

THEORETICAL AND APPLIED ASPECTS OF ECONOMIC PROCESSES IN UKRAINE AND IN THE WORLD ECONOMY

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BUDGETING IN THE CONTEXT OF BUSINESS DIGITALIZATION

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One of the main conditions for the successful functioning of a business is the effective management of entrepreneurial activity. A significant role in the overall business management system belongs to planning and, in particular, to its budgeting form, which is a process of coordinated planning and management of the organization's activities with the help of budgets and economic indicators, which allow determining the contribution of each department and each manager to the achievement of common goals. When analyzing the budgeting process as an element of business management, it is necessary to highlight the theoretical and practical components. At the same time, along with definitions of budgeting, the theoretical component is based on such concepts as budget properties, its features and types. It is proved that the possibilities of improving the budgeting system are expanding significantly in the digital economy. The digital business transformation will create new values for consumers, change partnership strategies with an aim to increase competitiveness, as well as will create new business models, including budgeting models, and make faster more accurate and correct management decisions in business.

БЮДЖЕТИРОВАНИЕ В УСЛОВИЯХ ЦИФРОВИЗАЦИИ БИЗНЕСА

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Ключевые слова:

бюджетирование, бюджет, цифровая экономика, цифровизация бизнеса.

Одним из основных условий успешного функционирования бизнеса является эффективное управление предпринимательской деятельностью. В общей системе управления бизнесом немалая роль принадлежит планированию и, в частности, такой его форме, как бюджетирование, что представляет собой процесс согласованного планирования и управления деятельностью организации с помощью бюджетов и экономических показателей, позволяющих определить вклад каждого подразделения и каждого менеджера в достижение общих целей. При анализе процесса бюджетирования как элемента управления бизнесом следует выделять теоретическую и практическую составляющие. При этом в основе теоретической составляющей наряду с определениями бюджетирования лежат такие понятия, как свойства бюджета, его особенности и виды. Доказано, что возможности совершенствования системы бюджетирования значительно расширяются в условиях цифровой экономики. Цифровая трансформация бизнеса позволит создавать новые ценности для потребителей, изменять стратегию партнерских отношений в целях повышения конкурентоспособности, а также позволит сформировать новые бизнес-модели, включая модели бюджетирования, и быстрее принимать более точные и правильные управленческие решения в предпринимательской деятельности.

The main material of the research

In the overall business management system, planning plays a significant role, and in particular, its form, such as budgeting. Planning, as an element of the overall management system, includes a set of actions to develop quantitative and qualitative parameters of business

development for the future. At the same time, it is very important to determine how to achieve these parameters for the period of specific time limits.

The importance of business planning is associated with various factors, of which an important one is, for example, the uncertainty of the forecasted prospects. In addition, considering the business as a complete system of

functioning of production and technological, marketing, investment and other components, it should be borne in mind that the slightest discrepancy between them may cause the need for additional financial costs to eliminate failures and restore the normal functioning of the business system as a whole. Therefore, an important factor is the development of plans for all the main areas of business functioning as a complete business system.

Depending on the period for which the plan is drawn up, there are strategic, tactical and operational planning. Figure 1 shows different levels of planning depending on the forecast time period.

A strategic planning model is used for drawing up a long-term plan, which involves defining the goals, objectives, scope and scope of business activities only in a

generalized form using the approximate characteristics of quantitative indicators. In fact, such a plan is a strategic business development program, usually for a period of five years or more.

When drawing up a plan for the medium term with a period of one to three years, the tactical planning model is used. It is this model that determines the directions in the use of business resources that ultimately allow you to achieve the goals set in the strategic plan for business development.

Finally, operational planning, which allows you to create a program document that covers all aspects of current business activities and has a time period of no more than one year. This planning is carried out in the form of budgeting.

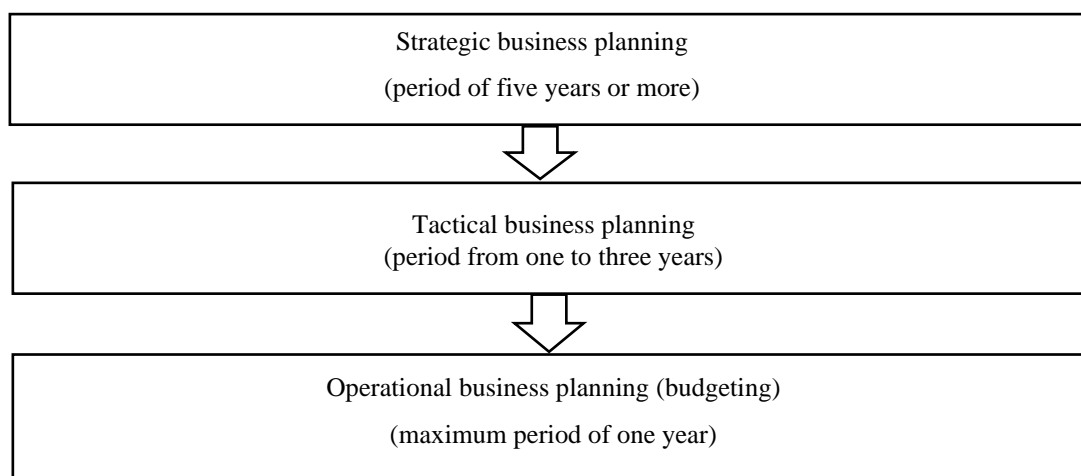


Fig. 1. Levels of business planning

The goal setting process is key in all planning procedures. The goals that an organization sets for itself may differ greatly for different time horizons, but it should be remembered that planning errors on any horizon lead to failures in the implementation of plans at the other two levels.

For example, problems with current operations can negatively affect the company's strategic prospects, when difficulties with current payments and fulfilment of contractual obligations can involve the company in long legal proceedings and put it on the verge of survival. An incorrectly chosen strategy will make it impossible to execute tactical and operational plans, no matter how well they are developed.

The cost of mistakes made in the development of plans at different levels is quite high, so it is very important to conduct a deep and comprehensive analysis of the company's goals and ways to achieve them in advance, as well as their timely revision in the light of changed business environment conditions.

Errors in current planning can be corrected and overcome fairly quickly. If the procedures for monitoring and correcting flexible budgets (analysis of deviations) are well established and are carried out regularly, the situation can be corrected within one or two months, and sometimes faster. Such difficulties are temporary and can only seriously affect the level of salaries and bonuses paid to

employees. For the company itself, mistakes made when developing budgets can lead to insufficient funds to pay creditors. If these difficulties are not protracted, serious adverse consequences (such as lawsuits from creditors, employee strikes, or government penalties) are very rare.

Mistakes in mid-term, and even more so in strategic planning, can be fatal for an enterprise. If the areas of activity provided for in the strategic plan were chosen incorrectly, the company finds itself in a market impasse. If significant capital investments have already been made to achieve these incorrectly chosen goals, the company may face the threat of bankruptcy.

Planning is one of the main functions of management. In this capacity, budgeting should be understood as the main mechanism for planning current operating activities. This is important to understand not only those responsible for preparing and implementing the budget, but also everyone else whose activities and results depend on an effective budgeting system – employees, contractors, and, ultimately, the state and society.

Budgeting is a process of coordinated planning and management of the organization's activities using budgets and economic indicators that allow determining the contribution of each division and each Manager to achieving common goals [1]. Thus, the budget should be considered as a quantitatively detailed plan for the business as a whole and its individual segments, aimed at

achieving the set goal. A budget is a document that contains the organization's planned performance indicators for the near future [2].

Analyzing the budgeting process as an element of business management, it is necessary to distinguish the theoretical and practical components. At the same time, the theoretical component, along with the definitions of budgeting, is based on such concepts as budget properties, its features and types.

The cluster approach to budget properties is based on the study of three aspects: the focus on the future, the level of detail and control of execution. First of all, we are talking about the direction of budgets in the future. The past in the planning system has no value; the results achieved are

only guidelines for the formation of a system of planned indicators and a basis for possible comparisons. The second aspect concerns the detail. The budget must be quantitative in order to allow you to determine the resources and efforts that will be required to achieve the goal. The third aspect contained in the definition concerns the control system. Budgets do not have value in themselves; they are valuable to the extent that they contribute to the achievement of business goals and allow you to correlate the actual result with the forecast indicators and goals defined in the strategic development plan.

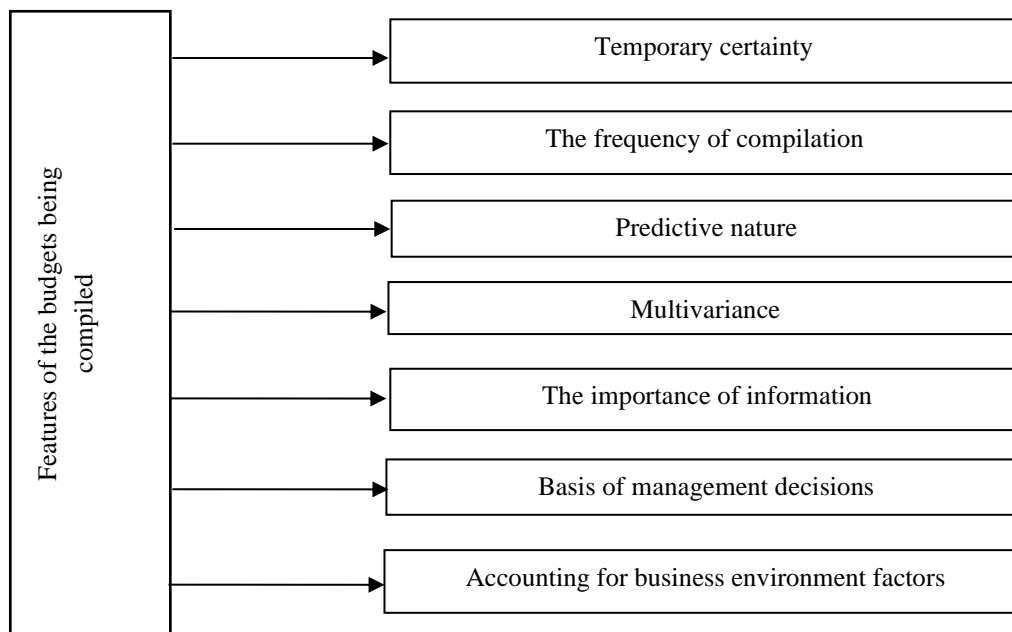


Fig. 2. Budget Features

When studying budgeting theory, you need to take into account a number of budget features, shown in Figure 2. First of all, you should note such a feature as temporary certainty. This feature means that the budget is drawn up for a specific period of time, and the budget period itself must be considered within specific time limits. The next feature is the frequency of compilation, which is due to the limited budget period and the need to prepare a budget for the next time period. The peculiarity expressed in the forecast character is caused by the need to use forecast values of upcoming costs and revenues. Such a feature as multi-variant budgets is primarily explained by an alternative approach to their development. As a rule, there are various options for possible development of the market business environment and the internal business environment of business activity. Therefore, all possible options must be considered. Such a feature as informational significance is of great importance. It is clear that there is no need to reflect each expenditure item in the budget. This makes it necessary to assess the significance of the information that a particular item of expenditure carries. There can be no doubt that budgets

are a feature of the basis for making managerial decisions. It is clear that the budget form should be convenient for using its indicators in the development and adoption of management decisions. Therefore, the content of the budget and the form of its presentation should be determined by the business itself. Finally, the feature of accounting for business environment factors. When making budgets, it is very important to study both the influence of external factors of the business environment and the influence of the internal business environment. This makes it possible to take into account not only the impact of the macroeconomic environment of the business and its business environment, but, most importantly, to take into account the specific features of the business itself, namely, its organization and management, production and marketing characteristics, accounting and Finance, personnel management, etc.

Considering the theoretical component of budgeting, it is necessary to focus on the types of budget [3]. Figure 3 shows the classification of budgets depending on the tasks set.

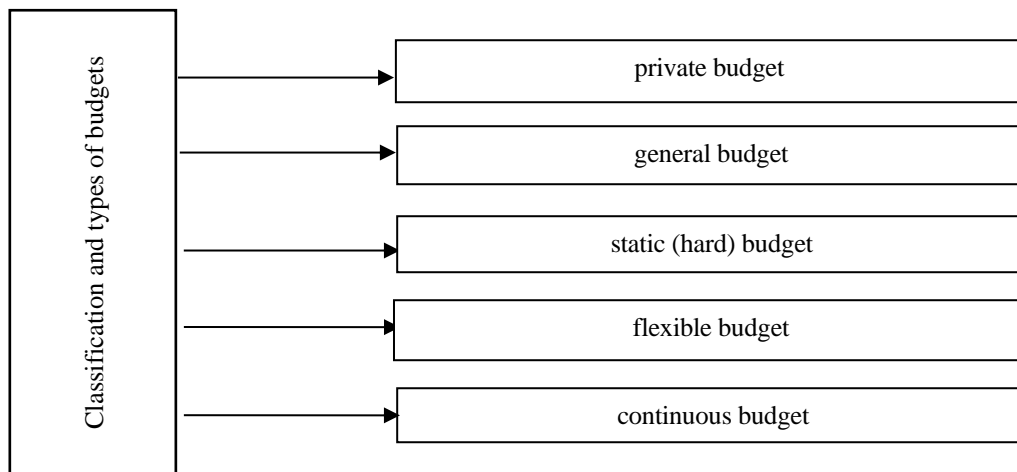


Fig. 3. Classification of budget types

Each type of budget solves certain tasks, pursues specific goals, and has its own characteristics. Thus, the private budget is a plan of activity for a specific business unit. Private budgets are closely interlinked.

The General budget is a plan that is coordinated across the organization's activities. It combines the private budgets of the organization's divisions and consists of operating and financial budgets.

The operating budget is the current budget that describes the planned operations for the upcoming period in order to carefully prepare input data for all major budgets. All expenses in operating budgets are linked to their implementation dates (they are divided into periods – weeks, decades, and months). Operating budgets are developed in a certain sequence, since the totals of some operating budgets can serve as input data for others. The specific composition of operating budgets and their formats are chosen by the business itself. The financial budget reflects the estimated sources of financial resources and their use for the purpose of forecasting cash flows. Its constituent elements are the capital investment budget, revenue and expenditure estimates, cash flows, and the forecast balance.

A static (hard) budget is a budget that includes revenues and expenditures planned for a specific level of implementation. The static budget does not provide a detailed analysis of the organization's activities.

A flexible budget is a budget that includes changes in costs depending on changes in the level of implementation. The flexible budget serves as a basis for comparing the results achieved with the planned indicators and includes revenues and costs adjusted for the actual volume of implementation. It is compiled after analyzing the impact of changes in sales volume on each type of cost. Flexible budgeting is based on dividing costs into variables calculated according to the norms per unit of output, and fixed costs that do not depend on the level of business activity of the business.

The continuous budget is developed using the incremental budgeting method, according to which the budget indicators of new reporting periods are based on the indicators of previous periods, adjusted based on expected changes.

Each type of budget has a special technology for creating it. Thus, the General budget is formed on the basis of information about business activities for previous periods, while using data from the financial statements of the previous period. This information gives an idea of the available business assets and sources of their coverage.

Along with the theoretical features, the practical component of budgeting is of great importance. As long-term practice shows, preparation and budgeting require interaction of all business levels [4]. At the same time, it is very important that the budget is prepared by qualified specialists who are familiar with the stages and procedures of budgeting.

Considering the process of business management in modern conditions, as a rule, we distinguish, first of all, the level of qualification of managers, namely, managers and business owners. However, no less important is the complex system of specific actions and approaches that managers use to obtain the final effect of management in the form of making managerial decisions in business. The impact of this factor is sharply amplified in the digital economy.

When drawing up a budget, it is necessary to take into account the needs of the business, its structure and specifics of labor resources, to analyze the needs for raw materials and technical resources. It is necessary to really assess the current situation of the business. At the same time, the budget should be based on the experience of previous periods, adjusted in accordance with current trends and focused on the future. At the initial stage of budgeting, the expected volume of sales and services is usually estimated, which is a crucial factor determining the level of business activity in the budget period.

When budgeting, it is necessary to take into account factors such as the production capacity of the business, the number of employees, the availability and cost of raw materials, since they can limit the volume of sales [5]. After the sales volume is designed, production costs and current expenses are calculated. The budgeting period depends on the type of business activity, but it should be long enough to include full production cycles and take into account the seasonality of operation, capital turnover and financial capabilities of the business.

Business management develops the overall budget orientation, which is then prepared at different levels of business activity. Managers at each level supplement the budget by specifying it for their subordinates. When preparing the budget, employees at each level make estimates of the items that are within their control.

Long-term practice of using traditional approaches to budgeting has revealed a number of shortcomings and difficulties in organizing and conducting this process in business. Among the main drawbacks, we should note factors that have not only a cost and organizational nature, but also a negative factor of decision-making time.

First of all, it is necessary to note the level of expenditures when drawing up budgets. The budgeting process is a complex of very expensive procedures related to calculations, comparisons and analytical conclusions. And this requires no small-time expenditure. According to experts' calculations, budgeting takes up on average 20% of the time of management personnel. However, the most important thing is that budgets are not always based on reliable estimates, and often approximate data can be used in their preparation.

Certain doubts may be raised about the compliance of a particular budget with the organizational structure of the business, which may be based on the strengthening of centralized management and control, since decisions on budget adoption are made at the level of top managers and communicated to managers responsible for business units.

As you know, in modern conditions, the external business environment changes very quickly. Traditional budgeting

is not able to respond adequately to these natural changes. This is primarily due to the fact that different types of budgets are difficult to coordinate and, moreover, they often contradict each other.

This situation often leads not only to a decrease in the efficiency of business activities, but also turns out to be one of the reasons for unprofitability of business. As the practice of operating businesses shows, this can be facilitated by unreality of the budget, incorrectly chosen budgeting method, unreliability of actual data, untimely receipt of these data or their absence at all.

Budgeting technology is a very complex mechanism that requires not only competent analysts, but also creating conditions for timely receipt of real actual and planned data, accelerated processing and making accurate and correct management decisions. This opportunity appears with the transition to the digital economy. In the new conditions of business digitalization, all the disadvantages of budgeting, including the time aspect, are eliminated, and it becomes possible to improve budgeting technologies. Digital technologies in business can combine physical and digital resources to jointly solve problems in the field of entrepreneurship [6].

Thus, the digital transformation of business will allow creating new values for consumers, changing the strategy of partnership relations in order to increase its competitiveness. Also, digitalization of business will allow you to create new business models, including budgeting models, and make more accurate and correct management decisions in business faster.

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