of maintaining solidarity between different organizational structures, the principle of including the budgeting system in the general policy and in the staff policy of the entity, the principle of updating the budget forecasts, the principle of continuity [2, p.141-142]. The mentioned technology provides the choice of the budgeting models (incremental budgeting or base budgeting), budgeting methods (budgeting based on a financial structure built taking into account the responsibilities of each structural subdivision or based on the highlighting of business processes, in which the resources are distributed not by the subdivisions, but by the processes), budgeting procedures (break-down or build-up), types and forms of budgets, the system of economic and financial indicators, etc.

In the process of drawing up the budgets, the entities will be based, mainly, on the financial structure, which will allow the systematization of the budgets, depending on the area of coverage, as follows:

- general budgets — characterizes the overall activity of the entity by drawing up the operational budget (it is based on the elements of the profit or loss budget: the sales budget, the production budget, the acquisitions budget, the cost budget, the expenditure budget, etc.) and the financial budget (it includes the investment budget, cash flow budget and the balance sheet forecasting);

- private budgets – are budgets specific to some segments of the entity's activity. They can be drawn up by structural units (branches, departments, sections, etc.) and by functions (operational activity, financial activity, investment activity).

The organization of the budgeting process at the entity will include several successive steps: the formation of the financial structure by delimiting the centers of responsibility; development and improvement of the draft budget and including it in the structure of the entity's business plan; development of internal regulatory documents (the regulation on the financial structure, the regulation on budgeting, the regulation on the budget committee, etc.); identifying the stages of the budgeting process; analysis of budget execution based on the results of the current year (comparison of the planned indicators with the actual ones, determination of the deviations and analysis of their causes, adoption of managerial decisions).

It is worth mentioning that a special attention in the organization of the budgeting process will be given to its regulation. In measuring the effectiveness of the budget process, a particularly important quality is dedicated to internal document, which shall be disclosed to the basic rules and principles of conduct of the budget. Thus, the Regulation on budgeting determines the order of interaction between the subdivisions of the entity in the preparation of budgets and as a methodological support should include the following elements:

- preface;
- purpose and tasks of budgeting;
- notions and definitions;
- basic principles of budgeting;
- delimitation of the attributions of the structural subdivisions;
- ranking of priorities;
- establishing a strict financial discipline;
- reporting on budget execution;

- responsibilities;
- review and correction of the budget.

The final stage of the budgeting process at the entity involves the control over the budget execution. This will be achieved by tracking and analyzing the way the budget is executed, thus ensuring knowledge of the level of fulfillment of the tasks provided in the budgets, determining the deviations from the forecasted indicators and identifying the causes that caused them, establishment of the measures that are required, as well as of the subdivisions of the entity that must act in order to improve the financial situation. In order to contribute to the efficiency of the entity's activity, the budgeting control should be carried out frequently enough, ensuring that corrective measures are taken in a timely manner, and it should be sufficiently decentralized, to be carried out at the level where corrective decisions are taken and responsibilities are exercised [5]. Most of the time, the budgeting control is carried out monthly and follows two basic objectives:

- identification of favorable or unfavorable deviations from the budget provisions, the management control being oriented towards the past facts;
- adjustment of the budget forecasts and taking the corrective measures, the management control being oriented on future facts.

The control over the execution of budgets and management through deviations is carried out on the basis of the report drawn up by the analytical accountant responsible for taking the respective decisions or by another employee with control duties. In order to ensure a correct and efficient control based on the budget execution report, it is recommended to compare the actual (real) results with the adjusted budget according to the real level of business activity (the volume of the sales achieved, the volume of production, etc.), such a budget being a flexible one. The flexible budget is calculated according to the budget expenses and/or budget revenues, based on the effective volume of activity (the effective volume of sales and products manufactured during the budget period). The difference between the flexible and static budget resides in the use within the flexible budget of the effective volume of the activity, while the static budget is developed based on a certain volume of activity, planned until the beginning of the budget period. At the same time, when planning the future activities, the flexible budget is developed simultaneously for several levels of the entity's business activity. The advantage of such budgeting is that when the level of business activity changes, the management of the entity has the possibility, in the shortest possible time, to switch from one budget to another, considered the most appropriate to the current market situation.

In conclusion, it is to mention that the development of the entity's budget is a complex and laborious process, for which should be regulated not only the theoretical aspects, but also the organizational and methodological ones. The latter will include budgeting techniques, whose forms and indicators would be accessible and understandable not only to qualified personnel involved in the budgeting process, but also to all employees of the entity. In case of a budget system that works with maximum efficiency, the entity has the opportunity to plan and predict the results of its activity for different periods of time, depending on the changes in the external environment.

References:

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