

MANAGEMENT ACCOUNTING

LCBB5002

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Introduction.

In the modern dynamic and technological world, companies' financial management is an essential element of macroeconomic economic activity. It is important to note that financial management is the primary condition for the supreme authority of the company in the capital and commercial markets. It is also one of the main factors for the realization of the objectives set. It is a large-scale process using the financial methods and forms carried out in various activities from the company's overall life, starting from the supply of the necessary short-term and long-term assets required for production and the financial benefits.

Budgetary management had seen as an element of the widely known concept of economic agents' expectations in an environment of uncertainty or the market economy. In this way, we can shape our financial expectations. By expectations, we understand the preliminary estimates and views of economic agents. Critical importance is given to the mechanisms of their formation, and the budgetary method is at the forefront of this process. In this regard, we can say that managing a company's budget is an essential process in anticipating future events of its life and has a fundamental influence in shaping company policy. It understood that thanks to budgeting and related projections, the financial future of the company becomes more secure and more accurate. From everything said so far, we know that the company budget is an essential weapon in the hands of every manager and entrepreneur. (Atrill & McLaney, 2015)

Types of budgets.

Depending on the purpose for which we drew up, we have three types of budgets:

- It established when creating a new business. Its goal is the optimal distribution of fixed capital, the cost of initial investments, and the costs of setting up the company.
- Operational- based on the revenue and expenses generated by the company's activities. It is prepared in love for one year, as it is challenging to predict longer-term changes in the micro- and macro-economic environment.
- The liquidation budget used when closing a company and the correct distribution of money flows.

There is another classification of budgets that divides them into static and dynamic(flexible). It is based on the two main methods for assessing budgeting. In the statistical budget, we have the development of only one level of activity of the company, observing the set standards. On the other hand, a flexible budget is prepared based on all company activity and eliminates all adverse factors. Other essential features of the flexible budget are the preparation of different budgets, both for each level in the company and the various activities it performs.

The main objective of each budget is to achieve specific strategic goals. We can view budgeting as a continuous process of creating and implementing budgets. When drawing up the budget, we have the following main objectives:

- Develop a preliminary plan for revenue and expenditure, as well as for achieving specific financial results.
- The development of defined criteria for the management of budgetary control overall operations of the company.

The first goal helps to achieve a financial organization of the company. In turn, the second monitor the economic indicators that help to build feedback and establish budgetary control.

The age of technology.

Over the past twenty-five years, we have become increasingly aware that we have entered a whole new economic age closely linked to technology. If we called the previous era industrial, then this one we can boldly call informational. The speed at which technology has evolved over the past three decades puts managers and entrepreneurs through severe trials, often involving speed decision-making. As new and innovative as a company is, new launches come up every day that create radically different technologies. Companies like Tesla, which was ridiculed by car mastodons, is now the most expensively valued car company, and those who slept through its development are now investing massive amounts of money in getting closer to its success. (Anon., 2020) It is also indicative of Microsoft case, whose employees during quarantine contacted each other through the Zoom platform and had to react quickly, creating one of their own. (Anon., 2020)

Naturally, there are dozens, and perhaps hundreds, of examples, but all this shows us that modern economy managers will increasingly rely on a static budget. Nowadays, new trials are emerging for humanity, mass migration,

climate change, even the COVID-19 situation shows us how difficult it is to predict the economic status even with a few months to go. From all that has said so far, taking into account the example of Softconic, flexible budgeting is the only suitable option for technology companies. While new challenges have emerged from the crisis that has emerged, one of the big earners Amazon has forced to increase its staff many times, with a fixed budget it would be impossible to bear any additional costs. Investors in office spaces, big retailers, physical store tenants, almost every business over the past few months, have had to reconsider how the budget managed.

How budgeting helps managers.

As Keynes says in his illustrated work "General Theory of Employment, Interest, and Money," it would be wrong to shape our expectations of giving too much importance to uncertain things. That's why it's most reasonable to be guided by the facts. It is naturally healthy to shape our future decisions based on the current situation because it is also best known to us. By designing it in the future, we can change it to the extent that we have reasonable grounds to believe it will change. Thus, the state of expectations on which our decisions based also depends on the confidence we make this prediction. If we expect significant changes, but we don't know precisely what form they will take, our spirit will be weak. The state of confidence is of great importance, as this is one of the main factors determining the graph of investment demand. (Keynes, 1935)

How does budgeting help managers gain that confidence? In the preparation and organization of budgets or so-called budgeting, the following several stages are passed:

Procedure for drawing up the budget. Here we include the deadlines for implementation, the employees who are responsible for the application itself. Here we look at two types of budgets, primary and secondary. The necessary budget is general and covers revenue and expenditure, while the support depends on the nature of the activity, sales, and production costs. They are part of the first budget and serve as an aid in its preparation.

In the second stage of budgeting, we monitor the definition of the framework of the company budget. Here we determine the number of workers, the number of raw materials and materials, the lending, if necessary.

We can call the third stage, the stage of actual budgeting. Here are made movements, auxiliary forecasts compiled, numerous analyses are collected, this is the moment when the data managers acquire their confidence.

The fourth and final stage adopts the forecasts from the Board of Directors or the company's respective management and determines the budget.

Once the decisions are made, they must be respected, and management must impose appropriate controls. Decision-making is an integral part of the work of managers. Budgeting helps tremendously in planning their work in strategic planning, where we pursue long-term objectives, and in operational planning, where we have short-term goals. If the company owners are different personalities from the managers, there may be a conflict in determining and complying with the budget. In such a situation, managers may have to adopt decisions in the owners' best interests. (Weetman, 2013)

Proper budgeting enables managers to be confident in developing strategies. It also allows them to be flexible and have the capital they need to deal with abnormal situations.

Many of the companies these days use democratic methods of management. This is true with full force when drawing up budgets. This enables managers from different levels to participate in preparing the budget and being part of the decisions taken. That is good because each head of the department is more aware of the essential needs of their department and makes those working in the company feel more closely associated with it.

Conclusion.

Drawing up a budget for each company is of importance. As flexible budgeting, it has become increasingly popular among modern companies, not just among tech companies. We can even say that we meet budgeting in different aspects of our lives. The Internet offers us numerous platforms for organizing even the personal budget. Any prior planning helps us to be confident and follow our goals. The new methods of setting the budget, such as partisan budgeting, provide further guidance to management. (Noonan, 2019)

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