

Fomina Olena Volodymirivna,
Doctor of Economic Sciences, associate professor,
Head of the Department of Accounting and Taxation,
Yanchuk Natalia Nikolaevna.
Kyiv national university of trade and economics

BUDGETING IN THE MANAGEMENT OF TRADING COMPANIES

Annotation. The essence of budgeting is defined. Budgeting is considered as an element of effective enterprise management. Alternative budgeting methods are identified.

Key words: Budgeting, budget, management, trading companies, responsibility centres.

Nowadays, effective management of trading companies is impossible without the usage of management accounting. An integral part of the system is budgeting, which has become widespread in practice and development in economically developed countries. Nataliia Tluchkevych defines budgeting as a process of planning cash flows in the formation of the results of the business entity and as a kind of technology that will allow being based on scenarios to form a set of alternative management decisions and choose one of them [1]. In particular, the popularity of budgets is due to the ability to manage cash flows through budget instruments. It is budgeting that is key to see where the company will spend money during the year and optimize costs in advance.

Whereas trading companies are mostly characterized by a simple operating cycle, the formation of a wide range of products and assortment of goods and their subsequent sale to generate income, provided by a high level of receivables and payables, there is a need for constant control of inventory costs and accounts payable and receivables. Through budgeting, companies can evaluate the effectiveness of costs and ensure the availability of resources to maintain the activities, growth and development of the company. Budgeting allows you to focus on cash flow, reducing costs, increasing return on investment.

Budgeting methodology involves the choice of methods of planning, accounting and control of enterprise performance, i.e. it determines the methods of information processing and performance indicators that need to be controlled, the structure of enterprise budgets and methods of their formation.

Nowadays, along with traditional historic budgeting, alternative budgeting methods are actively used. The most popular include:

- continuous or moving budgeting (Rolling forecast);
- previous year plus percentage;
- bottom-up budgeting (Bottom-up);
- priority-based budgeting;
- top-down budgeting;
- activity-based budgeting;
- zero-based budgeting;
- budgeting based on demand (Demand-pull);
- driver-based planning.

In the interaction of budgeting with the management system, it is important to choose the method of budgeting that best suits the specifics of the company, focusing not only on their performance for previous periods but also on external factors.

The advantage of using a moving budgeting is that it reduces uncertainty budgeting in enterprises, where sales and prices may fluctuate and this budgeting is more realistic. Planning and control are always based on the latter up-to-date information, allows you to constantly focus on new opportunities, market events and new ones expectations from consumers [2].

Budgeting in trade has several features, the main ones are:

- a large amount of detailed input information (taking into account the high business activity, the implementation of a wide range of goods, additional services, the organization of related industries);
- complex organizational system;
- there is a focus on natural indicators of activity (taking into account when budgeting such characteristics as sales of goods, total and retail space of shops, etc.);
- many separate units, which leads to the formation of an extensive network;
- the need for strict monitoring and daily control of budget execution by units, identifying the causes of deviations, the need for operational management influence on the heads of departments and functional services, and if necessary, adjust budgets.

There is a misconception that the budget is limited to plans for sales, production, use of material and labour resources, calculation of performance indicators, which significantly narrows the possibilities of budgeting. However, management should take into account the implementation of strategy and resource allocation. Strategy development is the most important stage of budgeting.

In market conditions, budgeting is designed to ensure the production of competitive products through targeted search, evaluation and selection of alternatives with optimal use of resources.

To ensure the implementation of the company's strategic goals and plans within its financial capabilities, to meet the information needs for management, control and analysis, responsibility centres are created, such as investment centre, income centre, cost centre, profit centre. It is the centres of responsibility that develop and manage the budgeting system.

The effectiveness of budgeting in a commercial enterprise should be assessed through its interaction with the management system of the company, which increases the quality and efficiency of management decisions, in particular, achieves:

- clarity and rhythm of deliveries of goods with rational distribution and use of resources in accordance with the budget of revenues and expenditures and operating budgets, which detail its most important articles;
- maintaining the planned level of solvency of the enterprise, using the budget of cash flows.

The main advantages of implementing budgeting in the company include:

- budgeting allows you to analyse whether the goals of the company as a whole and its units;
- identification of the most bottlenecks and gaps in the management of the enterprise;
- study of the financial condition, forecasting the provision of the company with cash, improving liquidity;

- preparation of real forecasts of financial and economic activity [3];
- modelling the process of providing the company with resources in the required amount at a certain time;
- the ability to quickly control deviations, adjust the results and identify their causes;
- budgeting allows you to control the production situation;
- budgeting allows you to develop a strategic plan;
- attracting investors (i.e. investors will not invest their money in the business if they do not see the budget, i.e. will not be able to assess the possible benefits and risks of investing);
- increase of controllability of the company due to operative tracking of deviations;
- making the most effective management decisions.

Unfortunately, however, budgeting remains a weak point of governance. At enterprises, there is a phenomenon of a lack of a clear budget structure.

Although most of the problems that arise in building a budgeting system are typical of enterprises in all industries, there are specific tasks in trade, such as budgeting of quantitative indicators in a wide range, planning and accounting for indirect costs.

Thus, budgeting is one of the most effective tools of management and financial management. The budget provides essential information to act within its capabilities, manage unexpected challenges and make a profit. The budget must be constantly taken into account as a way of comparing projected budget figures with actual budget results to know where to make adjustments.

REFERENCES:

1. Tluchkevych, N. V., Nuzhna, O. A. (2019), “Budgeting in management accounting system”, *Economic forum*, vol. 2, pp. 222–228.
2. Nataliia Rudyk. (2018), “Development of Alternative Areas of Budgeting as a Way of Marketing Management”, *Economic journal of Lesya Ukrainka Volyn National University*, vol. 1, pp. 69–74.
3. Papizh, Yu. S. (2018), “Role of budgeting in enterprise management system”, *Ekonomichnyi visnyk*, vol. 2, pp. 95–99.