

BUDGETARY MANAGEMENT PER RESPONSIBILITY CENTRES: DELEGATION OF RESPONSIBILITIES AND POSSIBILITY FOR THE PERFORMANCE OF CONTROL

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INTRODUCTION

The continuous business restructuring, the modernization of the technologies for manufacturing / service supply, the need to obtain relevant information to facilitate managerial decisions, have made it absolutely necessary to rethink the structure of the entity's activity on accountability centers. The way in which the organization's activities and organizational structure are coherent is that of decentralization, which favors quick decision-making, given that the manager of the responsibility center thoroughly understands all the issues, the customer's needs, the conditions, the proximity to the place where the direct activity takes place. For a certain period, at the level of accountability centers, the objectives of the entity's end-capabilities and the strategies of entity's development, the necessary resources are allocated and the control is organized. Budget management is the main tool for forecasting and controlling the entire activity of the entity, which is achieved through budgets. From a practical point of view, budget management is carried out in three phases:

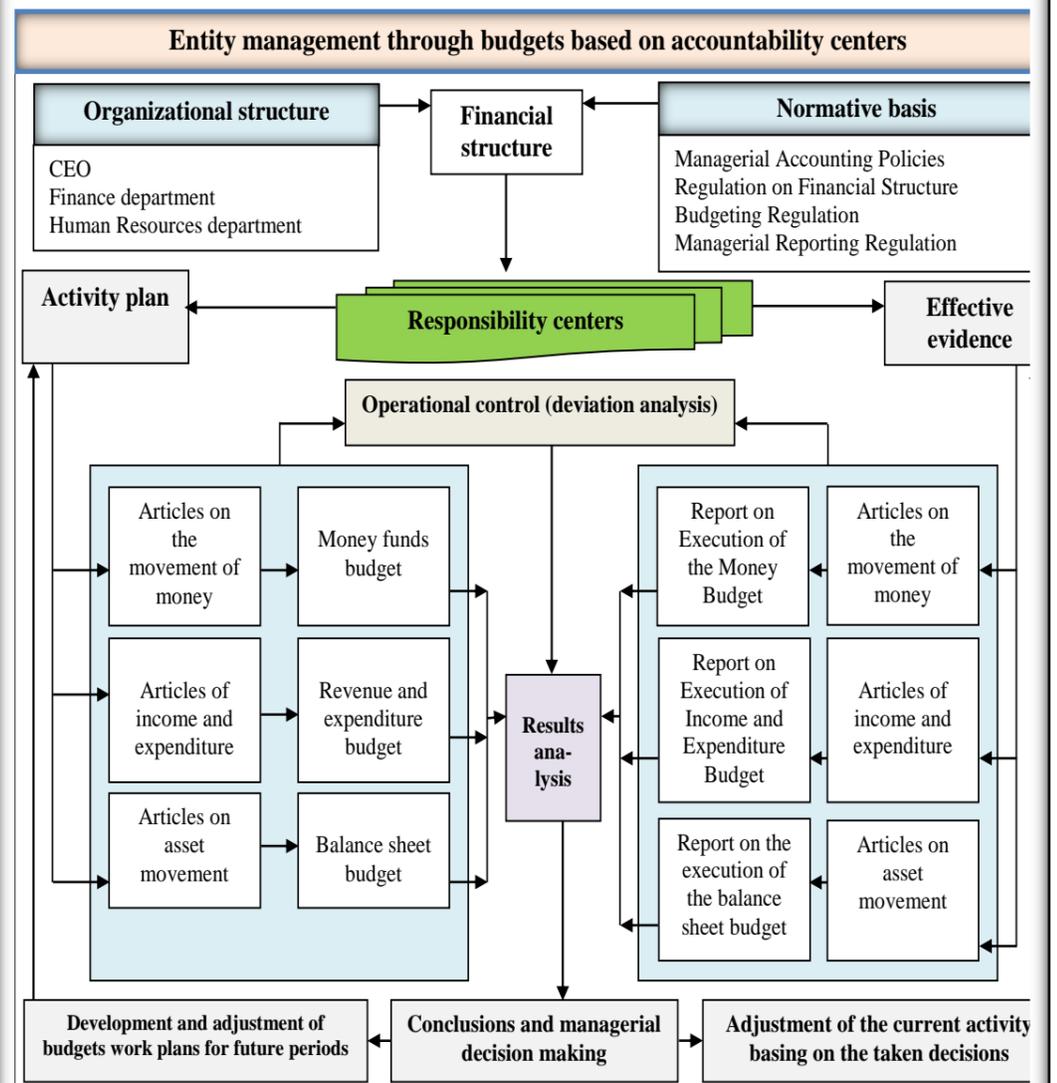
- ✓ **strategic forecast phase**, which corresponds to the forecasting of various objectives and performances of the entity over different time horizons. *The result of this step is to draw up a strategic plan for the entity as well as for the responsibility centers, regarding the entity's performance.*
- ✓ **budgeting phase**, which consists of budgeting, taking into account forecasts, with which the actual results can be compared. *It contributes to the development and implementation of strategic plans and employee motivation, provides a benchmark for performance assessment and promotes coordination and communication between accountability centers.*
- ✓ **budget execution control phase**. The significance of this stage is to investigate the deviations from the planned sizes, which allow each center and the entire entity to identify fast the negative trends in order to prevent them. *If necessary, the investigation is followed by corrective measures.*

THE MOTIVATION OF THE RESEARCH

At the current stage, within the entities, there is a problem related to the lack of an optimal financial structure (*the hierarchical system of the responsibility centers*), which could provide the flow of information and circuit of the documents necessary for the control and the decisional act. In this context, the main purpose of the accountability centers is to generalize the costs/incomes and the results of the activity on their place of occurrence, grouping the indicators according to the possibility of their control, establishing the deviations for the performance indicators and the person responsible for these. From the point of view of management, the main issue is to create a system of operational management on accountability centers, through budgets, which allows the achievement of strategic objectives, with the most efficient use of resources.

BUDGETARY MANAGEMENT BY RESPONSIBILITY CENTERS

Studying the budgeting process at Moldovan production entities has led us to conclude that this is a more formal one. Although entities positively assess the need and efficiency of budgeting within entities, however, in practice there are a number of issues that do not allow the expected effect. The authors have structured the complex process of budget management on responsibility centers (within a production entity) focusing on the stages, requirements and organizational principles that start with the formation of the financial structure, the creation of responsibility centers and their assignment of the performance indicators, the elaboration of normative basis, budgets, managerial reports and finalizing with analysis of deviations, conclusions and decision making.



FLEXIBLE BUDGET – THE ONLY FEASIBLE BUDGET FOR CONTROL

It is noteworthy that a special attention is paid to the deviations regarding the execution of the budget. To perform control and resource management, it is recommended the comparing of actual data with budget data for the same volume of production. Thus, the flexible budget allows managers to calculate deviations that provide more information than what can be inferred from the deviations in relation to a static budget. We emphasize that in managerial reports on the implementation of budgets by accountability centers, the costs shall be subdivided into constant and variable. This will allow to determine the responsibilities for each manager and it will make possible to appreciate his activity in controlling the controllable indicators. The research results from the perspective of the flexible budget are presented in the following table. It is important to highlight which centers are responsible for the detected deviations. Therefore, the authors found a correlation between accountability centers and controllable and uncontrollable indicators.

Report on the calculation of deviations of actual production costs from the budget approved by the flexible budget method

No	Type of deviations	Calculation of deviations	Calculation data		Deviation	Reason of the deviation			
I. Deviations in the consumption of raw materials and materials									
1	<i>Price deviations of materials</i>	$(P_{ef} - P_n) \times C_{ef}$	Unit price of the material		Actual quantity of consumed materials (<i>C_{ef}</i>)	(+;-)	The inefficient work of the supply and technology divisions; Inflation		
			Normative (<i>P_n</i>)	Effective (<i>P_{ef}</i>)					
			60	60,5				28 587,84	14 293,92
			55,34	57,34				13 016,8	26 033,60
			22,65	22,77				8 915,28	1 069,83
			10,39	10,39				4 985,68	0
			4,46	4,46				982,4	0
			6,76	7,1				49,12	16,70
			67	67				49,12	0
			62	62				171,92	0
			120	120				98,24	0
			160	162				491,2	982,40
			4	4				47459,744	0

CONCLUSIONS

Budget management by accountability centers is an effective problem-solving tool as it allows the establishment of deviations, through which the management accounting functionality is ensured, but not at least, the creation of an autonomous business management system that can adequately and appropriately react to the factors of the external environment in all areas: production, distribution, development of technologies, launching a new product and quality improvement, etc.