

MANAGERIAL AUDIT IMPROVEMENT OF FINANCIAL PERFORMANCE IN FOOD PROCESSING COMPANIES

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Abstract: The most important way to improve the competitiveness of organizations is the implementation of the managerial audit system for the financial results of economic activity. The article analyzes ways of improving internal control of financial results in food processing organizations from the point of view of introducing management audit. In particular, a methodology for evaluating the cost estimates and their deviations defined by the organization's financial responsibility centers within the framework of the managerial audit is proposed.

Keywords: budgeting, financial performance, management auditing, variance analysis, responsibility centers, food processing

JEL code: M40, M41

Research objectives: identify ways to improve the information provision of the managerial audit of financial results in food processing organizations.

Research novelty: suggested ways to improve the managerial audit of financial results, based on the results of cost budgeting and emerging variances in food processing organizations.

Introduction

From the point of view of managerial audit and internal control purposes, the used records of expenses of the reporting period of food processing organizations in Armenia are perhaps not effective for a number of reasons. First, in practice, difficulties are created to determine in which areas of the economy these expenses were formed, who are responsible for them, or to whom and how this or that expense should be addressed (Kharkova D., 2019). In addition, during the applied grouping of expenditure flows, difficulties also arise during cost-effectiveness control, because the related income flows are not recorded along with the expenditure (of course, when their existence can be identified).

And finally, the 8th class of the chart of accounts of the current accounts, used in Armenia, offers accounting of expenses only with actual amounts, without taking into account their pre-calculated amounts and their related deviations. However, the internal audit of the financial results of the organization's activity requires the establishment of strict control over the deviations of the actual quantities from the defined cost pre-calculations, which can be implemented through the organization of managerial auditing.

Research results

In the professional literature, the authors suggest to present the cost flows of the economic activity of the cases in the form of

managerial auditing in the following format (Mezhlumyan A., 2019):

Actual costs = Estimated costs + Variances from estimates.

In this case, in the financial flows of economic activity, the favorable and unfavorable deviations recorded from the estimated costs are clearly distinguished, which are an information source for the control of financial results. At the same time, as a rule, the accounts do not have a balance of deviations of estimates from actual expenses, because "actual flows-estimates values-deviations" operates in a closed system and their debit and credit records are mainly used for control purposes (see Figure 1).

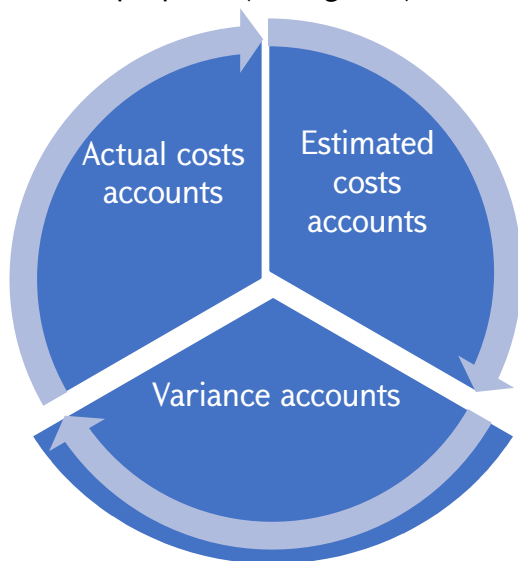


Figure 1. The cycle of accounting for actual costs with estimated values and deviations from them

Naturally, in the reports of the financial results of the organizations, the expenses of the reporting period are presented with their actual amounts, and in the managerial auditing reports with estimates and deviations from them, for which the authors offer a number of additional reports in the professional literature (Thughuryan A., 2009).

Thus, in the reporting period, the following indicators were presented in terms of expenses in the external part of cheese production (see Table 1), on the basis of which the accounting reports necessary for the management audit were formulated: "estimated expenses + deviations = actual expenses" with the information axis:

- ✓ the expenses of the reporting period of the organization were formulated with the estimated amount

Dr Production.....342

Cr Pre-calculated expenses.....342

- ✓ the expenses of the reporting period of the organization were formulated in actual value.

Dr Estimated expenses.....348

Cr Actual expenditure accounts...348

- ✓ the deviations of the actual expenses from the estimated expenses of the reporting period of the organization were formulated.

Dr Deviations in terms of raw materials and materials...7

Dr Deviations in terms of salary.....(3)

Dr Deviations of overhead costs line.....2

Cr Estimated expenses.....6

- ✓ deviations from the expenses of the reporting period were attributed to the main production;

Dr Production.....6

Cr Expenditure deviation....6

- ✓ the processed food was entered into the warehouse of finished products.

Dr Finished products.....348

Cr Production.....348

Table 1. Deviations recorded during the reporting period from the established estimates of issuance costs (thousand AMD)

Cost items	Estema- ted	Actual	Deviations	
			favorable	unfavorable
Materials	244	251		+ 7
Salary	62	59	-3	
Overhead	36	38		+2
Total	342	348	-3	+9

After formulating the recorded deviations from the cost estimates by double registration, the corresponding accounts of the management accounting are closed, and the registrations made in them are the reference basis when conducting a managerial audit of the organization's financial results.

Here, it is important, that when organizing a managerial audit of the deviations of actual expenses from the budgets set by control objectives, not only favorable and unfavorable phenomena are classified, but also clearly addressed to the centers of their

formation. In this regard, the professional literature recommends defining responsibility centers for cost formation when budgeting the organization's financial results, so that each link of the chain of economic activity is included in the resource cost responsibility system (Tochilkina O.E., 2019).

The authors even suggest that when applying cost budgeting with responsibility centers, organizations should introduce not only responsibility, but also incentive systems, if savings of used economic resources will be recorded in the defined cost centers, according to the defined estimates (Fateeva S.V., 2019).

Of course, in this case, it is necessary to clarify what factors have influenced the saving of actual costs compared to the established estimates, because they may not be formed due to the efforts invested by the work team, but simply as a result of unsubstantiated budgeting of financial results.

In this regard, the introduction of an effective budgeting management system, which takes into account the peculiarities of the financial model of the organization's activity, is emphasized (Chupalaev M.R., 2014).

It is noteworthy that the authors consider managerial audit as an information subsystem of the financial results management model of organizations' economic activities, which takes into account the setting of goals, the control of their implementation, and even motivation (Fisher M.V., 2018). As a result of such an observation, managerial audit is not only considered a means of recording and coordinating business activity information, but also an attempt is made to include it in the budgeting management system implemented in organizations, while emphasizing not only

the performance of budgets, but also the functions of the interest of this process. on implementation (Gafurova N.G., 2013).

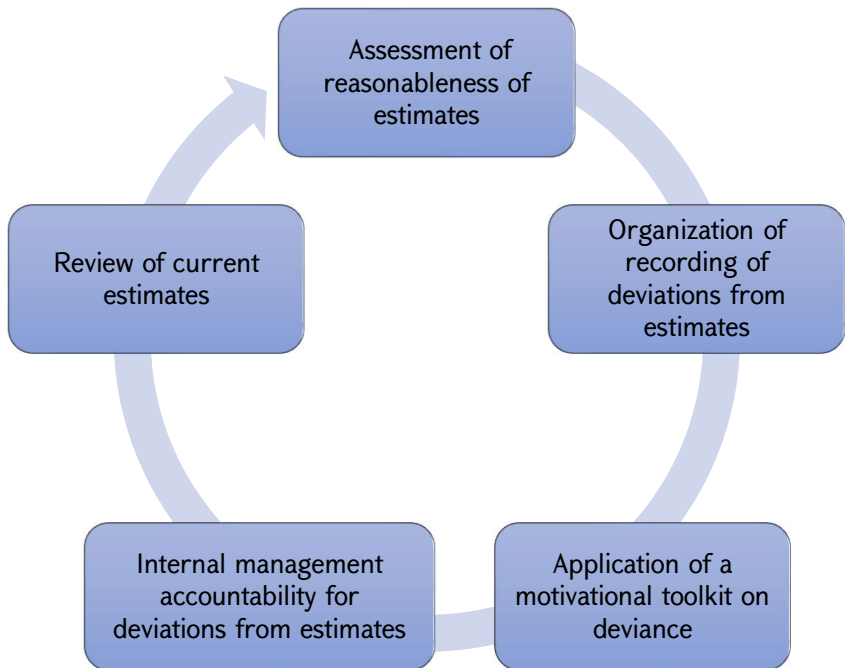


Figure 2. Control operations of management accounting in the budgeting system of financial results of organizations

From our side, it is also recommended to carry out the control functions of managerial audit in food processing organizations along with the budgeting of responsibility centers (see Figure 2), particularly emphasizing:

- ✓ to evaluate the justification of the established cost estimates, to make sure whether the cost norms were not deliberately

increased, in order to overcome them as easily as possible in practice;

- ✓ the organization of the process of recording deviations from the cost estimates, when specific adjustments are made in the managerial auditing system in the directions of proper documentation of operative response to deviations, ensuring the present-administrative accountability for them;
- ✓ the introduction of beneficial mechanisms for favorable deviations from the established cost estimates, when employees' efforts are evaluated in a motivational way towards the introduction of resource-saving technologies, recycling of returned waste, and finally, revision of existing cost estimates and presentation of improvement proposals.

Conclusion

Thus, budgeting and managerial auditing of financial results carried out in organizations are in close interconnected, especially in the field of control functions, because on the basis of the managerial auditing information system, assessments are made of the budgeting process and what reserves there are for increasing its efficiency.

And finally, managerial auditing is effectively used in the budgeting system if there are responsibility centers for financial results in the organization, where the possibilities of organizing circular production, ways to prevent risks of adverse financial results from other departments, as well as the share of a specific responsibility center in the organization's finances are evaluated.

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ՖԻՆԱՆՍԱԿԱՆ ԱՐԴՅՈՒՆՔՆԵՐԻ ԿԱՌԱՎԱՐՉԱԿԱՆ ԱՌԴԴՏԻ ԲԱՐԵԼԱՎՈՒՄԸ ՄՆԵԴԻ ՎԵՐԱՄՇՈՎՄԱՆ ԿԱԶՄԱԿԵՐՊՈՒԹՅՈՒՆՆԵՐՈՒՄ

Քնարիկ Խաչատրյան

Հայաստանի պետական տնտեսագիտական համալսարան,
դասախոս

Բանալի բառեր - բյուջետավորում, ներքին վերահսկողություն, կառավարչական աուդիտ, շեղումների վերլուծություն, պատասխանատվության կենտրոններ, սննդի վերամշակում

Սննդի վերամշակման կազմակերպություններում իրականացվող ֆինանսական արդյունքների բյուջետավորումը և կառավարչական աուդիտը գտնվում են սերտ փոխառնչության մեջ հատկապես վերահսկողության գործառույթների դաշտում, քանի որ կառավարչական հաշվառման տեղեկատվական համակարգի հիման վրա են գնահատականներ տրվում, թե ինչպիսին է բյուջետավորման ընթացքը և ինչ ռեզերվներ կան դրա արդյունավետության բարձրացման ուղղությամբ:

Հատկանշական է, որ կառավարչական աուդիտն արդյունավետ է կիրառվում բյուջետավորման համակարգում, եթե սննդի վերամշակման կազմակերպություններում գործում են ֆինանսական արդյունքների պատասխանատվության կենտրոններ, որտեղ գնահատման են ենթարկվում շրջանաձև արտադրության կազմակերպման հնարավորությունները, այլ ստորաբաժանումներից ստացվող անբարենպաստ ֆինանսական արդյունքների ռիսկերի կանխարգելման ուղիները, ինչպես նաև

կոնկրետ պատասխանատվության կենտրոնի բաժնեմասը՝ կազմակերպության ֆինանսական արդյունքների ձևավորման գործընթացում:

Հոգվածում վերլուծվում են սննդի վերամշակման կազմակերպություններում ֆինանսական արդյունքների ներքին վերահսկողության բարելավման ուղիները՝ կառավարչական աուդիտի ներդրման տեսանկյունից:

Մասնավորապես, առաջարկվում է կառավարչական աուդիտի շրջանակում կազմակերպության ֆինանսական պատասխանատվության կենտրոնների կտրվածքով սահմանված ծախսային նախահաշիվների ու դրանց շեղումների գնահատման մեթոդաբանություն:

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