Abstract:
The management of any activity need to know, first of all, the goals to be achieved and, on other hand, the necessary resources to fulfill the objectives. The budget is short-term forecasting in monetary or natural units, all operations of an enterprise, for programming and control of the future. Also the budget is a tool for analyzing economic and financial activity conducted by comparing the provisions of accounting data and determining this line deviations responsibilities.

Key words: budget, cost, incomes, expenses

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1. The general context of costs’ budgeting

Wishing to improve its economic performance, the modern enterprise uses a series of techniques, methods or practices. The generalization of costs’ budgeting represents a reality. Among the mechanisms of management and prevision of costs that are practiced by the performing enterprises, there is the project calculation, a ‘better budgeting’ approach-like, the concept entitled ‘beyond budgeting’, the flexible budgeting, the traditional budgeting, the continuous budgeting, the tight correlation between the costs budget with the documents of the company’s internal previsions.

In the case of enterprises which develop their activity on markets that have a high degree of certitude, the traditional budgeting constitutes another useful option. But these companies are fewer and fewer on the global competitive market and the uncertainty of environment determines the need of a rapid adaptation to the market’s demands and of organizational flexibility of the majority of modern enterprises.

For those enterprises which develop their activity in uncertain conditions, the traditional budgetary process is frequently inefficient, being characterized by substantial delays, numerous re-projections and changes of initial premises. In many other cases the traditional budgetary process is not efficient by the fact that the budget constitutes itself in an obstacle in the way of obtaining success on the markets where there is a strong competition and where the most important thing is represented by the knowledge and not by the capital. First of all, the change of the way and techniques of working out the budget was possible on account of the IT’s evolution. Until 2000, the financial directors who wished to take into consideration the modern calculation technique were obliged to invest hugely in specialized
Software, which could only be supported by the big, profitable companies. Most enterprises were still based on traditional models (data bases, charts, and graphics in Excel) which, even though cheap and flexible, have considerable limits in what concerns the manipulation and storage of data. The appearance of web-type budgetary applications inverted the cost-benefit report that existed before and gave the accountants the possibility to distribute the calculation power to an almost unlimited number of users, this being done at even more reduced prices than the traditional application. (1).

2. The management and prevision of costs by means of project calculation

Among the possibilities of organization and management of flexible and heterogeneous activities within contemporary economy lies the system on project. Every work, activity, service, product or group of products destined to a certain client or to a limited group of clients, within a specific period of time form a project. Within this generous system there can be used a wide range of specific methods among those offered by economic science longer or lesser time ago. The flexible character of any activity within the organization system and project management is supposed to be implicit.

The elements that define a project and which must be taken into account when elaborating the cost calculation are: the inputs, the outputs, the transformation process or that of creating the added value, the consumed resources and those blocked within the project, the ongoing period, the useful time (operative or productive) within the ongoing total time, the economic, technological, social or administrative restrictions. Each of these elements has a specific contribution at cost elaboration and supposes budgetary and managing specific mechanisms.

The project calculation develops in more stages.

The first stage consists of establishing the exact contents of the project. At this level, there are estimated the resources which will be consumed or allocated (blocked) for the project and the newly created situation by means of the project’s ongoing. The resources’ consumption and shutting off generate costs that must be managed and provisioning.

Stage 2 deals with identifying all the possible variants and alternatives of the project described in stage. Thus, it is avoided the appearance of an inflation of variants by means of modifying parameters or simple characteristics of the project. To each variant and alternative is attached a benefit and a specific cost.

Stage 3 consists of defining the status-quo (that of the existent situation in case the project does not develop). Also, the status-quo is characterized by current costs and benefits which can be extrapolated in time.

Stage 4 identifies all the possible beneficiaries of the project and all those whose interests undergo a negative change. The beneficiaries are grouped on categories that must be relevant for the entity that carry out the project: patronage and proper administration (financial results indicator), employees, permanent external co-workers, occasional external co-workers, current business partners, any type of investor, public authorities of different categories (local, central, of controlled), citizens situated in the proximity of some places where the project might develop, other categories of independent or organized citizens, other affected categories. Externally, the input providers are interested in developing the project, while the competition is against it. Internally, the budget beneficiaries within the project will support it while those whose allowances are affected will stand against.

In the fifth stage there will be analyses in comparable terms of costs, benefits and other indicators of efficiency for each variant. In the case of investment projects it is compulsory to calculate the payback period.

In the sixth stage the project financing schemes will be drawn up starting from the indicators calculated in the fifth stage.

The project calculation can be adjusted to the method of costs observation specific to an enterprise. The project calculation can be somehow found in many calculation methods, some of those that have been practiced since the XXth century.

The global method of cost calculation will be included in the project calculation if every sorto-typo-dimension or reference may represent a distinct project. Practically, an entity of any type or dimension aims at obtaining certain economic goods at the end of an efficient process. To the extent to which there are no dependence relations among the different goods, the decision of making
each one can be considered as an independent project. By-products and coupled production are eliminated from the category of independent projects.

The calculation method on phases has, in its turn, more connections with any type of project calculation. Each phase represents a project due to the management autonomous character of the resources and possibility of results measurement. Also, each product in its whole represents a project. The combination of the two decompositions in projects, in the case of phase method can result sub-projects at the level of phases for each product or reference.

Project calculation and the method on commands allow as well the use of scenario technique, including the test of the proposed scenarios. Putting the operations in rational order, respectively in that of the technological flux and the elaboration of calculations in this order make it easy to apply the scenarios’ technique. Thus, one can identify solutions for the company’s problems, on a multi-methodological basis.

Even though it is not a very pleasant moment, crisis management is part of companies’ life. According to the historical type it registers, the method on commands and the cost calculation can predict elements specific to the future crisis of patrimonial entity. The separation of cyclic rules within the company can generate reasonable future estimations concerning the evolutions of some variables and of their correlations. The calculation method on consumption points can be regarded as a sum of project calculations at the level of each cost center. The business option that has a decisive role on the method of consumption points represents the special organization method of economic activity and the way of grouping in cost centers of the centers where resources are allocated. A certain cost center may become acceptable from the point of view of administration if it reduces consumptions, if it increases its contribution to income realization or if it undergoes changes of integration in the general flux (certain consumption places are added to it or removed from it). In these conditions each cost center, in its configuration, represents an option and a project for the respective patrimonial entity.

In the case of the standard-cost calculation method each typo-dimension can be considered as being part of a project that develops in the conditions prescribed by the scientific norms.

“The better budgeting” approach

This kind of approach has been favored by five innovative techniques in the practice of budget elaboration: management by budgets, the zero based budget (ZBB) calculation method, the value based management, profit planning and turn over budgets/ previsions. Each of these methods has a specific character and meets certain demands. But in practice, none of them is generalized in any industry. The only one which managed to impose itself (not only in the USA) was the method of turn-over budgets, within certain substantial investments in informational technologies and of using CCR, evolution which has been favored by the practice of trimensual publishing financial reports of the American companies (2).

The approach tends to concentrate itself only on the process of budgets’ elaboration, by isolating and ignoring the connections with other management key-processes. At the same time, it does not change the negative behavioral aspects within enterprises, as reported to budgetary traditional practice, like the concentration on the financial performances, even to the point of excluding other criteria of appreciating the business performance (1).

The “beyond budgeting” concept

This concept was imposed at the beginning of 1988, when BBRT (CAM-I Beyond Budgeting Round Table), an association made up of experts and international consultants, whose mission was to identify the enterprises that gave up the budget practice, the analysis of alternative ways of taking action and of trying to find the principles of a new management model adherent to this concept.

“Beyond budgeting” appeared as a response to the criticism against traditional budgeting and “the better budgeting”, in a few renowned companies (3). This meant totally giving up to the elaboration of fixed annual budgets, in favor of some new management techniques: balanced scoreboard, management based on value or on measurement instruments of management performance by benchmarking as referred to strategy and capital international markets or other external sources. This approach materializes the effort of simplification and flexibility of management processes, eliminating the time and resources needed for the budget elaboration process. (4) based in this concept, budgets were given up in order to increase the enterprise adaptability, by using certain processes and instruments of control
which are connected to the real situation that the company faces with, unlike budgets, which reflect previsions obtained by means of extrapolating some former situations. Budgets are sometimes used, according to the concept ‘beyond budgets’, but only at the lower levels of the organization, in the form of monthly or trimensual turn-over budgets, having a much lower degree of minuteness and being focused on predicting financial results on short term. In this way, the budgets also contain non-financial indicators of result measurement. In many companies the application of the ‘better budgeting’ concept made easy the transition from traditional budgeting to the ‘beyond budgeting’ approach.

The ‘beyond budgeting’ approach can be divided in two stages:
- the first one supposes to revise budgeting and the other hey processed of strategic management;
- the second stage involves the new projection of the relation among the existent strategic processes (especially concerning the provisioning), the means of measuring performance and the reward mechanisms.

**Traditional budgeting**

The financial objectives belonging to the short-term plan are divided on a whole year, in the form of the operating budget. This one predicts the results that must be obtained by the center managers and represents a very efficient means of control, by the fact that it facilitates the comparison of the results obtained with the predicted ones, being used as an assessment basis of the performed activities. Every center manager is made responsible for those parts of the operating budget that correspond to his domain of responsibility. In the same time, his duty is to make up the budget which is adherent to the center he manages, respecting the general limits established by the superior managing stuff. For instance, for the production activity, the manager can use the standard cost as a calculation basis of cost production whose volume has already been determined.

After being elaborated for each center, the budgets are transmitted to the superior managers in order to be approved. There follows a negotiation process concerning the budget elements. If the superior manager considers that one of the elements included in the budget must be eliminated, first of all he must listen to the pro arguments of the center manager.

At the end of this process, budgets are examined at central level in view to be revised and coordinated from the point of view of the interconnections that exist among the different centers of responsibility within the enterprise. Afterwards, on this basis, there will be elaborated the master budget for the whole enterprise.

Thus, budgeting is a process which develops from down to up: the budgets are made up by the center managers but are finished and coordinated at the superior immediate levels. This participative approach to budgeting, specific to the accountancy of responsibility centers, is meant to increase managers’ motivation in fulfilling the objectives they assumed or were assigned to them.

**The continuous budgeting**

A detailed budget is elaborated for each responsibility center which is partially adherent to one year period, divided into 12 months, or 13 periods of 4 weeks, or in quarters divided in months. For example, during the first term there are made the monthly budgets for the second term and so one and so forth. During the year, though, the initial conditions may change, which leads to the modification of the following budgets. This technique is specific to the accountancy of responsibility centers. This is called continuous budgeting because it involves the insurance of budget existence during 12 months, by adding a future trimensual budget when the current budget has just finished.

Continuous budgets are thus in contrast with the budget that is elaborated once a year and where, as time goes by, the provisioned budgets lessen, until a new year starts. In the continuous budgeting, managers are obliged to take into consideration the changes in the environment and forecast them, by updating them. They also have to reconsider the previsions which are adherent to monthly budgets, with the effect of the whole budget’s re-calculation.

The result is that the budget does not only reflect the recent evolutions of the company, but also those of the environment, being more realistic and encouraging the managers to respond to the new challenges in a pro-active manner.

From another point of view, the fact that the current results are compared to more realistic values had positive consequences on the motivation and confidence that the center managers have in the accountancy system of responsibility centers.
The flexible budgeting

No matter if one uses the traditional approach or the continuous budgets, the concept the accountancy of responsibility centers supposes the use of flexible budgets for control reasons. The enterprises that are organized in centers of responsibility make up their budgets based on the principle of flexibility, being thus obliged to take into account the fact that the level of budgeted variable costs depends on the volume of the activity performed or, otherwise said, the results obtained by the center managers must be in agreement with the level of adherent production; otherwise the evaluation basis would lead to unrealistic conclusions.

Flexible budgets appeared as a consequence of using the responsibility centers in agreement with the management by means of exceptions that oblige the center managers to report only when the results they obtain differ from those forecasted through budgets.

The elaboration of flexible budgets start from the premise that the budget is established at the beginning of the period that is forecasted based on a production volume initially estimated. In time, this is to be adjusted to the current activity level. At the end of the period, the obtained results are compared to the monetary expression of the elements that were adjusted by means of flexibilization.

Another characteristic of flexible budgets is represented by the analysis of the current costs’ deviations from the flexible costs within the budget, which may have three main causes:
- a weak activity;
- the establishment of invalid objectives;
- fortuitous variations.

In what concerns the deviations, the center managers may happen to have a limited responsibility of them. In most of the situations, they may be found guilty of excessive use of resources that were allotted to them. But the deviations can be generated by increased price of materials that compose the product, which the center manager cannot influence. That is why deviations must be analyzed from the point of view of the quantitative effects and not from the point of view of those related to price.

The correlation of cost budget with the internal forecasting documents of the company

Taking into account the fact that the work hypotheses are in permanent change, the approaches that point out the current way of correlating the cost budget with other internal documents of the performing enterprise are very useful. One of the tasks of the budget responsible is that of pointing out the different correlations, just to avoid the elaboration of unrealistic budgets.

The production program of the industrial enterprise or the sales target of the commercial enterprise is a first reference document for the costs budget.

The consumption level at any type of company depends to a lesser or greater extent on the specific work load. A part of the costs are fixed, being modified on level parts. The greatest part, however, are variable costs, in direct dependence with the work load forecasted or effectively realized. Between the variable part of costs and the specific volume of activity there is a connection of functional dependence which is, as a rule, directly proportional. The change of production programme or of sales target, their over fulfillment or unfulfilment naturally bring changes. Thus, there appears a perfectly measurable parameter which indicates the fulfillment of previsions within the cost budget in real terms. At the level of each patrimonial entity, the connection of costs budget with a production value indicator or sales value indicator generates a few methodological problems. The separation of costs in fixed and variables represents a first moment that involves professional reasons. For this, one can use the method of extreme points (minimum-maximum), the graphic method, the method of the least squares, etc. The result shows part of consumptions which is dependent on the volume of work. The identification of fixed or variable cost elements also represents a complex task at this point of analysis. According to the predominant activity, fixed costs and variable costs can alternate. The application of work legislation of European type makes that the salary system and the income taxes should be a fixed cost. Within variable costs with live work there will be mainly the extra hours and the possible costs with allowance.

Cash flow is another essential forecasting document to which costs budget refers. No economic operation can be predicted if its relation to the money availability is not taken into account. It is possible that there should be profitable activities on long or very long term, but which cannot obtain financing. Such a restriction becomes even more severe in transition economies.
of during a financial crisis. The financing system changes sometimes from a criterion of source allocation in a tough condition for the business development and for the possibility of costs liability. The treasury flow will impose corrections at the deference of different costs in time. The priority of financing mechanism appears in our formers’ wisdom: ‘For people, money is blood and soul. Those who do not posses it are dead among people alive. “(5) In other word, without money, business cannot exist. As a consequence, nobody can elaborate documents like the cost budget but within the limit of possible financing. The financial crisis emphasizes even more this tough restriction. Projects which may have seemed very good from the point of view of cost budget execution can be rapidly abandoned.

In conclusion, the business plan is the document that guides the development of patrimonial entity’s activity. According to the way of envisaging transactions there will take place the cost engagement as well. Usually, each relevant stage within the set of transactions and operations is associated with a cost that is proper to the proposed objectives. The business plan establishes targets that the company proposes and the budget of costs represents the resources which it can allot in order to meet the respective expectations. The correlation cost-budget—business plan is nothing but the operational transpositions of the relation between resources and objectives.

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