

INCOME AND COST BUDGETING ISSUES IN FOOD INDUSTRY

Qnarik Khachatryan

Armenian State University of Economics, Lecturer
qnarik91khachatryan@mail.ru

Abstract: Currently is essential to carry out encountered monitoring, that is to evaluate the reasonableness of income and expenditure budgeting with an alternative observation. In this regard, the article proposes to calculate linear functions of the trends of deviations of financial results and through them to estimate the frequency of the formation of deviations, which can be an alternative stimulus in the process of evaluating the validity of budgeting in food producing companies. With the parameters of the linear function of deviation trends, it is also proposed to make comparisons between the changes in the estimated quantities of income and expenses and to find optimal options.

Keywords: budgeting, managerial accounting, variance trends, decesion making, food industry

JEL codes: M40, M 41

Research aims: propose an alternative view of revenue and expenditure budgeting, with the aim of assessing the of fair budget presentation.

Research novelty: proposed an alternative observation mechanism for estimating the reliability of expenditure and income budgeting of food production, using parameters of linear functions of trends in deviations from estimates.

Introduction

The implementation of income and cost managerial accounting in food processing organizations significantly improves the competitive position of business activities. In this regard, the food industry is no exception, where budgeting provides an opportunity to organize administrative accounting of deviations in financial results and to form an institute of responsibility for adverse deviation results. Mechanisms for accounting for deviations from budgeted costs and revenues have been repeatedly presented in the professional literature (Mezhlumyan A., 2019), management report forms also have been proposed (Chupalaev M.R., 2014). The assessment of the validity of the financial results estimates, using traditional analytical methods, was also emphasized (Fateeva S.V., 2019). However, this process is quite laborious and difficult to achieve in practice (Tochilkina O.E., 2019). In this regard, there is a need to take an alternative approach when evaluating the reliability of budgeting of financial results of production, making a behavioral observation of deviations (Arbidane, I., Khachatryan, N., Martirosyan, N., 2023).

Reserach results

Starting from the middle of the 19th century, along with financial accounting, managerial accounting also found its practical application, the information of which was originally a

commercial secret and was used by internal management for decision-making (Gafurova, N.G., 2013). However, currently, certain results of management accounting gradually left the internal scope of information privacy and were addressed to external stakeholders, both for business considerations and in terms of maintaining the principles of corporate social responsibility, ESG (environmental-social-government) concept (Asatryan K. 2023).

As a rule, in the reports of the financial results of the organizations, the costs of the reporting period are presented with their actual amounts, and in the management accounting reports with estimates and deviations from them, for which the authors offer a number of additional reports in the professional literature (Hakobyan A., Tshughuryan A., Martirosyan G. 2023).

Thus, according to "Elola" CJSC (in 2023, it was predicted to procure 3 million liters of milk at an average price of 180 AMD for 1 liter - only 540.0 million AMD, but in fact 1.7 million liters were procured at an average price of 150 AMD for 1 liter - for 255.0 million AMD) in 2023. With the presented indicators of expenses in the cheese export department (see Table 1), accounting correspondences of managerial accounting were formulated with the required information chain "expenditure estimates + deviations = actual expenses".

Account correspondence regarding deviations from the cost estimates of "Elola" CJSC

- ✓ the expenses of the reporting period of the organization were formulated, with estimated amount/million drams/

Table 1. Deviations of the reporting period from the estimates of issuance costs in "Elola" CJSC - 2023 (million drams)

Production costs	Estimated	Actual	Deviations	
			Favorable	Unfavorable
Materials	561,78	239,98	-321,8	
Salary	76,4	51,73	-24,67	
Overhead	128	129,68		+1,68
Total	766,18	421,39	-346,47	+1,68

Dr Production766,18

Cr Expenditure budgets766.18

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

Dr Expenditure Estimates.....421,39

Cr Actual cost.....421.39

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

Dr Expenditure estimates.....344.79

Cr Item Deviations in terms of materials.....321.8

Cr Salary deviations24,67

Cr Variances on overhead expenses..... (1.68)

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

Dr Expenditure deviations.....344.79
Cr Production.....344.79

✓ processed food entered the finished product warehouse

Dr Finished products.....421,39
Cr Production.....421,39

When implementing budgeting, we propose to establish control in the "opposite direction" as well, that is, not only on the formation of deviations of actual expenses from the established estimates, but also on the justification of budgeting of expenses. If at "Elola" CJSC in 2023 favorable deviations were recorded for the item's "materials", "salary", which are many times greater than the deviations recorded for the item "overhead expenses" (see Table 2), then in such a case it is necessary arises to assess the validity of the established estimates, because the fact of presenting their definition at a deliberately low level from realistic norms is not excluded.

For this purpose, we propose to establish control over the process of creating estimates, not only in a traditional way, but also in an alternative way, using trend assessments of changing indicators. Thus, Table 2 shows the deviations from the established cost estimates in "Elola" CJSC in 2023 on a monthly basis, which allows to calculate the deviation trend of each expense item (see Table 3).

Table 2. Deviations from the established cost estimates in "Elola" CJSC in 2023, on a monthly basis (million drams)

2023	Materials	Salary	Overhead
January	-24	5	0,2
February	32	-7	0,3
March	-10	-11	-0,6
April	47	-15,67	0,4
May	-50	7	0,8
June	-60	-17	0,9
July	20	23	-0,6
August	-70	6	0,68
September	-80,8	-17	-0,71
October	35	27	0,8
November	-90	-27	-0,43
December	-71	2	0,26

The linear function of the trend of change for each expenditure item from the established estimates allows to show an alternative approach to the justification of the budgeting process. Thus, the coefficient k of the linear function $y = kx + b$ of the trend of deviations from cost items in "Elola" CJSC presented in Table 3 shows the activity of changing deviations during the reporting period, which is the highest for the cost item "Materials".

Table 3. Linear functions of the trend of deviations from the estimates of expenditure items in the reporting period of 2023 of "Elola" CJSC

Cost items	A linear function of the trend of deviations from the estimate
Materials	$y = -6,7098x + 16,797$
Salary	$y = -0,0029x + 0,1603$
Overhead	$y = 0,2914x - 3,9502$

Therefore, from the point of view of control, the activity of such emerging deviations is an additional impetus to once again review the cogency of the established estimate, i.e. to evaluate the process of forming deviations of the "Materials" expense item in terms of the validity of the estimates, because the coefficient k is the largest in this case, and the activity of changing the trend function is the most prominent.

Conclusion

The process of budgeting the financial results of production implies not only the identification of deviations of income and expenses from the estimates, but also the assessment of the justification of the budget articles defined on the basis of these deviations. In this regard, it is appropriate to carry out an alternative assessment of the validity of the established estimates, when linear functions of the identified deviation trends are calculated and assessing the reliability of budgeting with their parameters. In this case, the accountability of managerial

accounting of production financial results becoming more credible.

References:

1. **Asatryan, K.** (2023). Management of sustainable business development, monograph, self-edition, Yerevan, pp. 47-49.
2. **Hakobyan, A., Tshughuryan, A., Martirosyan, G.** (2023). The integrated reporting philosophy in business strategy, *Wisdom*, Yerevan, 1(25), pp. 169-176.
3. **Chupalaev, M., R.** (2014). Motivation and budget management, "Economy and Society", #2 (11), pp. 1108-1111.
4. **Gafurova, N., G.** (2013). Svistnova E.A., Budgeting as the main tool in the enterprise management system, "Accounting in publishing and printing," 6 (168), 2013. pp. 19-22. (in Russian)
5. **Fateeva, S., V.** (2019). Innovative approaches and methods of budgeting and their use in building an effective system of personnel motivation // *Science: society, economics, law*, No. 3, pp. 46-52. (in Russian)
6. **Arbidane, I., Khachatryan, N., Martirosyan, N.** (2023). Issues of accounting information disclosures for ecosystem services (IFRS-S1 interpretations), // *Economics, Finance and Accounting scientific journal*, 2(12). pp. 87-107.
7. **Mezhlumyan, A.,** (2019). Problems of accounting for financial results in the agri-food sector, scientific periodical "Agroscience and Technology", N2/66, 2019, pp. 46-50. (in Armenian)
8. **Tochilkina, O., E.** (2019). Traditional and alternative budgeting in enterprises // *Scientific and practical electronic journal*, No. 4, pp. 47-56. (in Russian)

**ԵԿԱՄՈՒՏՆԵՐԻ ԵՎ ԾԱԽՍԵՐԻ ԲՅՈՒՋԵՏԱՎՈՐՄԱՆ
ՀԻՄՆԱԽՆԴԻՐՆԵՐԸ ՍՆՆԴԻ
ԱՐԴՅՈՒՆԱԲԵՐՈՒԹՅՈՒՆՈՒՄ**

Քնարիկ Խաչատրյան

Հայաստանի պետական տնտեսագիտական համալսարան,
դասախոս

Բանալի բառեր - բյուջետավորում, կառավարչական հաշվառում, շեղումների միտումներ, որոշումների կայացում, սննդի արդյունաբերություն

Եկամուտների և ծախսերի կառավարչական հաշվառման ներդրումը սննդի վերամշակման կազմակերպություններում էականորեն բարելավում է բիզնես գործունեության մրցակցային դիրքերի ապահովումը: Այս առումով, բացառություն չի կազմում նաև սննդի արդյունաբերությունը, որտեղ բյուջետավորում իրականացնելիս հնարավորություն է ընձեռնվում ֆինանսական արդյունքների շեղումների կառավարչական հաշվառում կազմակերպել և անբարենպաստ շեղման արդյունքների պատասխանատվության ինստիտուտ ձևավորել:

Սակայն, մյուս կողմից, անհրաժեշտություն է առաջանում նաև հանդիպակաժ մոնիտորինգ իրականացնել, այսինքն այլընտրանքային դիտարկմամբ գնահատել եկամուտների և ծախսերի բյուջետավորման հիմնավորվածությունը: Այս առումով, հոդվածում առաջարկվում է հաշվարկել ֆինանսական արդյունքների շեղումների թրենդների գծային ֆունկցիաներ և դրանց միջոցով գնահատել շեղումների ձևավորման հաճախականությունը, որն էլ այլընտրանքային տեղեկատվություն կարող է հանդիսանալ բյուջետավորման հիմնավորվածության գնահատման գործընթացում:

Submitted: 11.09.2024; Revised: 30.09.2024; Accepted: 16.10.2024