

# REGULATIONS FOR FUNCTIONING BUDGET DEVELOPMENT TO MANAGE TRADING NETWORK

## NORMAS PARA LA ELABORACIÓN DEL PRESUPUESTO DE FUNCIONAMIENTO PARA LA GESTIÓN DE LA RED COMERCIAL

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### ABSTRACT

In the prevailing state of market circumstances, the revival and efficient operation of trade companies are on the basis of a proper data support system, the primary factors of which are control and budgeting. This current study attempts to focus on budgeting as an efficient means to curb and manage a retail trade network. Budgeting serves as the foundation for planning in the management procedure, for making managerial and economic decisions, evaluating financial solvency, and finally to reinforce economic disciplines. To meet the study's aim, several general methods, including synthesis, analysis, assessment, comparison, generalization method, and system analysis are taken into account. Based on the results, it can be perceived that the regulation of the budgeting tool used in management is dependent upon the company's action type immediately. The needs are established, based on which the efficiency of that controlling and managing means is defined. They defined the particulars of network retail and the trading actions that impact the operating budgets' structure, which is the beginning point in the procedure of budgeting.

**Keywords:** management system; trade organization; retail; control; budgeting.

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## RESUMEN

En el estado actual de las circunstancias del mercado, la reactivación y el funcionamiento eficiente de las empresas comerciales se basan en un sistema de soporte de datos adecuado, cuyos factores principales son el control y la presupuestación. Este estudio actual intenta centrarse en la presupuestación como un medio eficiente para frenar y gestionar una red de comercio minorista. El presupuesto sirve como base para la planificación en el procedimiento de gestión, para la toma de decisiones económicas y de gestión, para la evaluación de la solvencia financiera y, finalmente, para el refuerzo de las disciplinas económicas. Para cumplir con el objetivo del estudio, se tienen en cuenta varios métodos generales, que incluyen síntesis, análisis, evaluación, comparación, método de generalización y análisis de sistemas. Con base en los resultados, se puede percibir que la regulación de la herramienta de presupuestación utilizada en la gestión depende inmediatamente del tipo de actuación de la empresa. Se establecen las necesidades a partir de las cuales se define la eficacia de ese medio de control y gestión. Definieron los detalles de la red minorista y las acciones comerciales que impactan la estructura de los presupuestos operativos, que es el punto de partida en el procedimiento de presupuestación.

**Palabras clave:** sistema de gestión; organización comercial; comercio minorista; control; presupuestación.

## INTRODUCTION

effective outcomes of the trading network business actions, the degree of sales technology effectiveness and profits' maximization are straightly dependent on the utilization of efficient management means that contribute to the enterprises to survive over the course of the competition. While establishing and executing budgeting procedures, the major issue is the shortage of a vivid perception of budgeting regulations in departments, given the fact that the methods of the procedure aren't enshrined in regulatory enactments at the level of legislative, each organizations manages the budgeting procedure with local files and documents in an independent manner, considering its industry particulars.

The process of budgeting has to be arranged in the way that it doesn't seek the aim of the organizations' expense reduction, which may result in sales and product quality deterioration. However, in contrast, the vector is intended to an extra effective utilization of sources at all phases of trading action. The core of the procedure setup to handle the expenses of a retail network boils down to the recognition of expense, their accounting and grouping in the way that in the near future, based on them, it would be likely to examine feasibly, anticipate financial outcomes, control and prevent probable hazards, curb the funds expenditure and meet the set indexes in both real and value terms.

Managing in trade organizations is regarded as a sacred integrated management procedure providing high-ranked managers with updated data, methodological and analytical support for making informed decisions contributing to the performance improvement of the trade organization.

The significance of the managing process is conditioned by the reality that it has gathered a vast range of managerial and economic features: financial and economic analysis, management, managerial and financial accounting, information flow management, budgeting and planning; making it likely to

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standardize control indexes, control and plan the level of formerly established purposes (Krivtsova & Denisova, 2019).

The main aim of this study is to analyze the budgeting means in the retail chain management procedure.

A substantial contribution to the growth of the control's theoretical provisions was done by exotic economists. The studies of foreign researchers define controlling and managing as a management notion that is on the basis of the planning, analysis, and supervision of the company's efficiency. Moreover, they regard the tasks, functions, place, and means of strategic and operational controlling. International experiences in implementing the suggested notions of controlling and managing is utilized as the foundation for adjustments to Russian practice.

national economists deem managing as an efficient procedure of analytical and information support for analysis, planning, and other management and economic operations in companies. They investigate a range of problems associated with implementing the economic entity aims: development, planning, and modeling of budgets, the procedure of enterprises' management accounting, budgetary management, analysis and control of real deviations from schemed indexes, and the growth and expansion of optimum managerial decisions.

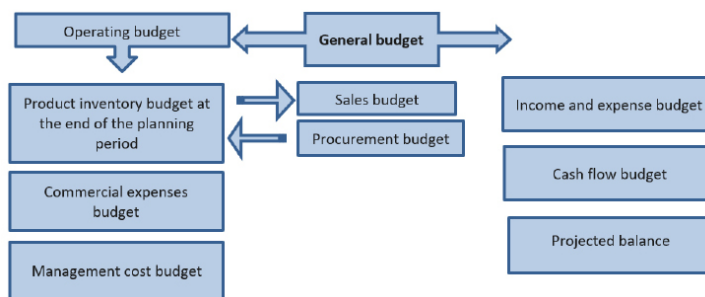
## **METHODOLOGY**

Over the course of conducting this research, several scientific techniques have been utilized, such as non-formalized methods. The major methods involve comparison, analysis, assessment, synthesis, generalization, and system analysis.

## **RESULTS AND DISCUSSION**

Trade is regarded as an economy branch bringing products to consumer from producer. It takes the second reproduction phase - distribution demonstrating the continuance of production procedures in the area of the circulation of commodity, in other words, the trade organizations sets out on the inventories storage, transportation, packing and on their extra sales to the consumer, which remarkably accelerates the whole circle of management accounting (Borovitskaya, 2014). As a result, the expenses of products and services are defined by the trade margin, aimed at reimbursing distribution expenses.

It is claimed that the budgets are deemed as working formats, plans that covers, in that case instance all areas of the trade industry, and enables you to compare all of the expenses incurred and the outcomes acquired in financial norms for the upcoming period on the whole and for its individual elements. Accordingly, that kind of characteristic impacts the budgets' composition greatly, from which the structure of the retail network general budget would be shaped (Figure 1).



**Figure 1.** The model of general budget in the retail network

It is observed from Figure 1 that the trade organization’s operating budget varies greatly from a manufacturing enterprise’s operating budget, for instance, and comprises the funds for goods’ stocks toward the end of the period of planning, containing the funds for buying products and also for sales. Moreover, the operating funds involves administrative and commercial costs budgets (Aksenova et al., 2019).

A substantial object for budgeting is deemed income from the goods’ sale, given the fact that that index is remarkable to grow financial outcomes of trading companies. The primary elements of the income classification are the earnings from the goods’ sale and the mark-up of trade. As a consequence, while disclosing data regarding income in the budget of sales, it appears highly significant to pay close attention to their receipt in the next context:

- income content: industrial or commercial and financial,
- income generation frequency: permanent or random,
- income and the ratio of costs.

That would assist the managers of sales organizations in drawing a vivid link between profits and revenue. In that regards, the initial element can be utilized in budgeting:

- 1) to compare income from the goods’ sale with the costs and to define the outcomes of commercial and production actions;
- 2) to put expenses for the break-even goods’ sale;
- 3) to plan several ways of the organizations’ tactical and strategic growth;
- 4) to take efficient managerial and economic decisions.

Considering the particulars of the costs’ items of retail chains: the lack of production and material expenses, and the being of the item "Expenses of purchasing products for resale", involving the goods’ purchase prices, non-operating taxes and expenses, it can be stated that on the basis of the product stock balance and sales budget toward the end of the month, procurement budgets are organized, reflecting the time of procurement, the types and number of purchased products. The funds for the goods’ procurement are compiled with a breakdown by main suppliers. That kind of budgetary shapes as the budget for production and material expenses aren’t applicable to the trade companies.

In order to clarify the transition to a system of controlling in trade companies, the next means of commercial expenses budget and budgetary cost items can be provided in Table 1.

<b>Budgetary items of commercial costs</b>	January of 20XX Plan	Commentary
<b>Overall costs:</b>		
Incomes and insurance premiums of staff straightly engaged in trading operation		
Salaries		
Insurance premium		Contributions to the MIF, PF, SIF
<b>personnel expenses</b>		
Voluntary health insurances		
Meals and accommodation compensation		
Medical examinations		Mandatory medical examination of personnel
Personnel trainings		
Safety provisions		
Personnel recruitments		
Maintenance and rental of premises		
Warehouse rentals		
Utility and electricity bills		
Security and safety		Security of warehouses and retail premises, fire safety expenses, etc.
Premises' renovation		
Services, maintenance and rental of vehicles		
Car rental and services		
Fuel		
Vehicles' repair		
Vehicle insurances		
Depreciation		
Depreciation		All property's depreciation, equipment and plant utilized in trading
<b>Workwear and inventory</b>		
PPE and Workwear		Uniforms and workwear of the trade organization staff
Family inventory		
IT expenses		
Internet and Communication		
Softwares		Warehouse and product accounting software
Consumables		
Maintenance and repair		Accounting of computers and cash registers
Technical devices and office equipment		Office equipment and technical devices in sales areas and warehouses
<b>Marketing and advertising</b>		
Promotional actions		Costs of material for advertising incidents, the third parties' services

Participation in tenders for the goods' purchase	
Other commercial expenses	
Drinking water	
Furnitures	Warehouse and sales area furniture
Office expenses	
Insurance	
Other commercial expenses	

**Table 1:** commercial expenses budget and budgetary cost items

The expenses of commercial funds can be shaped in the warehouses' context, retail outlets, and so forth. for one year, divided by months.

At the same time, with the commercial expenses' budget, the funds for administrative costs is drawn up, determining the expenses related to the trading network's maintenance, staff shared property and the organization of its actions (Table 2).

<b>Budgetary items of management and administrative costs</b>	January of <u>20XX</u> Plan	Commentary
<b>Overall costs:</b>		
Insurance premiums and salaries of management		
Salaries		Salary AME
Insurance premiums		Contributions to the MIF, PF, SIF
<b>Personnel expenses</b>		
Voluntary health insurance		
Meals and accommodation compensation		
Travel costs		
Medical examinations		Mandatory medical examination of personnel
personnel training		
Safety provisions		
personnel recruitments		
Rental and premises' maintenance		
Premise rental		Office rental
Utility and electricity bills		
Security and safety		Security of offices, fire safety expenses
Premises renovation		
Rental, services, and maintenance of management vehicles		
services and car rental		
Fuel		
Vehicle repair		
Vehicle insurances		
Depreciations		

Depreciations	Depreciation of all plant, property, and equipment utilized by management
<b>Inventory</b>	
Household inventory	
Household costs	
IT expenses	
Internet and Communication	
Softwares	Accounting and reporting software, management accounting and budgeting software
Consumables	Cartridges, toners
Maintenance and repair	
Technical devices and office equipment	Office equipment and computers
<b>Marketing and advertising</b>	
Promotional actions	The costs for advertising events, the services of third parties
Participation in tenders for the goods' purchase	Bank guarantees
<b>Other commercial costs</b>	
Drinking water	
Audits	
Furnitures	Warehouse and sales area furniture
Office costs	
Courier and postal services	
Subscription, literature, and printing services	
Information and consulting services	
Legal services	
Other commercial costs	

**Table 2:** Budgetary items of management and administrative costs

The suggested budget items aren't exhaustive and can be changed and added depending on the particulars of trade organization actions.

The next characteristic is the composition of the retail trade network economic entity.

A substantial position for the effectiveness of the budgeting system is the development of a trade entity financial structure, the determination of financial responsibility centers (hereinafter referred to as FRC), perceived as an organization's structural unit, to which a manager is allotted, who curbs all of its resources.

The kind of financial structure and the approach of FRC allocation are selected by the chief of the entity on the basis of the viability and management decentralization level, which they are prepared to admit throughout that period. Moreover, the kind of the trading network financial structure is dependent on the control forms and approaches (economic, administrative) that should be utilized related to the structural units accountable for the expenses and income (Siroteeva, 2018; Semushenkov & Filippova, 2017; Lyakhova et al., 2014; Panferova, 2016).

Income Centers (IC) bear accountability for the income flowing to an organization over the course of



trading activity. To be responsible, the IC has to impact the degree of income by the department of sales, brand stores, and agents network.

Cost centers (CC) shape the units that consume different sources and hence impact expenses: warehouse, store, trade and logistics departments, accounting, security, and other expenses.

Investment centers (IC) handle both non-current assets and working capital. As a result, they are accountable for the organization's profit and the formation of new plans (new software's purchase, new stores' construction). IC guarantees the sensible usage of the investment flow, implying accountability for all organization assets' profitability.

Marginal Income Centers (MIC) are accountable for the variation between direct costs and income in the arenas and for the outcome of actions as a whole. The approach of effectiveness isn't the expenses and income of each area individually, but the distinction among them.

Profit centers (PCs) are accountable to curbing unit for the profit gained. like MIC, they manage the income and expenditure of trading actions, and not a separate area, but the organization on the whole (Cheglov, 2012; Konvisarova et al., 2019).

The next characteristic is that the regulation of boiler cost accounting normally performs in trade companies, and it seems challenging to distinguish more profitable business procedures and the products sold from less profitable ones, on other words, there exists no prime cost determination (Rakhmanova & Krukov, 2019; Rogulenko, 2016; Kalenik, 2017).

The fourth characteristic of big retailers is the existence of a tremendous assortment of products. Mostly, trade companies create real-cost budgets to shape the organized and real values of income, financial flows, profits and expenses (Pashkov & Firsova, 2017). That kind of budgets demonstrate the balances and turnover of raw materials, goods, fixed assets, in other words, several objects assessed in quantitative terms (Cheng et al., 2022).

In bigger retail chains, the budgets' development in-kind with such a huge range of products may entail extra resources of the organization's divisions, and the data reflected in that kind of budget is improbable to be trustworthy and entirely utilized by the managers. Nonetheless, it appears important to grasp that in case of rejection to apply in-kind budgets, the budgetary pattern of the organization will be deprived of a quantitative base, without which it would be hard to delegate authority to the organizations involved in the transportation, purchase, storage and retail sale (Vasilenko & Titova, 2019).

The fifth characteristic is regarded as the diversity of business arenas. The diversity of standards to calculate business regions in the trading network, makes it vital to resolve the issue of indirect cost correct distribution associated with various MICs immediately (Dolgikh, 2017; Konvisarova et al., 2020; Rakhmanova & Kryukov, 2019; Rakhmanova & Krukov, 2019). The process for cost allocation in a retail network isn't a simple task because of its complicated infrastructure. So as to distribute indirect expenses properly amongst all infrastructure units, it would be critical to define in proportion to what they are distributed. The outlet area, the goods' volume or their trade margin are proper in that case as the foundation for distribution over the course if indirect cost planning (Kuzubov et al., 2018).

The primary issue in the indirect costs' allocation amongst business lines is the admitting of the



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set plan for the indirect costs' allocation by all departments' heads. In that regards, while creating a budgeting system, it seems crucial to persuade customers of the system that their interests won't be infringed upon throughout integral indicator use. The most desirable means to perform that is to create those indicators along with them.

## CONCLUSION

As a result, while developing a budgeting system in a retail network, it seems highly crucial to consider all the considered characteristics above, which are highlighted by the retail sector:

- Absence of a complete cycle of production. The major functioning budgets of the trade organizations are as follows: purchase and sales budgets;
- the specificity of the financial and organizational composition of the trading network. The definition and calculation of FRC occur in accordance with one of the regulations: product, functional, technological, and territorial;
- lack of the calculation of prime cost;
- Choosing a vast range of products grouping;
- '- Indirect expenses; separation with a diversity of business arenas.

Given those characteristics, high-ranked managers would be capable of improving the effectiveness of the proposed system, and also to boost the profit, profitability, competitiveness of the organization, to put it another way, to enhance the economic position of the organization in general.

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