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BUDGETING ACTIVITY AND INNOVATIVE PROCESSES.

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1)INTRODUCTION

I want to start this report giving a detailed definition of Budgeting in Accounting Management, according to (Anderson, Barry. 1989) a company Budget is a detailed statement made of financial information: costs, price, sales, and all the internal and external factors of a Business that helps manager to analyse the performance of the business in order to prevent and anticipate future trends and opportunity. The purpose of Budgeting is the value of the Business itself, because this activity helps us to have a full understanding of the information in order to make effective decisions and changes on the internal operations.

2)BACKGROUND AND HISTORY OF BUDGETING.

The budget activity process in management accounting has changed a lot in the past decades. This is because of technological progress and the effects of globalisation of business practices and processes. Due to these factors, there hasn't only been changes in the external business environment (e.g. the demographic composition of the society, technology, etc), but also the microenvironment (e.g. customer, suppliers) and the internal environment has changed. If we analyse the actual society, we will see many differences from the past and as a Business student I understood that the only key for the success of the Business is the continuous development and innovation of techniques, strategy and activities. The attention of the managers about the KPI's in terms of Business performance started in 1950 where the determination of costs and financial control was the focus of attention, just few years later we moved the attention to all the internal and external factors of the Business market. In 1995 we have another big change where the maximization of the production, reduction of wastage and development of the resources of the business, according with the technological boom became the keys to analyse the Business performance but was still not enough. (LACIUC, E., VULTUR, P., CREȚU, F. & AILOAIEI, R., 2017)

Nowadays the importance of the customers feedback defines the profile of the firm and is the factor that affect mostly the revenue and for this reason all the company now invest more money in development and implementation in the internal processes. The high competition in the market have made harder to make successful our brand or Business without using actions planning management and budgeting control, these activities make huge difference in the results of the Business giving much more useful data and information to make the right decision and to evaluate the real key factors of our Business. (Atkinson, R. S. K. A. A., 1998)

3)INTERNAL FACTORS AFFECTING THE BUDGETING PROCESS.

The mindset of the manager is a relevant aspects inside the budgeting activities, an open mind vision is a must skill to create a budget that matches with the real market data, the real potential of the business itself and the future need of the customer, for this reason for a budget, to be effective and efficient,

must have objectives, missions and goals. The role of the manager affect the whole business and is important use money for invest in training and education, the world changes so fast and everyday new software developed, new technological tools that helps the management make activities of implementation, control and monitoring faster, easier and efficiently.

4)COMPONENTS OF BUDGET.

According to (Askarany, D., 2016)the budgeting process is made in order to keep track of the expenses and incomes inside the Business, to manage the finances of our business and to help us decide the financial goals, after the draft using activities like monitoring, controlling and implementations are necessary for the results of our previsions. The budgeting process includes: Sales Budget, Production budget, Direct material purchase Budget, overhead budget and cashflow Budget, all this information gives the data on performance in order to be managed, controlled or implemented during the activity.

After the introduction of the new factors affecting business let's now analyse the changes in budgeting planning in the past decades with two relevant methods, the Balance Scorecard and the Activity Based Budgeting.

5)THE BALANCE SCORECARD

The Balance scorecard budgeting process includes different aspects of the management such as: financial information, organisational capacity, customer satisfaction and internal process of the business. A real important factor is the purpose and goals of the business which motivate and sets all the activity and attitude of the business in order to create a direct relationship with the clients and the market we are in.

This system is a strategic plan management that connect each step and activity to the main aim of the business, measuring progress, keeping the attention on projects, service and product offered. Is very important define the attitude and identity of the business to influence all the people involved, this big change of budgeting process depends also according to the employees need, motivational and progressive, our employees are the key of success of our business and we need to train and develop their skill to achieve the best results in our Business. Tha main difference from the past Budgeting activity is the attention to all the aspects and activity of the Business, in order to differentiate them and analyse them separately, the strategy planning is commonly used to give concrete information about how the money will be spent, from where take the money we need in the Organisation and for what activity, for what outcome and for what objective. (Wu, S.-I. & Hung, J.-M., 2007)

6)ACTIVITY BASED BUDGETING

The activity-based budgeting is a process that makes efficient all the activity of the business, in this way the budgeting is focus on all the aspects individually, and all of the aspects has a cost and a respective system, we cannot put all our activities under the same meaning and strategy. This system is effective because requires clear data analysis and clear strategy aligned with the purpose and mentality of our

Business itself, different from the past concept of Budgeting that take the past year budget as the basis for the next year budgeting in fact with this new method the budget is made after the analysis of the overhead costs. (Bengü, H., 2010)

The key points in this budgeting activity are the analysis of activity to be performed, the quantity of activity to be performed, the people that will perform in that activity and the cost of all the activity we planned to do. This system gives to the manager a clear vision of the goals and all the activity in order to perform and increase customer satisfaction and employee's motivation to achieve the agreed goals and objective. Is also the best way to make effective the management, if we don't realise from where or how a specific cost affect our actions or performance will never be possible to improve it. We need to analyse the data in the right way if we really want to improve our internal business process and giving to our system the efficiency and constancy will bring us to success. (Hansen, S., 2011)

CONCLUSION.

In conclusion we can now mark the big differences from this budgeting processes in order to understand why the Balance Scorecard and the activity-based budgeting are more effective in terms of Business performance. Now is clear that all the data and information must give us the right meaning, for this reason we developed new system of budgeting, is all about how we analyse them and how we organise our activity, this is the only way a Budget can be truthful and effective.

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