

ACCOUNTANCY PLANNING AND CONTROL – A NECESSITY OF MANAGEMENT PROCESS

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СЧЕТОВОДНО ПЛАНИРАНЕ И КОНТРОЛ – НЕОБХОДИМОСТ НА УПРАВЛЕНСКИЯ ПРОЦЕС

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ABSTRACT: Taking into account the extremely dynamic changes in the capital market, capital owners and investors need reliable and independent assessment of the financial statements of enterprises that are subject to their interests. Thus, the need for organization and management of internal controls on financial operations of most enterprises imposed by unstable operating environment, everyday challenges and unforeseen changes in growth and development of enterprises, and the risks to which expose them further emphasizes its importance to the effective planning and accounting control. Due to the importance of a given topic, below the implemented work will direct the basic object of research toward realization of empirical goals focused on displaying, explaining and analyzing the structure and implementation of accounting planning and control as a necessary part of the management processes in the operation of a modern company.

Key words: accounting, control, management, planning, analysis, process.

Introduction

For a longer period the attention is turned to the quality of enterprise management by the agile and professional management, in order to achieve effective growth and development and attracting and retaining the competitive position of the chosen market. Internal, accounting planning and implementation of control significantly contribute to effective management in organizations. Without timely and accurate control of financial operations, the management will not be in a position to properly direct the company towards its goals, that basically have to lead to the development of operations and the stability of the system of the company. Given that the process of controlling and analyzing financial operations can not exist in isolation, forming part of their framework, the management should allow the process of controlling and planning to be reviewed regularly, regarding to pursue an optimal system, and above all to have reliable system of management with enterprises.

The base of accountancy planning

Accounting planning as an integral part of the overall planning process, is a process of spearheading general and specific objectives, policies and strategies in formal quantitative projections in order to offer assistance to management in the

process of managing the activates in the company.

As such, it is related to the following activities (Joksimović, Žarkić, Bogojević Arsić, 2009):

- *Specification and implementation of the general and specific objectives of the enterprises;*
- *Identifying strategies for the realization of the set goals;*
- *Developing long-term financial plans at the level of the enterprises and the level of the strategic business units;*
- *Specification of the short-term operational plans or budget identified in budgetary units;*
- *Establishing a system of periodic reporting on the performance in the centers of responsibility;*
- *Control of the realization of the plans which include a comparison of the planned and the realized, identifying concessions, clarifying them and taking correction activities that involve a revision of the set up plans.*

From a point of view for the length of time to which the plans are made, accounting planning can be divided into (Ehrhardt, Brigham, 2011):

- *Strategic planning (more years) – a projection of global objectives of the senior management levels;*
- *1 year tactical planning – development of global objectives of product groups;*
- *Operational planning for a shorter period of time.*

The planning of the objectives and selected strategies in formal – quantitative screenings take place within the accounting planning in form of profit plans or budgets. The most detailed business planning is implemented within the accounting operational planning, whether presented as a description of the deliberate targets and business or financial purposes or are formalized in the form of relevant accounting statements.

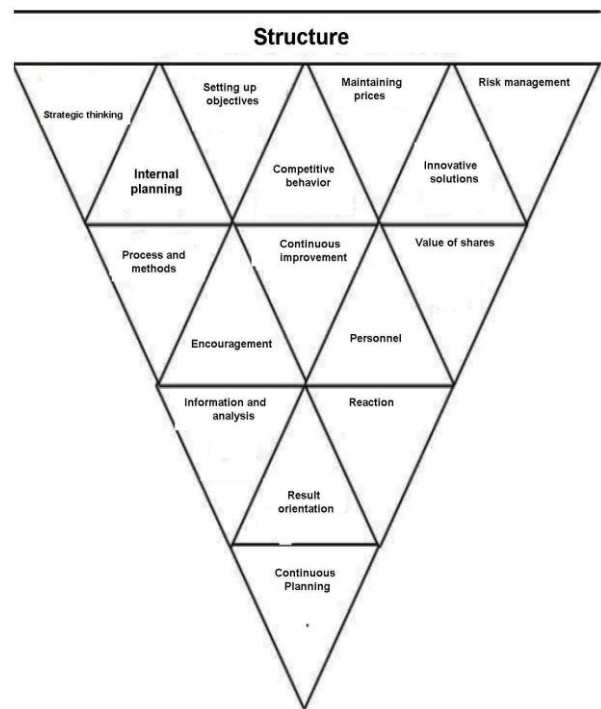
Elements of managing the accounting control and planning

The management of enterprises basically aims to improve the results of operations and to increase job security. Within a given theoretical views, highlights the growing number of elements, of which may depend the implementing of accounting, financial control in the enterprises, whose control functions generally depend on the decisions of the management, from daily to strategic. The elements represent a broad framework, which the management of enterprises can organize and implement in the enterprises. It is important to point out that certain elements of management are shown as a framework for establishing internal accounting operations.

Their establishment in the size of enterprises and the volume, depends on the vision of the management and control of the programmed expenditures.

Basically, the more comprehensive is the control, with multiple levels of security, the greater the cost. But in that case there is a higher degree of security for the work and operation of enterprises. (Pic.1)

Picture 1. Elements of management approach



Source - Žarkić Joksimović N, Bogojević Arsić V.2009: Accounting, Faculty of Organizational Sciences, Belgrade, pp.11-43

Above all, management of enterprises should bring long-term strategic plan. It is necessary to develop strategic thinking. In general, it is composed from (Needles, Powers, Crosson, 2011):

- *Vision management;*
- *A mission that defines management;*
- *Analysis of substantial performance of the company and the market;*
- *Internal and external information;*
- *Using Social Networks;*
- *Cooperation with everyone in the management team;*
- *Positioning and communication;*
- *Intuition and response;*
- *Evaluation;*
- *Determination;*
- *Risk management;*
- *Commitment and flexibility of management.*

The management should take care of achieving the set goals while working in the company that he/she manages. To achieve bigger efficiency, it is necessary to be existent and integrated long-term and short-term tactics and strategies.

Therefore, the management must focus on useful information.

Enterprises that invest in their employees, aspire to greater success than those who do not. Known fact is that inexperience and lack of qualification of the employees have a major impact on the occurrence of errors in the work.

The form and content of audits, financial statements in Counties of market economies with developed practice of accounting, are mutually different only in certain variables.

However, based on the facts, it is important to emphasize that the company that has no effective problem on successive accounting plan, is unlikely to have any effective and efficient process of growth and development.

Accountancy control as a part of management

The quality of accounting operations depends on the application of rules and the fully engagement of the accountants. Professionalism depends on the objectivity of the courts and the views of the accountants, quality assessment in applying the auditing standards, as well as the impact and practicality of standardized accounting operations.

Accounting operations, control and planning are necessary for cooperation of staff and management of the company, in order to obtain a sufficient quantity of information and data, necessary for performing their duty in accounting control and planning.

The best way to maintain an atmosphere of mutual trust and cooperation is if internal control adopts a participatory approach, where the work and objectives are transparent and at any time there are professional relationships.

The professional approach of auditors also remains a fundamental feature, and the control should be adjusted to the circumstances and to be based on the assessment of control risk, also to provide information about internal controls that is not the only goal of the auditor.

Accordingly, procedures and methodology need to be on a par with International standards of professional practice of internal control, and with the International standards for accounting operations. However, methodologies and procedures must be within a best practice of operation, reflecting the changes in the legal and auditing environment.

Within this framework, internal accounting control is an activity that provides independent, objective assurance and it has advisory activity,

aimed at the enhancing the performance and improvement of the performance of the company.

Every accountant is obliged to take care (besides his daily duties and tasks), and to understand all the changes within the methodology and practice at work.

Meanwhile the external auditors check the reliability of financial, accounting statements and operations, which depend on the financial system and application of accounting regulations in the company.

External controls contribute to the efficient allocation of rare economic resources with respect to financial reporting standards, audit, quality control, ethical conduct and regulating the conduct of accountants in the enterprises.

Moreover, it is necessary to perform training and education to the mentioned staff, so that it can be highlighted in the context of professionalization of the work.

The opinion of the people performing accounting control, needs to ensure not only the reliability of the accountants work, but also the reliability of the financial statements, in whose preparation participate the accountants themselves.

Considering the focus of the audit, we can see that the work of the accountant is actually associated with the financial statements that are subjects to the services of certified auditor and accountants in enterprises.

Accordingly, the purpose of accounting control and analysis of accounting statements, which are made under international accounting standards and policies, should have an approach that will enable the management to have an opinion on the financial statements.

An effective system of internal control, should possess characteristics to established standards, measures implemented through success, it needs to analyze and compare the achieved results in terms of already established standards, to take account of the program of corrective activities and to analyze and revise the standards.

Also, another important feature is the cost of time and money as the most important resources of a company. With these resources we can measure the success in terms of intended results. The last characteristic, is the ratio of non-realized objectives and costs of the established controls.

Here, we should point out the fact that too much control is too expensive and counterproductive for management enterprises, posing an unnecessary risk for the enterprises.

Accountancy planning and control for the needs of the management process

In the service of managing the accountancy planning and control, the management contributes to efficient decision making, for which the areas of work should be extensive, despite the investigations of accounting data to include verification of compatibility with the law, assessing financial risks, discovering unethical accounting operations and errors.

However, depending on the requirements and need of the management, as well as the structure and size of the company, the scope of controlling the accounting operations significantly differs. Controlling as a part of the management, usually is carried out through the following activities (Lee, 2011):

- *Review of the accounting system and the internal control system;*
- *Examination of financial and business information – identifying, classifying and reporting on the data provided;*
- *Examination of efficiency, effectiveness and thriftiness of the management decisions – examination of compliance with the law and professional accounting regulation, as well as the policy of the management in control of it.*

However, despite the infrastructure assumptions that ensure that the accounting process in the organizational context must be effective and efficient, the quality of accounting planning and controlling further affect the working assumptions which appear as significantly important outcomes in the process of accounting. These assumptions include, foundation of the process of accountancy planning with the established business policy of the company, general and specific objectives of the company, as well as the decisions of the management.

Results of the analysis

Regarding the implemented quantitative analysis within the preparation of this project, there are several short and simple questions for the selected respondents (business executives), within which it is necessary to note the importance of the effective management process through the functionalities of accounting planning and control, taking into account the degree of familiarity of respondents (managers of enterprises in the

Republic of Macedonia) with the given issue of examination.

The given research is implemented in January 2016, which covers 103 enterprises from the major cities in Republic of Macedonia, including Skopje, Kumanovo, Bitola, Ohrid and Strumica. The results of the answers given from the selected participants (managers) are published in the project mentioned below, in a form of a report, concerning the effectiveness of accountancy planning and control as a necessary part of the management.

The different answers to the question `What activities of the accountancy planning and control are the most important for the need of the management process in the company` are listed in the table 1.

Table 1. Activities of accountancy planning and control

Activities of accountancy planning and control	Rate	Rank
1. Assessment of the financial operations of the company	78,8%	1
2. Creating information for planning and cost control	65,2%	2
3. Information relating to valuation of inventories	61,7%	3
4. Information for the planed financial result	61,3%	4
5. Coordination of the business activities	58,6%	5
6. Evaluation of effectiveness of the system of planning and control	44,7%	13

According to this research even 79% of the enterprises in Macedonia believe that the most significant activity of accountancy planning and control is evaluating the financial performance of the company. In addition, by importance are followed the activities of creating information for planning and cost control which represented 65% of respondents, information about the valuation of inventories up to 62%, information for the financial result 61% and coordination of the activities of the business entity 59%. The table shows that the percentage is small (45%) for the respondents that agreed that there is significant activity and effectiveness of the planning and control in the management process.

In order to effectively respond to the needs of the management, planning and accounting control within the implementation activities, implement different approaches. Putting the pace of work, uncertainty and scope of the business operations, accounting control as part of the management process leads to the selection of adequate access to a certain area of operation. Therefore, the accounting control and planning as a management process can be used with the following approaches:

- *Access check – implies that the reviewed documentation on the basis of which are registered the business developments and are compiled the accounts, are authenticated by the internal control;*
- *Access confirming the need for a review of accounting statements and all business activities and determining compliance with the established standards and procedures of operation;*
- *Systemic approach based on synthesis and upgrading of previous approaches, by which we apply modern approaches to accounting management;*
- *Cyclical approach concerning the precise classification of accounting transactions within the specified cycle, requiring knowledge of the flow of work and the manner of accountancy planning;*
- *Access to risk assessment approach which is used as a result of dynamic performance, full with uncertainty and risks;*
- *Matrix approach as a tabular view of important management decisions, decisions and choices, with which its achieved an accounting visibility and comparability.*

Adapting to the modern way of operation, accounting functionalities evaluate all risks of operation and management, managing with the company, offering advisory role in governance, management and reducing threats to the smooth operation of enterprises.

However, the application of the approaches above within the accounting operations and controls should allow a proper assessment of management activities in enterprises.

On the basis of these activities, we can implement suggestions and guidelines for further actions in order to increase added value and improve the functioning of the enterprise.

Conclusion

One of the most important managerial functions is actually planning, which in fact is the gap between the point where the company currently is and the point where it wants to be. It is actually a complex process requiring to determine the directions of action and rulings are based mostly on given objectives, knowledge, accurate and precise estimates. Planning also includes a selection of missions, goals and actions to realize and requires a decision or a choice between alternative future activities of the enterprise.

Therefore, operational accounting planning is an expression of striving to perform precise operationalization of what was intended at the top and which gives expression to the strategic planning of the budget or financing businesses.

Short-term plans must be coordinated with long-term plans. Advance planning through the budget largely excludes the possibility of production or non-production costs, to get out of control of the effective management.

Based on the data above, it is interesting to mention the fact that in order to define the total planned expenditure on organizational units of enterprises as a cost centers, it is necessary to have the planned primary and planned secondary costs for each organization unit. In fact, the union of primary and secondary costs by organizational unit aims to establish the planning calculations of total costs per organizational units, and the planned cost of using effects in organizational management units.

The accountancy control or controlling the accounting operations and activities, is highlighted as essential management function in the process of managing the operations of enterprises, defined by the management.

The secondary role of the management, with additional functions within the accountancy operation and control are based on the measures proposed to improve the process and eliminate the weaknesses and shortcomings, so that the performance of the enterprise can improve, and to reduce risks at the level that would be acceptable for the enterprise.

Within this framework, the management during accountancy control is constantly in search for a better and efficient management process, but it is not allowed the accountancy management to make decisions about how to manage the business units of the company.

Thus, the liability of accountancy control and planning refers to the expression of an opinion on the effectiveness of the applied methods of management. However, in addition, the establishment of the management processes, as well as making decisions regarding the removal of deficiencies and improvement of the processes of operation, is still a fundamental responsibility of the management of the enterprises.

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