

The Budgeting Mechanism in Development Companies

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ABSTRACT

Relevance of the researched problem is caused by the fact that today there is a requirement for a unique, generalized, theoretically and methodically elaborated budgeting mechanism disaggregating the aims of strategic level to the level of structural units of the company. The aim of article is to develop methodical provisions and practical recommendations to harmonize a budgeting mechanism of development companies on the basis of direct interrelation of current budgeting and strategic objectives of company development. The leading approach to a research of this problem is the classical approach allowing revealing sources and directions of financial resources application of commercial organizations and also ensuring their balance. The main results of a research are the expansion of a budgeting concept as a type of financial planning, the author's technique of budgeting is suggested that is based on the indicators of assets turnover ratio, sales profitability and return on assets as the main characteristics of activity efficiency of a development company. Materials of the article can be useful in financial management enhancement and forming an effective budgeting mechanism in development companies.

KEYWORDS

Budgeting, harmonization, development companies,
budgeting mechanism, financial model

ARTICLE HISTORY

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Introduction

Establishing a context

Modern economic and political situation, integration of the Russian Federation into the system of international background and fierce competition lead to the fact that top managers of the Russian companies begin to create systems of intra-corporate budgeting more often which are directly connected with strategic objectives of the company as budgeting in the Russian companies is often fragmentary.

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Moreover, the international experience of budgeting is not studied which assumes the consideration of its objectives such as increase in investment appeal, business capitalizations. This approach leads to essential narrowing of budgeting purpose, and, respectively, its implementation doesn't promote the achievement of company strategic objectives.

However, to adopt well-thought, effective, financial-oriented managerial decisions budgeting mechanism is required that is strictly connected not only with tactical, but also with global directions aiming at financial resources' growth. Therefore it's necessary to implement the analysis of theoretical, methodological and methodical materials of foreign and Russian authors, and we need accumulated experience of budgeting mechanisms implementation.

Literature Review

In the course of market economy formation in Russia and competition development there were various definitions of the concept "budgeting". We will give some of them.

The essence of budgeting is to develop the plans of production financial activities of the company, its divisions proceeding from current and strategic objectives of functioning, to control the implementation of these plans and to correct deviations from parameters. In the information aspect budgeting represents the system which integrates the results of planning processes, accounting, control and analysis of cost indicators of company activity (Bocharov, 2013).

The budget is a quantitative picture of the plan characterizing incomes and expenses within a certain period, and equity which needs to be attracted to achieve planned goals. Budget items are used to plan future financial transactions, i.e. the budget is created before completing expected actions. It also determines a budget role as base for control and efficiency assessment of company's financial activities.

V.V. Kovalev (2007) considers budgeting to be a process of creation of a common budget as a set of interconnected functional (i.e. operational and financial) budgets that allow describing and structuring activities of the company firm in a forthcoming period (year usually is meant) in the context of achieving financial goals. E. Dobrovolsky (2006) and other authors consider budgeting to be an operational enterprise management system on financial responsibility centers through the budgets and it allows achieving effective results in case of effective use of resources.

L.S. Shakhovskaya, V.V. Khohlov & O.G. Kulackova, (2009) gave the following definition to this concept: "Budgeting is the technology of creating a company plan coordinated in all divisions in case of resource restrictions which is based on complex analysis of change forecasts of external and internal parameters by means of calculation of economic and financial and performance as well as work performance".

In English-speaking economic literature the concepts "planning" and "budgeting" are presented. Respectively, these terms mean planning schedule and budget, however in the interpretation of these concepts, from the theoretical point of view, there are certain specifics, especially when it concerns correct semantic meaning. So, the term "plan" means planned alternatives and actions in advance, the scheme of some program implementation, and the term "budget" is defined in some other way. According to the British Defining Dictionary, the

budget is understood as the list of forthcoming expenses, but in the literature explaining the features of the current company activities other interpretations of this term are used, which are linked it to the concept "plan". For example, target value of some indicator can be understood as budget. We can say that there is no any strict differentiation of the terms "plan" and "budget" in the English-speaking language environment.

Relying on the opinions of outstanding economists, it is possible to identify a concept "budgeting" as a type of planning, control and analysis of material, financial and other resources consumed and created by a company in the course of economic activity (Paramasivan & Subramanian, 2009). In our opinion, budgeting is a type of financial planning in accounting and control of incomes and expenses received from company activities at all levels of operational management that allows analyzing target financial performance and managing material and financial resources of a certain activity and a company in general.

Establishing a research gap

Multi-profile development companies, as a rule, perform various types of activity which include leasing of rooms of logistic centers and shopping malls, providing security, cleaning, municipal and engineering services to clients - tenants, and also providing cultural and entertaining services. Such types of activity are often distributed among legal entities and company centers of financial responsibility (Romanovsky & Vostroknutova, 2014).

The features of financial flows of development companies influencing budget forming are the following: a short operating cycle, bigger specific weight of non-current assets in comparison with a turnover, attraction of long-term loans and credits to form non-current assets, a negative net working capital (Derfuss, 2016).

The structure of current assets is characterized by a high share of receivables in the form of advance payments issued to suppliers. The main source of forming current assets is accounts payable in the form of advance payments received from tenants. Duration of a financial cycle has a negative value as tenants pay the rent in advance payments for a forthcoming month.

Expenses of development companies mainly belong to conditional and constants. Primary groups of expenditure items are: utility costs, salary with insurance fees, operative expenses, agricultural tenancy, communication and transport expenses.

Incomes of development companies are the following: leasing, compensation of utility costs, cultural and entertaining services, maintenance services, promotion services, sales.

Need for budgeting in the development companies is caused by the inconsistency of income and expenses, lack of operational analysis in the operating planning system and identification of a financial result.

The company budget is a quantitative presentation of the plan characterizing expenses and income for a certain period of time (month, quarter, year, etc.), and also the amount of external means which need to be attracted to achieve effective objectives (Shim, Jae & Siegel, 2008). Budget items are used for planning future financial transactions, i.e. the company budget has to be created before completing expected transactions. This feature also defines a budget role as a base to implement and to control efficiency assessment of financial activities of the company (Horngren, Datar & Rajan, 2012).

The essence of budgeting is to create interconnected plans of financial and economic company activity and its divisions on the basis of strategic and tactical functioning targets, control over these plans implementation and in their correction as the reaction to a deviation from set parameters (Drury, 2009). In the information aspect the budget can be presented as a system which unites results of planning, accounting, control and analysis of quantitative indices of company activity.

Thus, lack of integrated, generalized, theoretically and methodically elaborated budgeting mechanism detalizing the objectives of strategic level to the level of structural company units and determining their influence on the amount and structure of financial resources reduces the opportunities of elaboration and accomplishment of a development company strategy in the course of their operational and current activity. Besides, the conceptual framework has to be developed on which base budgeting mechanism can be created.

In case of budgeting research in a development company the following concepts are considered: objectives, tasks, technology, entities, objects, functions.

The main objective of a budgeting system is effective organization of financial management. Tasks of a budgeting system are planning, coordination, activities assessment, motivation, the analysis of work performance and control (Farrell, 1957). The technology of budgeting includes goal setting, information collection, information analysis and generalization, forming, assessment, correction, statement and budget implementation, deviations' analysis, the report on budget performance, the analysis of goal achievement, recommendations on budget correction.

Budget entities can be a budget committee, divisions which are responsible for preparation of a company budget, centers of financial responsibility. Budget entities of a development company interact with each other and are distributed on levels: operational, tactical and strategic.

Budgeting objects are financial flows of a development company.

Budgeting functions are: planning the transactions providing goal achievement; coordination, communication of various company divisions and types of activities that implies interests coordination of certain employees in the company to achieve goal in case of orientation of all heads on all tasks fulfillment that responsibility centers have; control of current company activity; respect for financial discipline.

As a result of a research of above-mentioned functions we can specify a budgeting concept as a type of financial planning in accounting and control of income and expenses received from company activities of all levels of operational management that allows analyzing target financial performance and managing material and financial resources of a certain activity and the company in general. Provided budgeting works effectively, it is necessary:

- first, to create the structure of centers of financial responsibility (further – the CFD) of the company on the basis of its organizational structure. It assumes carrying out a preliminary stage in the form of checking the compliance of an organizational structure to the objectives and tasks of company activities and the formulation of financial goals at various management levels;

- secondly, to create and regulate a company budget structure. At this stage it is recommended to carry out analysis, justification and choice of the most

significant budget indicators, and also methods of their planning and forecasting;

- thirdly, to coordinate a CFD structure and a budget structure to establish the responsibility of each division for the performance of budgets or certain budget items;

- fourthly, algorithms and rules of budgets development should be not just corrected from the point of view of compliance to strategic directions of company activities, but also be based on basic data which are possible to get. Therefore system coordination of managerial accounting should be carried out, indicators information of which will form the basis of budget creation and the analysis of their performance;

- fifthly, it is necessary to organize the analysis of reporting on budget performance, and also identifying deviations and adoption of management decisions by analysis results.

Thus, it is possible to draw a conclusion that the issue of creating a budgeting mechanism in the companies is considered in detail, but at the same time there is no unique understanding of its essence.

So, authors of the ERP system of Microsoft Dynamics NAV consider a budgeting mechanism in the company to be a single single closed process for all centers of financial responsibility including application, planning financial performance, statement, implementation, comparison of planned and actual indicators.

The additional module of this ERP system Budgeting Business Solution expands standard functionality and includes budget items, income and expenditure budget, the budget of cash flow, budget application, payment applications, planning of payments, regulations, implementation control, differentiation of access to information, budget restriction (Gorshkova, 2014).

Most often in scientific literature the budgeting mechanism is understood as a system of connected indicators, budget forms and a budget structure that allow creating single working information space, using a system approach in case of financial management.

Lack of considered definitions of a budgeting mechanism is lack of a system approach to establishing indicators reflecting business objectives and efficiency in a certain company and also lack of control and responsibility of officials for achieving these indicators in each CFD and in a company in general.

In our opinion, budgeting mechanism is a company management tool promoting achievement of strategic objectives on the basis of balanced financial performance which are grouped in budget items and distributed on planning time-frames and management levels taking into account standard rates, restrictions and responsibility for their achievement.

Content of a budgeting mechanism includes goal setting, information collection, information analysis and generalization, forming, assessment, correction, statement and budget implementation, deviation analysis, the report on budget accomplishment, the analysis of goal achievement of the company, recommendations on budget correction, and developing interest of CFD in goal achievement.

The budgeting mechanism in a development company assumes reasonable sharing of responsibility of financial managers of different management level for adoption of financial decisions. To perform it relevant financial information is

necessary to be brought to specialists to analyze and adopt financial management decisions.

We will consider the content of budgeting mechanism in development companies according to this definition. Budgeting mechanism includes the following elements: a budgeting technique, budgeting process, structure of budgets, CFD in the companies, planning methods, budgeting regulations in the companies (Figure 1).

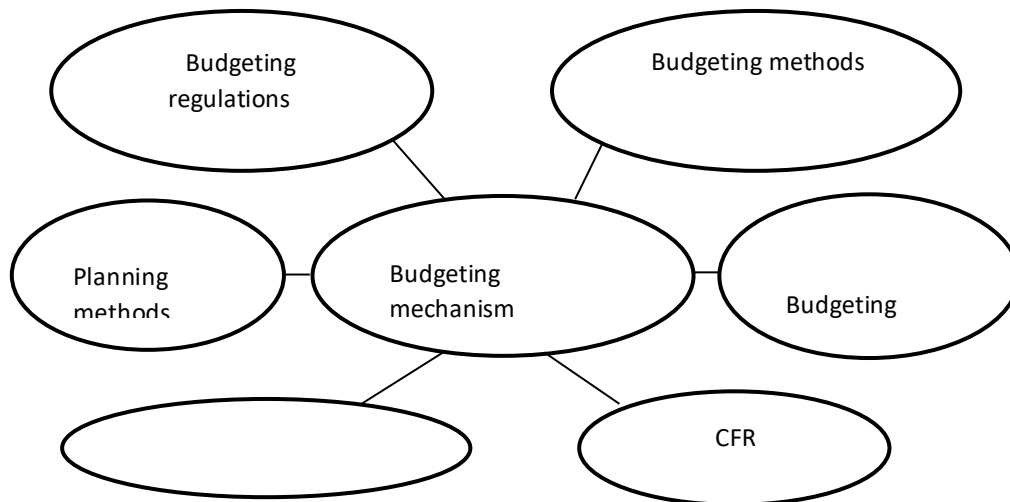


Figure 1. Elements of budgeting mechanism of a development company
Source: V.V. Zhukova (2014)

The budgeting technique contains planned and actual targets characterizing development dynamics of of main company activities, that enable to consolidate accounting data and perform planning proceeding from the regulations adopted in a certain direction or an object and also to analyze the reasons of deviations of actual indicators from planned.

Process of budgeting includes development of financial strategy, financial model, planning and analysis of actual budgets performance, development of management decision and correction of business processes, financial model and planned targets.

The techniques of budget planning allow defining six basic features which make classifications of planning methods (Khan & Jain, 2010). The first classification is determined by budgeting direction. According to this classification there are two main budgeting methods: "from top to down" and "from down to the top". The second classification is based on a number of scenarios. The budget can be divided into "flexible" and "fixed". The third classification is based on a creation method. The method of budget creation can be the following: zero-base budgeting or successive budget. The fourth classification is based on frequency. In this classification the budget can be divided on sliding and period. The fifth classification is performed by the principles of responsibility distribution. The sixth classification belongs to budgeting technologies: how budgeting is implemented (a traditional and

statistical method or dynamic) and what planning is based on (transactions or results). The following grouping of business directions and CFD (table 1) is characteristic of development companies.

Table 1. Grouping of directions of CFD activity in a development company

Business direction	Type of CFR	Type of CFR
I. Central management company (CMC)	Personnel management	Current
	Legal coverage	Current Текущий
	IT	Current Текущий
	Financial department	Current Текущий
II. Management of commercial real estate	ENTERTAINMENT CENTER	Division responsible for entertaining and health services (restaurant, gym, bowling)
	Trade and logistic centers	Logistic centers, shopping malls
		Total expenses of management company
	Markets	Food market
		Building suppliers market
		Car market
		Book market
		Furniture market
	Service management company	Cleaning service
		General expense
	Financial department	
	Security companies	
	Energy service	
III. Management of investment projects	Construction objects	Investment
	Reconstruction objects	Investment

Source: made by authors

Main activities: central management company, management of objects of commercial real estate, management of investment projects. The central management company operates at the strategic level. At the tactical level control of investment projects and objects of commercial real estate is implemented. At the operational level management of centers of financial responsibility is implemented that are included into company activities.

The budgeting regulations of development companies include budgeting goals and objects, criteria of budgets classification, forms of budgets, organizational regulations, time regulations, responsibility for conducting regulations.

For different CFR of a development company there are various budgets and there is a certain structure. The types of budgets applied in a budgeting system

can be divided into three primary groups: financial budgets, operating budgets, investment budgets.

Thus, authors proved the structure of elements of a budgeting mechanism in a development company including a budgeting technique, budgeting process, structure of budgets, a financial structure, methods of planning and budgeting regulations.

Budgeting objects of a development company are its financial flows.

Process of budgets' development and performance of the Central management company (further – CMC) and Service Management company (further – SMK) is performed at strategic, tactical and operational levels. A lack of budgets development and performance is an artificial dividing issues which are solved at appropriate levels owing to the uncertainty of main business processes, lack of effective interaction of budgeting participants, decline in quality and delay of speed of information transfer because of a large number of levels of hierarchy.

The list of budget items for the sections Income and Expenditure Budget (further IEB) of companies is established as follows. The section "Income on Current Activities" includes the income on regular (main) types of activity by CFR under consolidated expenditure account: leasing of warehouses and markets; leasing of logistic centers and shopping malls; health services, cultural and entertaining services, food services, security services, cleaning services, advertising services, energy services.

The section "Expenses on Current Activities" includes expenses on regular types of activity by CFR under the following integrated articles: salary, insurance premiums, operating expenses, utility costs, raw materials for food production, food spoilage.

The author's technique allows 1) determining the compliance between financial budgets of the company by means of comparing budget items, 2) receiving cash flows and a financial result not only at the company level in general, but also in more detail at CFR level. This information is extremely necessary to implement the analysis and adopt managerial decisions.

The shortcoming of this technique is that various divisions that are included in different legal entities are engaged into the preparation of Budget of Cash Flow (further BCF), carrying out, in fact, the same functions, but on different work sites (management of objects of a commercial real estate (MOCRE), cultural entertainment center (further CEC), CMC, investment projects). The responsibility of consolidation and preparation of consolidated report is assigned to one of these structural divisions, there is no single center of responsibility.

The structure of budgets of a development company for work sites is provided in the figure 2.

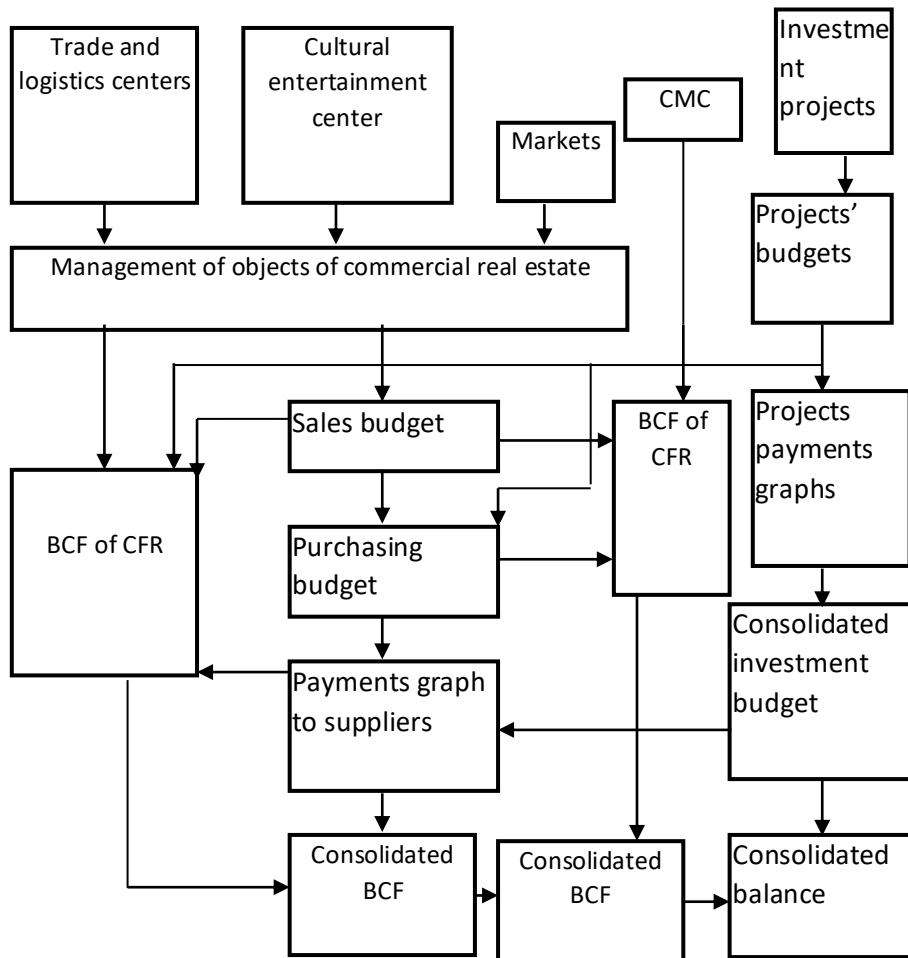


Figure 2. Budgets structure of a development company for work sites
Source: V.V. Zhukova(2014)

In our opinion, to improve budgeting mechanism it is necessary: creating functional company budgets; creating and approving the register of obligatory monthly payments including utility payment, communication payments, and land leasing, taxes, salary, credits, leasing payments; operating control of BCF implementation on a current month.

Thus, authors offer the budgeting technique based on the indicators assets turnover and sales profitability and also the budget of the company Moskovsky Shopping mall is made (Samara) according to this technique.

Goal setting

The goal of the research is development and elaboration of methodical provisions and practical recommendations on harmonization of a budgeting mechanism of development companies on the basis of direct interrelation of current budgeting and strategic goals of company development.

The set goal requires the solution of the following tasks:

- to determine the essence and a role of budgeting in finance management of development companies;

- to specify a concept of budgeting mechanism of development companies;
- to prove new elements of budgeting mechanism in development companies;
- to offer budgeting technique based on performance indicators of activities of development companies;
- to construct a development budget model of development companies.

Materials and Methods

Research methods

In the course of the research the following methods were used: theoretical (dialectic logic, methods of a scientific abstraction); diagnostic (analysis, modeling); empirical (comparison and generalization, grouping); experimental (observation and practical calculations); methods of mathematical statistics and graphic representation of results.

Experimental research base

The experimental base of research was retail and leisure complex Moskovsky, Samara (further RLC "Moscovsky").

Research stages

The research of a problem was carried out in three steps:

1. At the first stage theoretical basics of budgeting mechanism in commercial companies were covered, theoretic-methodological base of budgeting mechanism is examined; approaches of various scientists to these problems are studied. The stage finishes with identifying main priorities in the development of commercial budgeting.

2. At the second research stage the process and main techniques of commercial budgeting were considered, the analysis of budgets performance in commercial companies was carried out. The result of this stage was the necessity for budgeting of financial flows for modern commercial companies.

3. At the last stage the budgeting technique of commercial companies was developed and offered, and also the company budget, based on this technique is constituted. Creation of functioning model and companies' budgets financing became result of the work at this stage.

Results

The model of assets flow of CFR allows describing flow of financial resources in the terms of aggregative indicators - turnover and return on assets on the basis of Dupont's formula:

$$\Pi/A = B/A \cdot \Pi/B, (1)$$

where Π/A - return on assets of the CFR;

Π - profit;

A - assets;

B - return of CFR;

B / A - assets turnover;

Π / B - sales profitability of.

The two-factor model allows studying dependence of return on assets on assets turnover and sales profitability of certain CFR. The described model is used to set a task of profit maximization and return on assets of CFR. Economic content of indicators of sales profitability is to determine the level of company profitability (Khvostenko, 2016). Economic content of indicators of assets turnover is to determine the speed of an inventory turn, receivables and company finance. In the course of the analysis of these indicators their quantitative values, dynamics are researched, the system of influential factors are defined, influence of each factor is quantitatively assessed.

Return on assets can be calculated as the relation of profit to the indicators of average company assets for the accounting period.

Assessment of return on assets is usually carried out on a net profit. The scheme of the analysis is based on the data of financial reporting thereby it is possible to assess the influence on return on assets by increasing rental rates, changes of leasing categories, increasing rooms for leasing and carrying out the analysis of expenditure items to find the ways to reduce expenses. Financial managers and analysts will be able to carry out the comparative analysis of using different finance strategies to search efficient credits and etc. (Zhukova, 2014).

The following factors influence the level and dynamics of profitability indicators: organization level of company management; equity structure and its sources; degree of utilization of material, labor and financial resources; amount, quality and product structure; expenses; profit and directions of its using.

The technique based on the application of indicators of assets turnover, sales profitability and assets as key characteristics of activities efficiency of a development company is used within budgets creation and their implementation control.

The task of forming sales budget of a development company is considered, a development company has m of divisions (profit centers) which render service to tenants: leasing, providing utility services, advertising services, and also services of cultural entertainment center.

Marketing department of a researched company reveals in case of demand on each type of service such price and volume of sales which can provide a maximum of sales.

The model of a task of forming sales budget looks like this:

$$N = \sum_{j=1}^m \sum_{i=1}^n (A_{ij} + K_{ij} + C_{ij} + P_{ij} + R_{ij}), \quad (1)$$

$j=1$

$i=1$

$$0 \leq y_{ij}^t \leq \min(S_{ij}^t, Q_{ij}^t), \quad i = 1, n, j = 1, m,$$

$$0 \leq y_{ij}^t \leq \min(S_{ij}^t, Q_{ij}^t), \quad j = 1, m, t = 1, T,$$

$t \quad t \quad t \quad t$

where A_{ij} , K_{ij} , C_{ij} , P_{ij} – leasing, utility bills, advertising services for i room j shopping mall in t budgeting period;

R_{ij}^t - volume of services of RLC of i type in j shopping mall in t budgeting period; n - number of services; m - number of shopping malls ;

S_{ij}^t - demand on rooms of i type in j retail in t budgeting period;

Q_{ij}^t - maximum square of rooms of i type in j shopping mall ;

S_{lj}^t - demand on the services of RLC of i type in j retail leisure complex in t budgeting period;

Q_{lj}^t - maximum service capacity of RLC of i type in j RLC in t budgeting period;

N - sales volume in in t budgeting period.

The revenues and expenditure budget determines cost efficiency of financial company activity. It creates the main financial result - profitability - and displays the relation of all income to all expense types.

The budget of cash flow in the company is made for a forthcoming month on the basis of indicators of income and expenditure budget. In table 2 measure the calculation of assets turnover, sales profitability, return on assets is provided, of the development company Moskovsky Retail Leisure Complex (Samara) on the indicators of 2016 budget in comparison with similar data for 2015. The calculated parameters of the income and expenditure budget are directed to achieve maximum company profit.

Table 2. The calculation of assets turnover, sales profitability, return on assets on budgeting indicators of RLC “Moskovsky” (Samara)

№ п/п	Indicator	2015 г., actual	2016 г., planned
1	Revenues before VAT, thous roubles.	2 598 400	3 326 897
2	Assets, total, thous. roubles.	3024 202	4 003 355
2.1	Non-current assets, thous. roubles.	2 790 618	3 733 355
2.2	Current assets, thous. roubles.	233 584	270 000
3	Net profit, thous. roubles.	731 488	997 800
4	Assets turnover, coeff.	0,86	0,83
5	Sales profitability, %	28,15	30,0
6	Return on assets, %	24,21	24,90

Source: made by authors

As calculations show, in case of budget implementation for 2016, despite decrease in an asset turnover ratio from 0,86 to 0,83, growth of return on assets from 24,21 to 24,90% is provided due to sales profitability growth from 28,15 to 30,0%.

Specifics of the activities of development companies influence the size and speed of working capital turnover. Increase in a turnover rate of current assets promotes absolute release and reducing need for them, a gain of amounts of rendering services in case of relative release, and profit increase. As a result the financial condition of the company improves. In table 3 the calculation of indicators is represented, which characterize the efficiency of using budget

current assets of a development company for 2016. Absolute additional involvement of current assets in turnover in 2016 in comparison with 2015 will make 36 416 thousand rubles.

Table 3. Efficiency indicators of current assets in the company RLC "Moskovsky" (Samara)

№ п/п	Indicator	2013 г.	2014 г.	Change
1	2	3	4	5
1	Current assets, thous. roubles.	233 584	270 000	36 416
2	Return, thous. roubles.	2 598 400	3 326 897	728 497
3	Net profit, thous. roubles.	731 488	997 800	266 312
4	Turnover period, days.	32,81	29,62	-3,19
5	One day return, thous. roubles	7 119	9 115	1 996
6	Current assets turnover, coeff.	11,12	12,32	1,2
7	Relative release (-), involvement (+) current assets into a turnover, thous. roubles	- 29 072		
8	Return gain (+) at the turnover acceleration, thous. roubles	323 404		
9	Profit gain (+) at the turnover acceleration, thous. roubles	78 764		
10	Current assets profitability, %	313,16	369,56	56,4

Source: made by authors.

The calculation of relative release of current assets is determined as a difference of amount of current assets for a base period calculated according to services turnover in the accounting period, and to amount of current assets in the accounting period.

The indicator characterizes how actual value of current assets is less (or more) of their value which would be required for the company in the analyzed period taking into account the conditions of their use in a base period. Relative release of current assets as a result of change of turnover duration is equal to multiplication of absolute change of turnover duration in days and sum of one-day service rendering (for 2016 value makes 29 072 thousand rubles).

The volume of service gain due to the acceleration of current assets turnover is equal to the absolute change of the coefficient of current assets turnover multiplied by an average value of current assets in the accounting period. Return gain due to turnover acceleration makes 323 404 thousand rubles.

The influence of current assets turnover on a profit increment is calculated as multiplication of profit of a basic period and a coefficient index of current assets turnover with excluding the profit of a basic period. The planned profit gain due to turnover acceleration for 2016 makes 78 764 thousand rubles.

Influence of current assets turnover on gain of return on assets of the company is characterized by a factorial model: profitability of current assets is determined by the multiplication of sales profitability in a net profit by current assets turnover or by the division of a net profit into the amount of current assets. The planned change of profitability value of current assets for 2016 makes 56,4%.

Discussions

Works of many scientists, including R.A. Brealey & S.C. Myers (2003), C. Drury (2009), R.S. Kaplan & D.P. Norton (1996), V.E. Leontiev, V.V. Bocharov & N.P. Radkovskaya (2005), G.B. Polyak (2012), M.V. Romanovsky & A.I. Vostroknutova (2014), C.T. Horngren, et al. (2009) are devoted to theoretical aspects and methodological issues of financial planning and activities budgeting in commercial institutions.

Techniques and tasks of traditional financial planning are presented in the research of such scientists as I.A. Blank (2014), V.V. Kovalev (2007), N.V. Nikitina & V.V. Yanov (2014). The issues which are connected with sources and directions of using financial resources in the companies, with ensuring their balance are studied, but at the same time the aspects connected with structure of finance management, with the identification of the centers of financial responsibility (CFR) and with the determination of managerial processes of such objects aren't considered for the purpose to achieve various levels of strategic and tactical objectives in commercial companies.

The classical budgeting mechanism is presented in the works of R.L. Ackoff (1978), V.V. Bocharov (2013), M. Khan & P. Jain (2010), J. Hope & R. Fraser (2009) in detail. In their works the budgeting mechanism is developed, the structure of the centers of financial responsibility is created, but such category as financial resources in details isn't researched. Besides, the budgeting mechanism isn't considered in connection with the development strategy of the company, the gap between operational, tactical and strategic management is observed. It is caused by the fact that strategic objectives of the company are implemented by means of separate types of activity which within classical approach to the theory and methodology of budgeting aren't considered.

The process oriented budgeting is researched in the works of J.A. Brimson & J. Antos (1999), I.B. Nemirovsky & I.A. Srarozhukova (2006). These authors don't research the content of financial resources in details, however they consider budgets of business companies in direct link with their strategic objectives. At the same time, if we don't allocate the centers of financial responsibility which are included in the structural divisions of the company that are responsible for different types of activities, it leads to the following paradoxical situation: if there are several activities within one division, then the division manager doesn't bear any responsibility for the results of financial nature.

Thus, due the lack of single, generalized, theoretically and methodically elaborated budgeting mechanism in which the objectives of strategic level are differentiated and led up to local divisions and structural units of the company with defining the influence of each of them on the amount and structure of financial resources there are less opportunities for development strategy and its implementation in the course of operating and current activities of the company. Not only the methodology should be improved, but also a conceptual framework on the base of which this budgeting mechanism can be created.

The results of theoretical research and also budgeting practice in development companies allow distinguishing the following integrated directions of budgeting enhancement:

- budgeting of cash flow in the company;
- budgeting of receivables;

- budgeting of profit.

Budgeting of cash flow is a basic element of financial planning as it promotes the creation of profitable cash flow plan in the company. Budgeting of cash flow is performed on all CFR (profit centers and cost centers) allocated in the company. The budgeting technology of finance includes the implementation of the following stages that were considered below.

The initial analytical information that is obtained in a development company is cash flow plans in all CFR, a consolidated cash flow plan in the company in general, accounting data for the last month.

At the first stage profit centers with cash deficit, and also cost centers which have no their own financial sources are determined.

At this stage the budget of cash flow in the company is checked from the point of view of its feasibility, first of all financial, i.e. time periods are revealed when there are negative and close to zero values of cash amounts at the end of the period according to company accounts. This inspection is carried out on the basis of initial information prepared by the heads of CFR and financial service.

Then the preparation of budget forms is made including the data on cash flow in CFR and aggregated data in the company in general for the planned month.

When planning finance CFR are determined:

- a balance in cash on the accounts for the beginning of a planning period in CFR and the company in general;
- cumulative receipts across CFR and the company in general;
- a difference between payments and receipts of CFR and the company in general;
- the balance in cash at the end of the period reflected in plans of CFR and the company in general.

At the second stage budget correction is carried out due to possible payments of receivables, acceleration of reconstruction project deadlines leading to a surplus of receipts. There are no allowances to increase receipts due to the transition to other payment terms by tenants as they make advance payments for a forthcoming month. The transferring of a part of payments for later terms is possible by the transition to suppliers payment, and also by a time shift of reconstruction project deadlines.

At the third stage the opportunities to increase their own funds for the beginning of a planning period are defined as well as the opportunity of attracting borrowed funds (including bank loans and loans).

Planning of receivables is connected with a problem of forming a deficit free budget of cash flow and an income and expenditure budget. Groups of receivables on terms of its origin and repayment periods are completed.

The following important task that is solved by means of budgeting mechanism is profit planning of CFR and the company in general. The target profit allows reaching the greatest compliance with strategic development objectives of CFR and the company in general in a forthcoming period. As a basis for calculation it is possible to use preliminary determination of the need of a development company in its own financial resources, that are formed first of all,

by profit, that CFD have available. The calculation should be made on each element of this requirement.

The cumulative need in finance that is formed at the expense of profit which CFR have available looks like an indicator of expected net profit in a planning period. The target amount of balance sheet profit from implementation in this case is calculated by a way back proceeding from the target amount of a net profit and a rate of an income tax. The received profit indicator is considered as a target reference point of CFR development and is a base of planning indicators of income from the implementation and the main tax payments.

As a research result of budgeting mechanism enhancement in development companies it is possible to draw the following conclusions.

1. The budgeting procedure in development company has to assume the development of a long-term financial plan containing an integrated plan of income and expenses, a cash flow plan, a planned balance; budget development of CFR activities the company in general for the next year; forming of financial budgets for a month on CFR activities and the company in general.

2. The created financial budget of CFR activities and the company in general needs to be analyzed on the following indicators: liquidity rates of assets, coefficients of financial stability, turnover coefficients, profit ratios, feasibility on cash flow.

3. Forming the budget of a development company has to be subordinated to achieving strategic financial and economic indicators: return on assets and equity profitability which depend on assets turnover and profitability of sales.

4. Developed options of financial budgets of the company are submitted for consideration and approval of a budget committee. In the course of budget implementation the analysis of plan implementation is carried out and if necessary budgets correction is performed.

5. The main directions of budgeting mechanism enhancement in development companies are the actions connected with development and implementation of financial plans based on using budgets of cash flow, receivables and profit.

Conclusion

The research presented in this article allowed drawing a number of theoretical and practical conclusions and offers.

1. Financial planning as a function of financial management is an ability to forecast company objectives, results of its activity and resources which are necessary to achieve objectives. There are three types of financial planning - strategic, tactical and operative.

2. Budgeting is a type of financial planning on the accounting and monitoring of income and expenses received from company activity at all levels of management that enable to analyze target financial performance and to operate resources, first of all financial and the company in general.

3. The budgeting mechanism is a company management tool promoting the achievement of its strategic objectives on the basis of target financial performance grouped in budgets items and distributed on planning horizons and management levels taking into account standards and restrictions, and also responsibility for their achievement.

4. The features of development companies influencing budgeting mechanism include a short operational cycle, attracting long-term financial resources to form non-current assets, negative net working capital and a financial cycle, semi-fixed costs.

5. The budgeting mechanism of development companies includes the following elements: budgeting technique, budgeting process, budget structure, CFR, ways of planning and budgeting regulations.

6. The budgeting technique is based on the indicators which describe development dynamics of company activities, consolidate registration data and are planned proceeding from the norms accepted in the chosen direction or an object are an analysis tool of revealing deviations of the fact from the plan. The budgeting technique includes distribution of CFR into company control units, establishment of budget items for sections of an income and expense budget and a budget of cash flow.

7. Budgeting process includes the development of financial strategy, a model, planning and the analysis of actual budgets performance, development of administrative decision and correction of business processes, a financial model and planned objectives.

8. Ways of budgets planning can be classified by budgeting directions, a number of scenarios, a way of construction, frequency, the principles of responsibility distribution, budgeting technologies.

9. The CFR of development companies are a set of investment centers, profit centers, income centers, centers of marginal income, expenses centers and the venture centers.

10. The budgetary structure of development companies includes: financial budgets which are made in CFR mode, business directions and the company in general; functional budgets of some company services; investment budgets.

11. The budgeting regulations of development companies reflect: its goals and objects; budgets qualifiers; format of budgets; organizational regulations and temporary regulations; information on responsible persons for regulations' implementation.

12. Budgeting subjects of a development company are its financial flows. Development process and budgets performance are carried out at strategic, tactical and operational levels.

13. Shortcomings of a budgeting mechanism of income and expenses and cash flows are lack of drawing up functional budgets of the company; unreasonable planning of income and expenses structure, receipts and payments for current activity; untimely adoption of monthly budgets; lack of operating control of BCF implementation for a current month.

14. According to the author, to improve a budgeting mechanism it is necessary to draw up functional budgets of the company; draw up and approve the register of obligatory monthly payments including utility payments and communication payments, land leasing, taxes, salaries, credits, leasing payments; operating control for BCF implementation in a current month.

15. The budget of a development company has to be analyzed on the following indexes: coefficients of assets liquidity, coefficients of financial stability, turnover coefficients, profitability coefficients, net cash flow. Budget

formation is subordinated to achieving strategic financial and economic indexes: profitability of assets and profitability of equity which depend on assets turnover and profitability of sales.

16. The model of budgets formation of a development company is considered on the basis of which the functional and financial budgets, planning of receipts and payments for 2015 into months installments.

17. The analysis of conditions implementation of balance liquidity shows that net working capital and a financial cycle on the budget for 2015 are negative and it allows saving current assets and reduces the necessity for credit resources.

18. In case of budget implementation for 2015 there should be the improvement of assets turnover indexes, profitability of sales, profitability of assets. Despite absolute involvement of current assets, due to turnover acceleration there should be their relative release, a surplus of return and profit, increase in current assets profitability. It shows that strategic financial indicators that are taken at budget developing are chosen correctly.

Thus, the main sense of budgeting comes down to increase in financial and economic effectiveness and financial stability of the company by directing the efforts of all services and divisions to achieve final result. According to the authors, budgeting together with fissile investment policy and risk management are an algorithm for a company to escape crisis.

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