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**THE ROLE OF BUDGET
PLANNING IN INNOVATION
AND SCIENCE-BASED
DEVELOPMENT OF
AGRICULTURAL HOLDINGS**

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**РОЛЬ БЮДЖЕТНОГО
ПЛАНИРОВАНИЯ В
ИННОВАЦИОННОМ И
НАУКОЕМКОМ РАЗВИТИИ
АГРОХОЛДИНГОВ**

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The article deals with the problem of inventory and costs management in agricultural holdings based on the use of budgeting, innovation and high-tech methods. It is proved that in modern agrobusinesses, planning and budgeting tools, as well as farm management accounts should have a rational number of descriptors, i.e. natural and cost parameters. The study found that the key performance indicators are the availability of working capital, a higher rate of productivity growth compared to the growth rate of its payment, material consumption and capital intensity, profitability. These tags allow you to evaluate the use of the entire property complex of the economic agents of the market. They are formed in the systems of financial and tax accounting, managerial, strategic and environmental accounting, united in the accounting and analytical cluster. It is proved that the basis for interconnection of the modules in the accounting and analytical cluster is IT-technologies.

Ключевые слова: *агрохолдинг, управление, планирование, затраты, бюджетирование, инновации, наукоемкий метод*

В статье рассмотрены проблемы управления запасами и затратами в агрохолдингах, основанные на применении бюджетирования, инновационного и наукоемкого методов. Доказано, что в современных агропромышленных формированиях инструменты планирования и бюджетирования, а также внутрихозяйственная управленческая отчетность

должны иметь рациональное количество дескрипторов - натуральных и стоимостных показателей. Исследованием установлено, что основными показателями эффективной работы является наличие собственных оборотных средств, опережающие темпы роста производительности труда по сравнению с темпами роста его оплаты, материалоемкость и фондоемкость, рентабельность. Эти дескрипторы позволяют оценить использование всего имущественного комплекса данных экономических агентов рынка. Они формируются в системах финансового и налогового учета, в управленческом, стратегическом и экологическом учете, объединенные в учетно-аналитический кластер. Обосновано, что базисом для взаимосвязи модулей учетно-аналитического кластера являются IT-технологии.

The current stage of agricultural development of the country is characterized by a continuous process of concentration of land and capital in the hands of large owners. This process has suspended the breaking of former large agricultural units (collective farms) into small, inefficient production sites, cut off, for various reasons, from advanced technology and equipment. A distinctive feature of these transformations is a formation of agricultural holdings and agricultural unions. Today only in Krasnodar region there are more than 20 organizations of such kind, with their own working capital and high technological machinery. They use advanced technologies in crop production and animal husbandry which have a production capacity both for industrial processing and marketing. Moreover, these formations are highly liquid, solvent market agents having a high investment attractiveness. For example, «Kuban» agricultural holding in Ust-Labinsk rayon, an advanced agro-industrial organization in the country, has a diversified structure. The structure of «Kuban» has four divisions which combined modern agricultural organization with dairy farms, pig farms, unique feed mill, private laboratory facilities for quality control of feed, service center for imported and domestic machinery, three powerful grain elevators, three factories for production of high-quality seed, sugar factory «Freedom», «Caucasus» agricultural company and Europe's largest equestrian elite company «Sunrise» growing English thoroughbred horses.

A more striking example of a concentration of agricultural production in Kuban region is the Company «Agro-complex» in Vyselkovsky rayon, a pioneer of high organization of agricultural production of Krasnodar Krai. The firm «Agro-complex» was founded in 1993 by combining the feed mill and the complex for fattening cattle. The past 20 years have seen a dramatic process of formation and development. A small business firm became the largest agricultural holding of the country. The company was formed despite the economic collapse in the country in response to the producers' lack of money, in the time when collectors and processors were deprived of working capital and could not pay off for years for provided goods. The farms had to reduce the number of animals, getting rid of the unprofitable industry. In such circumstances, the leadership of the company «Agro-complex» decided to merge production of raw materials, storage, processing and marketing in one unit. Today the company «Agro-complex» includes more than 40 production units in various fields: crop, rice, beef and dairy cattle, pigs, poultry, processing industry and trading activities. The complex has 6,000 employees and 200 thousand hectares of arable land. The production sites are located in several areas of Krasnodar Territory. The complex has got 365 branded shops selling qualitative products to the population.

However, it should be noted that a high concentration of capital, a variety of structural units required from the owners to solve another important problem, that one of management efficiency. It is known that all information about the facts of economic life and the events concerned with

the functioning of economic agents is formed in the account. A traditional national system of accounting and control under modern conditions no longer copes with the flow of complex, diverse and multi-faceted information necessary for the work, preconditioned with market relations. Current economic conditions require new methods and management tools aimed at compliance with the economic interests of economic entities, intensified use of international experience in organization of accounting. Subdivision of accounting into financial, fiscal, administrative and statistical ones, peculiarities of their operation enables organizations to manage costs and results at all levels of the production process [1]. However, each of these types of accounting creates its own specific information. This information differs by a completeness of reflecting events or facts of economic life, it can characterize different time lag of their origin, have different quantity and price measurements. These factors degrade the quality of management information, exacerbate uncertainty in choosing alternative management decision on the use of the resource potential in terms of its limitations. This problem in agricultural holdings and Agrounions on Krasnodar Territory is solved by construction of an accounting and analytical cluster. An accounting and analytical cluster is a set of evidence-based methodologies, techniques and mathematical, economic, accounting, analytical, financial, innovative, controlling, auditing, statistical, technical and technological, informational tools to provide a rational organization and functioning of business processes that are designed to obtain a synergistic effect specified by the mission and goals of the economy agent. The paradigm of introduction of the accounting and analytical cluster should become creative and innovative, transformative management of a business entity. One of the most important factors of the accounting and analytical cluster is budgeting. Budget planning is a singular stage of development of the accounting and analytical cluster of large agro-agents in the market, providing a radical change in the development of business process management.

Coordination action plan for making a budget is performed by the planning and economic development department of the organization. The budget of the economic entity is developed for a specific period. The need to make such a model arises from the changing economic conditions which require to continually coordinate management decisions [4].

The main functions of budget planning are:

- Analysis. Setting objectives, analysis of available alternatives to achieve the goals;
- Planning activities developed by the departments of the organization within the framework of agreed objectives;
- Organization. Structuring operations, processes, information flows and expected results. It allows to localize decision-making and responsibility, including responsibility for the implementation of the budget;
- Motivation. Adoption of goals and plans, promotion system for implementing the plan, participation in the disposal of the results achieved;
- Communication. Coordinating plans of different departments, achieving compromises and fixing responsibility;
- Control. Plan-factor analysis of management decisions on the identified deviations [1].

Under the conditions of agricultural holdings the main results of the organization for innovation should be implemented using the resources of a modern model of budgetary planning the main elements of which would provide quantification of crop and livestock production.

Based on the use of budget planning, the model provides not only parity, physical, social and other interests of the collective farms in agricultural holding units, but legal protection of agricultural producers as well [2].

Construction of the complex factor of budget planning, management and control in an organization is determined by its size, specialization, mission and the system of goals.

The main aspect of budgeting is that the budget helps to monitor and evaluate the activities of the agricultural holding units. The important point is that the actual results are compared with the budget parameters. Through these comparisons, specialists and managers define cost elements that do not meet the original budget.

In current planning limiting factor and formation of responsibility costs centers are of the mostly greatest importance.

Limiting factor is the first step in the process of budgeting which serves to identify "key factors" or restrictions. They determine the boundaries of the budget.

Limiting factors can be grouped into two categories:

- External factors beyond the control of the centers of responsibility;
- Internal factors that are intensively controlled by the centers of responsibility.

Limiting factors relating to the category of external ones require managers and specialists to use subjective (expert) estimation. They should assess the impact of such factors as:

- volume of market demand;
- raw materials and supplies;
- rare and specialized types of equipment;
- qualified personnel;
- expected inflation rate;
- economic and political situation in the country and, perhaps, in the world.

Prediction of external factors is challenging and it often makes sense to appeal to the specialized analytical and forecasting organizations for general or specific information.

Internal limiting factors are as follows:

- production capacity of agricultural holdings;
- staff productivity;
- ensuring sufficient funds.

Limiting factors can be detected by a systematic analysis of the strengths and weaknesses of agricultural holdings, as well as opportunities and threats arising from the external environment (Strengths, Weaknesses, Opportunities, Threats, the so-called «SWOT» analysis) [3].

The study of the agricultural holdings and Agrounions on Krasnodar Territory has revealed that these economic agents of the market, with unprecedented (by modern standards) financial opportunities, pay little attention to competition. Their powers are aimed to the production of exclusive clean agricultural products. Production growth reduces production costs and, consequently, price sales, ensuring its accessibility to the general public. This process provides them so far with a synergistic effect because the number of agricultural holdings and Agrounions is still quite small. However, at present the Ministry of Agriculture and Processing Industry of Krasnodar Region has been paying attention to this factor.

Despite the fact that the agricultural holding can effectively use all the opportunities, using all their competitive advantages (strengths), any organization, however, will find some of the limitations in generating profits.

The complexity of the framing of a budgetary control factor cannot be ignored. They are associated primarily with complexity and duration of the implementation process. The complexity refers to the need for reconstructing the work of Management Accounting, as well as large-scale training of the staff. You also need to ensure consistency of organizational and financial structure. It takes on average 1-2 years to implement budgeting now.

A budgetary management factor fits the system of agricultural holding management, its place in this system can be illustrated by the following layered structure (Fig. 1).

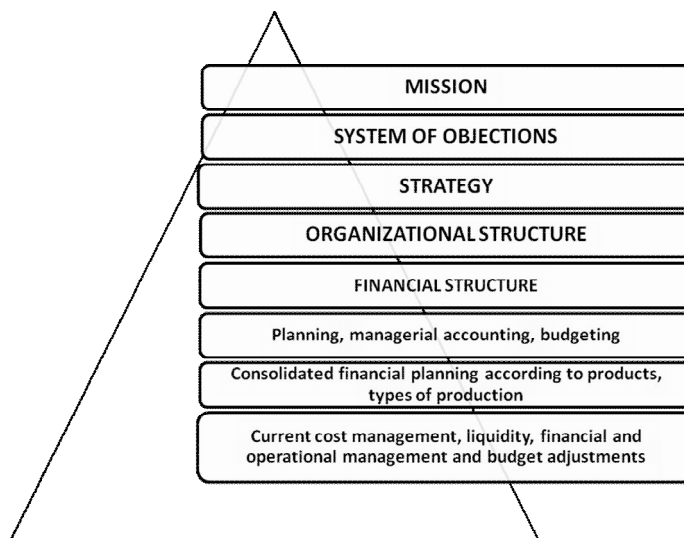


Figure 1. Location of budgetary control factor in the management of the organization

Construction of an accounting and analytical cluster in the organization is determined by its size, specialization, mission and goals of the system.

Thus, budget is a tool of quantitative (monetary) description of the strategy and tactics resorted to for achievement of the goals set by various business units of the agricultural holding.

Business units are large centers (segments) of the agricultural holding's activities, forming its so-called portfolio. Even a simple analysis of the portfolio's structure can significantly help in identifying a set of goals, benchmarks (descriptors) of their achievements and budget features of each segment of activity [3].

The stages of the annual budget preparation process include:

- Analysis of available resources;
- Environmental impact assessment;
- Development of strategy;
- Development of specialized plans;
- Budget preparation.

Budget planning of the agricultural holding as modern management techniques is designed to develop and improve the financial soundness of management decisions. The technology includes financial planning, accounting and control of revenues and expenses derived from agro-business at all levels of management and allows an analysis of projected and received financial performance [5]. To improve an efficiency of management processes in agro-industrial holding, organi-

zations we use software "Budget planning organizations agriculture", focused on various activities of agro-industrial business: crops, viticulture, cattle (milk and meat), pigs, poultry and etc. (Fig. 2). Software product allows you to quickly introduce budgetary management methodology in the organization without significant time and financial costs. As a result of its use control management is provided with efficient, transparent and accessible information, and analyzes deviations from planned and actual results. It improves quality and reduces time taken for making management decisions. For entering of the primary information the program provides a full range of interconnected electronic documents.

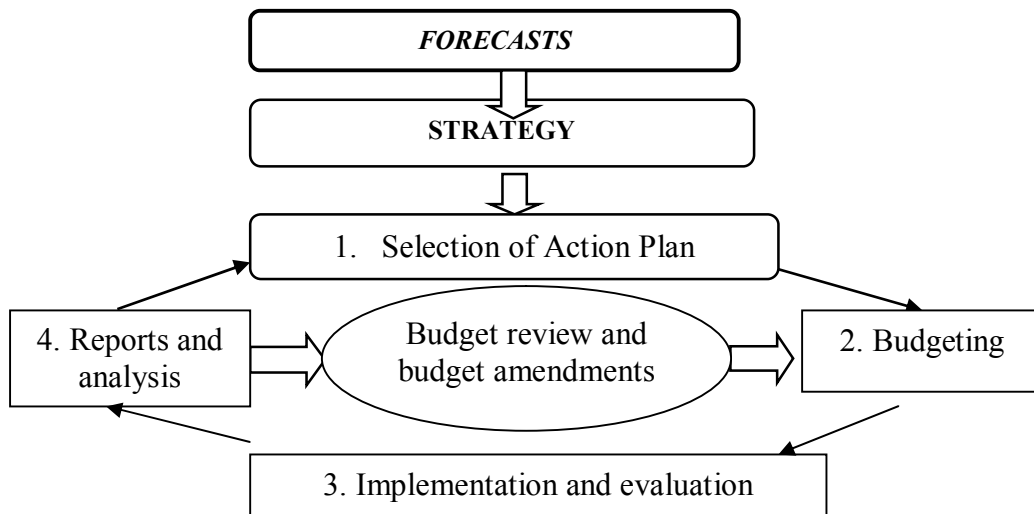


Figure 2. The budgetary cycle of the organization

It includes: analysis of cropping patterns, crop output, process map of crop production, reverse statement of herds of animals and poultry, technological map of livestock production, balance of the distribution of crop and livestock production, industrial production technology map, production program. In addition, in conjunction with these documents it is necessary to generate information on sales and domestic consumption of animal and plant products. For these purposes, the main documents related to the planning and purchasing of inventory, fixed assets are formed, reports are made in terms of repayment of accounts payable and receivable, documents are made on the closure of production, of calculation accounts, counting the cost of crop production and animal husbandry.

Subsequently, based on the input of primary information a wide range of output reporting forms is generated. The main documents include: annual motion of a separate group of animals; reverse summary statement of the herd, livestock production, calve and insemination; lactation; profits from sale; need for inventory items and services, graph of needs in machinery; operational plan of equipment work; need for feed; feed balance; labor costs for personnel, consumption of feed in groups; calculation of crop and livestock production. This program helps to ensure a complete set of budget reporting forms in the context of months, in the context of comparison of planned and actual data. For this aim the following reports are made: forecast balance; budget of income and expenses; cash flow budget; various operating budgets.

Reports regulations can be obtained for a single unit, a cost center, or a group of units of the agricultural holding. The core of the information database is a managerial plan of accounts: plan

NAS and plan IAS. Users have the opportunity to keep records on any selected chart of accounts in the required currency. Scripting engine allows users to analyze several business scenarios for the planning period. One of the scenarios is defined as "fact scenario" in which actual data are loaded with the database of accounting and taxation.

To connect planning and economic database with the one database the system has a module that enables loading with actual data. Loading is carried out in accordance with the configuration of levels of details in the accounts. Information from accounting software and other accounting systems is discharged into the system. On the basis of the data obtained management reports are formed according to the established rules. This allows the transformation of financial statements in accordance with the principles of national accounting standards and those of IFRS.

At present, many agricultural holdings have introduced high-tech information systems. Thus, these business entities use an industry-specific solution «1C: farm management.» The basic configurations include:

- Method of closing accounts;
- Method of cost accounting;
- Chart of accounts;
- Chart of accounts in fiscal accounting;
- Comparison of methods of accounting and fiscal accounting, and others.

Thus, the overall construction of an effective management system is possible only due to the use of modern information technology.

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