ACCOUNT OF INFORMATION FACTOR IMPACT ON EFFICIENCY OF ENTERPRISE ACTIVITY WHILE MAKING MANAGEMENT DECISIONS BASED ON BUDGETING

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Abstract: Information factor’s impact on the performance of the enterprise is grounded. Analysis and theoretical generalization of the enterprise’s existing problems of information management are carried out. Value of management accounting system as an information base for management decisions which allows companies to achieve a sustainable competitive advantage and operate effectively in a competitive environment is proved. Advantages and disadvantages of the “direct costing” and “standard costing” management accounting systems are examined. Implementation of budgeting for optimizing the decision-making process and evaluating possible implications for the enterprise is proposed. Aims and objectives of budgeting system improvement at the enterprise as well as the benefits of its implementation are considered. Recommendations for improving efficiency of managerial decision making based on budgeting system are developed.

Keywords: information, management decision, budgeting, management accounting system.

Introduction
Currently, in the traditional economic theory main factors of production, ensuring the efficiency of the enterprise, are considered to be land, labor, capital (subjects and instruments of labor) and entrepreneurial skills. At the same time, in the modern market economy information factor increasingly impacts economic behavior of market participants. The information revolution of recent decades considerably accelerated the flow of production processes and changed the capital structure of enterprises. Continual information flows received and processed by the enterprise determine the rise of entirely new principles of economic activity. Since current economic environment information has a huge impact on the efficiency enterprise, information factor can be attributed to the production ones. The foregoing determined to the relevance and timeliness of the subject of this research for enterprises of different sectors of the economy.

In theoretical and practical literature, there are works on the problem of information management: “Analysis of economic activities: basic indicators of enterprise profitability”, “Advertising: the impact of advertising on the economy”, “The impact of information on the price and the market “. In these works technical aspects of the enterprise informatization, which involves development and implementation of the specialized automated control systems of operational data management of enterprise relevant for the book-keeping and management accounting purposes, are highlighted. A great number of scientific works are devoted to the issues of information security and confidentiality, as well as to the problems of technological production support: “Management accounting system as a strategic resource in the competition” (Medvedko, 2005), “Management accounting systems” (Emelyanova and Chepchikova, 2011). Some scholars focused on examining issues of state information policy formation in development of small, medium or large businesses (Vasilyeva, 2011).

At the same time, despite increased attention to the matter of informatization of enterprises’ operational – processes, the impact of information factor, as a productive resource, on efficiency of economic entities, is not covered widely enough in literature, in our view. Classification of information resources requires modernizations considering entry of new forms of information. Conceptual approaches and methodology for assessing the effectiveness of information management at enterprise for automated systems, which are being developed and implemented, are needed to be elaborated, taking into account occurring economic processes. To increase efficiency by adapting to the changing conditions of information environment, internal and external information management system of enterprises need further improvement.

Thus, the purpose of the research, which results are presented in this paper, is improvement of theoretical foundations of enterprise resource management through justification of information factor impact on
enterprise’s performance results, and development of recommendations to improve the efficiency of managerial decision-making on the basis of analysis and generalization of existing problems of enterprise’s information flows control.

Results

The specific aspects of enterprises operation, for which the information factor’s impact is the most significant and affects the efficiency of their functioning in general should be considered.

Efficiency of enterprise depends significantly on availability of established information base within the enterprise. The management accounting system is such an information base, which provides a framework for managerial decisions-making, thus, allowing the enterprise to have the competitive advantages and successfully function in existing economic environment.

The management accounting, in a strict sense, represent a system of information accumulation collection, reporting, processing and analysis, which is necessary for enterprise to plan, analyze and control its activity; to make reasonable managerial decisions; to provide efficient resource utilization and control for their complete record keeping; preparation of financial and economic reports for external and internal users. The management accounting, in a wide sense, represents an information basis for making strategic managerial decisions (Kabachenko, 2012, p.79).

The main functions of management accounting system are information generalization, processing and analysis, incoming from structural subdivisions of enterprise’s management system (general management, administration of financial, human resources, production, marketing and IT departments). Moreover, formation of managerial information involves such aspects of enterprise activity as preparation of business-plans, expansion or reduction of enterprise activities, increasing productivity and more effective resources utilization, enterprise value control and increase.

Effective management accounting system allows receiving necessary accounting and analytical information operatively in relevant form and providing the enterprise with the competitive advantages by means of:

1. cost management (significant advantage in competitive environment and satisfaction of external environment demands is achieved by minimization of costs and increasing level of their transparency);
2. adoption of up-to-date technology and tools (information received by the enterprise’s management based on the management accounting is the internal enterprise product, which was formed considering its specific characteristics);
3. generation of information for implementation of main managerial functions (preparation of internal reporting and its analysis, financial management, cost management, strategic planning, corporate investment, budgeting and statement preparation for external users). Management accounting system as a strategic resource in the competition (Medvedko, 2005).

Thus system of management accounting and analysis provides enterprise with necessary information for decisions-making, response to external environment changes and its existence on the market in general. Accounting management system should be formed and established based on enterprise’s specifics and characteristics and should be modified according to changes within the enterprise.

Overseas “direct costing” and “standard costing” are becoming the most popular accounting management system among others.

“Direct costing” is the one of the systems applied in management accounting for cost and expenditures accounting. It’s a management accounting system which is based on dividing the costs into fixed cost and variable cost depending enterprise’s output change (Emelyanova and Chepchikova, 2011).

The main advantaged of “direct costing” system:
- possibility of fast production response to changes in for market situation;
- lack of necessity in conditional distribution of fixed cost; that makes estimation of partial cost easier and more objective;
- cost comparison according to variable cost, absolute and relative margin at different times doesn’t allow fixed cost fluctuations to produce effect on product cost of enterprise;
- profit change as a result of variable costs changes, prices and production output structure is shown in financial statement of enterprise;
- detection of high profitability products;
- received information gives opportunity to implement effective pricing policy, showing the best combination of price and volume.
- opportunity to control margin income changes referring to the enterprise in general and to different products (Kabachenko, 2012, p.79).

However there is a number of issues with direct-costing management accounting system rising due to specific features of this system:
- lack of clear borders of expenses differentiation at fixed and variable costs;
- this system doesn’t determine cost price for final product and if the information about total cost of final goods or goods in process is required it's necessary to make extra calculations;
- it’s necessary to provide covering of all expenses of enterprise in its product prices;
- overestimating of running gross profit, due to the fact that stock of final goods at the warehouse or goods in process are considered only in variable cost calculations;
- mismatch of reduced cost rate of cost, that was calculated according to variable cost items, and rate of actual cost of goods, which were produced;
- mismatch of results of financial accounting and the results of management accounting, which results in decreasing the trust of regulatory authorities to enterprise management and its activity (Emelyanova, Chepchikova, 2011).

Traditional approach of management accounting system foresees making precise calculations, whereas direct-costing system doesn’t determine complete cost of production. However it’s worth mention that system of costs calculation, that could permit to determine unit cost with 100 per cent accuracy doesn’t exist. Even the best explanations of any indirect cost allocation reduce the calculation accuracy and misrepresent actual cost of goods. So if it calculates from this point of view the most precise system is calculation by variable (direct) costs, which are directly related to goods production. In this case the criterion of accuracy for cost price calculation is the approach of cost allocation.

Standard-costing is the management accounting system and cost calculation using standard costs. "Standard" is necessary amount of costs (resources) per production unit, "costing" is money for purchasing these resources (Emelyanova and Chepchikova, 2011). Standard-costing represents the management accounting system that includes not only approaches of cost panning and accounting, but also approaches of business management in general (Kabachenko and Lotareva, 2013, p. 301).

This system provides information about semifinished goods conditions and movements on any phase of the manufacturing process (in production line, goods in process etc.). So in any time, regardless of production phase where goods are, it’s possible to estimate current costs of production program. Attention is concentrated on deviations in programs, quantitative and qualitative indicators, from production schedule.

The main purpose of standard-cost system is forecasting of future costs. It’s achieved by specifying sizes of future costs and directing the enterprise activity to reach these rates. This system requires making calculations, rate fixing and determining enterprise purposes. These results have to be fixed and determined as standards for certain term and focus should be made on approaching to determined rates. It can be achieved by analyzing of possible reasons of deviation from accepted standards. Feature of standard-costing system is accounting of plan indicators, but not actual results, and minimization of actual results deviation from plan indicators as well.

It should be mentioned that standard-costing as complicated and multilateral management system of enterprise economy contradicts other management systems, which are used at the same time for management of other aspects of enterprise activities. There are disadvantages of standard-costing system:
- almost all attention is focused on labor efficiency and cost;
- if production has short life cycle then the standards are determined for a short term;
- detected deviations from the standards are often not related to technological sections, separate orders or batch of goods;
- insufficient attention is paid to improvements of goods quality and satisfaction of customers request;
- only a little group of aspects of improving of enterprise efficiency is taken to consideration.
- Standard-costing system advantages are following:
- provision of base for detection significant deviations while comparing the costs;
- guarantee of labor efficiency increase that as a result motivates employees through financial incentive system;
- this system directs employees to follow the standards;
- fixed product cost.

There are following sources of savings in standard-costing system:
- provision of precise and timely information about product cost of goods for sales planning and pricing;
- detection of avoidable loss (unfavorable deviations), reducing the enterprise profit;
- stimulation of all staff to reach determined purposes;
- personification of responsibility for costs (Kabachenko and Skripka, 2011, p. 64).

Standard-costing system allows calculating and determining production total cost, providing the control for current costs in manufacturing process, analyzing existing deviations from enterprise goals and finding new possibilities for economy.

Thus use of standard-costing and direct-costing accounting management systems is one of instruments for optimizing and increasing efficiency of costs and profit management.

Information can impact on choice and decision of both consumers and the enterprise itself that impacts on efficiency of enterprise activity directly. For instance, in most cases external factors impact on costumers choice for purchasing any goods. Since the most of customers` wishes have emotional, physiologic and social basis, therefor information in the form of advertising satisfies these needs successfully. This type of information, firstly, is intended for demand stimulation thus, increasing sales volume, therefor it quite often add new extra value to goods in customers` perception. The better and more information about enterprise`s goods is circulated, the faster demand for purchase exactly this goods appears. However the customer doesn`t understand that this demand for purchase one or another good is prompted.

It`s necessary to consider that information, which appears in stock market, can reduce and increase capitalization and profitability of enterprise in developed countries where significant part of enterprise profit is operation in financial market. This information spreads fast and in few minutes becomes free-for-all. Response for new information entry is price change for enterprise share. For instance, share price of enterprise can fall immediately after receiving the news about forecast of its profit fall for future period. So new information can impact on share price of certain enterprise and stock market in general.

The same situation can be in Ukraine, where stock market isn’t the same as in developed countries. In this case any PR event and advisory about enterprise`s reputation have the same impact. Firstly, information impact on consumers` market. Mass media always helps enterprise to convince consumers that one or another product is necessary to buy, making specific attitude to the enterprise and its activity.

Competitive economic environment produces significant effect on making informative justified business-decisions. There is impossible to make effective decisions nowadays, basing just on leader`s experience and intuition. Enterprise should use new management technologies to keep reached position. Especially it`s related to improvement of material and financial resources management (Kabachenko and Skripka, 2011, p.64). Budgeting systems is being introduced in domestic companies to optimize the managerial decision-making and to estimate possible results from these decisions.

Budgeting is the process of resources movement plan for future period. Budgeting as one of the elements of management accounting allows receiving competitive advantages. It`s achieved by development of efficient resources management system, forecasting possible problems with enterprise activity and planning strategy of enterprise development. It should be mentioned that strategy of enterprise development should be in conformity with various options of contour.

It`s worth to notice that introduction and development of budgeting system require informative and management technologies integration from enterprise. And it, in its turn, improves efficiency of enterprise management in general. So budgeting introduction is one of the most important phase on the way toward development of holistic efficient enterprise management system.

There are a number of advantages from budgeting system adoption at the enterprise:
- allow determining enterprise`s goals and technical and economic performances, helping to plan financing and operating activities for future period;
- opportunity to adjust and direct activity of enterprise`s departments to reach determined financial result, distributing responsibility and function of financial management among administration of different departments;
- improvement of informative exchange and cooperation among enterprise divisions.
The main idea of budgeting as managerial technology is transferring rights and duties to lower level of management, saving the control for enterprise activity in general. The assessments of experts suggest that only 30 percent Ukrainian companies have developed efficient budgeting system (Sumin and Kotov, 2007). Efficiency criterion is supposed deviation from program that shouldn’t exceed determined value (for instance, 15-20 per cent).

Budgeting system is provided by dint of accepted instructions, forms and procedures for preparing and establishing which different divisions take part. All budgets are based on forecasting of enterprise production program. There are two approaches for main budgets:
- direct (on operating budget base, determine accounts receivable and accounts payable, material and finished goods storage, and on this basis financial demands and possibilities are compared);
- indirect (on the base of balancing incomes and current expenses, start-up equity and external funding) (Burstev, 2006).

Correct and precise budgets allow analyzing of efficiency of enterprise activity, earning record and profit size, practicability of new technologies adoption, fixed assets etc., forecasting financial results for current period, detecting negative financial tendency of enterprise activity at the beginning and possibility to eliminate it.

It’s necessary to notice that budgeting adoption improves controllability and coordination of economic activity; increases and makes faster enterprise adaptation to external environment changes (market environment) and internal environment (organization structure, enterprise potential); declines probability of function abuse and management mistakes; affords full picture about enterprise financial situation, that makes decision-making process more successful; establishes vision of enterprise’s goals and problems, which appear in goal-achieving process and provides elimination these problems and deviations in time.

Typically, the effect of the budgeting system adoption at any enterprise is very significant, because despite the fact of increasing sales, profitability of the enterprise in general, reduction amount of the costs and other quantitative indicators, improvement of the budgeting system displays the enterprise to a whole new quality level:
- the enterprise becomes more manageable;
- the corporate culture improves;
- the mobility of companies increases and the enterprise responds faster to changes of external environment;
- the enterprise becomes more attractive for foreign investors.

**Discussion**

There are main factors that impact on efficiency of any enterprise: running capital, providing the possibility of productive activity and profit, and the information as a source of managerial decision-making related to the strategic and current development of the enterprise. Accordingly, incorrect or untimely information may lead to the failure of the enterprise, and as a result to significant losses. Due to the incorrect information about the quality of components, the enterprise can produce defected products, which cause not only financial losses associated with productive activity, but also additional losses (fines and penalties).

As a consequence of this research there is a number of recommendations for improving the efficiency of managerial decision-making based on analysis and generalization of the existing problems of enterprise information management:

1. During the process of managerial decision-making the factor of information must be taken into account as one of the production factors, that provides the efficiency of enterprise functioning; it will enhance the developing efficiency of making management decisions based on analysis and generalization of the existing problems of enterprise information management.

2. In order to optimize the process of managerial decision-making and estimate the impacts of these decisions the enterprise should implant budgeting system that will improve the quality of enterprise management and its attractiveness for foreign investors.

3. In order to improve efficiency of cost and profit management the integration of various management systems can be used like a budgeting system at the enterprise (for instance, a system based on a combination of systems "standard costing" and "direct costing") that may minimize the existing disadvantages and increase the efficiency of their implementation at the enterprise.
4. The process of managerial decision-making should be based on relevant information, which has a high degree of reliability and takes into account the specific features of the enterprise (Kabachenko, 2011, p. 218).

Proposed recommendations are universal. It can be used for managerial decisions based on budgeting system by business entities of different sectors and forms of ownership.

Thus, on the basis of foregoing facts, it can be concluded that: the more positive information is generated by the enterprise about itself, the more confident will be its position in the market; the better information used for managerial decision-making related to its productive activities, the less risk of incurring financial losses in the future at the enterprise; the better the information flow is organized within the enterprise, the more manageable system is, and the more enterprises have opportunities to avoid the negative consequences of unforeseen situations in the production and nonproduction spheres of its activity. Therefore, at the contemporary economy the information factor is one of the most important that impacts on the enterprise efficiency.

So, perspective direction of further research could be development of recommendations for enterprise anti-crisis management at the current economy by improving information processing systems for managerial decision-making. One of the most important issues which is almost disclosed at the present stage and needs to be explored deeply is the development of an adequate risk assessment model that is inherent in the particular business under various conditions of market operation in the perception of investors and other participants.

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