

BUDGET FORMATION AND IMPLEMENTATION IN UKRAINIAN COMPANIES: EMPIRICAL STUDY

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Abstract

Information on an application of the budgeting by Ukrainian enterprises at the moment is virtually non-existent, but the budget is one of the most important management methods in most companies in the world, that is the reason why benefit of practice of this method formation and application is not questionable. Recently, this topic became significantly relevant, when the need of efficient competitive potential is increasing, it is necessary to realize changing tendencies of the current business environment and to adapt to them, because users' instability or incomprehensibility of immaterial resources for a longer period of time negatively affects business results. Consequently, an intense scientific discussion is in the progress about budgets in practice, which are not adjusted to the modern realms, but also do not encourages business and cause negative consequences to the organizations that are utilizing them. Therefore, the level of budget formation and its implementation in Ukrainian companies has been carried out in this article by the questionnaire survey method collecting primary data. The analysis of the survey results shows, almost all Ukrainian companies set up the budgets. There are investigate the budgeting models, review preferences of the budgeting system, consider an organization of the budgeting process and assess an accomplishment and difficulties of the budgeting system in Ukrainian companies, which would create the potential for successful economic operators in the future.

Keywords: budget, budgeting process, Ukrainian private companies.

JEL Codes: M40, M49.

Introduction

The planning of organizational activities is a difficult and multidimensional process, which takes up various fields of activities and all the structural elements. For its implementation, a wide spectre of methods, tools, approaches, and indicators is used. Budgets play an important role in this process. With diverse analytical sections by specific periods of time, responsibility centres, clients, product groups and so on, the formed budget becomes a fitting management tool for decision making. Budgeting is the first stage of developing a regular economic control system and business resources. Of special note, budgeting is the most important element between strategic and operation management of all economic operations, which is aimed, at economic function, coordination in the business environment and thus improving competitiveness.

So, contemporary systems of budget preparation do not just fit into tools of planning concept frames, but also they are specified as an organization's activity performance measuring, control, evaluation instruments which help to detect the reasons behind a company's successes and failures. And, even though recently in both science and practical literature there is a lot of criticism on process on budget formation and the control of its implementation, it often occurs that these limitations are influenced by the mistakes companies themselves make in preparing budgets, as well as in pursuance of its control.

The authors, who wrote most exhaustive scientific works that are analysing the issues of budget creation and adjustment, are the following: Welsch et al. (1988); Hofstede (1998); Rasmussen and Eichorn (2000); Shchiborsch (2001); Rasmussen et al. (2003); Hope and Fraser (2003a, 2003b); Lalli (2003); Afanasjev (2004); Bhimani et al (2008); Shim and Siegel (2008); Becker et al. (2010); Smirnova and Smirnov (2010); Needles et al. (2011); Gaižauskas and Skyrius (2012); Lohan (2013); Sekhar and Rajagopalan (2013); Tamulevičienė and Subačienė (2013); Becker (2014); Drury (2015). All of the mentioned authors had mostly researched the theoretical aspects of budget formation, but there are only a few scientific researches in which the applying of budgets in practice are revealed. The empirical study results of Ekholm and Wallin (2000, 2006), De With and Dijkman (2008), Libby and Lindsay (2010), Yang (2010), Abogun (2011), Klimaitienė (2011), Lorain et al. (2015) have shown that only a small part of companies have rejected budgets. Other part of companies prefer to keep their budget systems, but expect to improve them. In order to confirm these results, it is important to perform similar empirical researches involving a larger range.

In the countries of developed market, for more than fifty years budgeting is considered as relevant management tool. Currently, the Ukrainian business is developing very rapidly and a growing business management requires the use of modern management techniques, one of which is budgeting. But the formation of budgets in Ukraine is facing big problems of planned economy's abandonment, as well as for lack of knowledge and experience. That is because, not all organizations in Ukraine understand the importance of budgeting and not using it, which can lead to bankruptcy of a large number of companies. But, without the threat of bankruptcy and the lack of precise and systematic knowledge about their finances turns for Ukrainian companies around large losses of budget revenues. Taking into account all of the mentioned aspects it is possible to make an assumption that the lack of knowledge and experience influence the fact, that the budgets formation in Ukraine's companies is more intuitive, only traditional budget formation and realization procedures are applied, which are not always appropriate. That is why in order to

determine the budget formation level in Ukraine's companies it is advisable to perform an empirical study and to identify what kind of budgets do various companies prepare, analyse the procedures of budgeting and evaluate the difficulties that are faced in the process.

The research object: The level of budgets formation and their implementation in Ukrainian private companies.

The aim of article: to examine the framework of budgeting and to evaluate the level of budget formation and its implementation in Ukrainian companies.

The research methods: literature analysis, systematic analysis, qualitative content analysis, questionnaire survey method collecting primary data. The received results of the analysis carried out by means of quantitative analysis which is based on mathematical statistical methods, data visualization.

Theoretical Framework of Budgeting

Nowadays, organization's management is impossible without managerial accounting system. The well-regulated managerial accounting system maintains control of operational activities as well as influences successful operation in the future. A core component of the managerial accounting system is a budgeting system. Budget participation refers to the involvement of managers in budget creation and their influence over the outcomes of a decision making process (Shields and Shields, 1998; Zainuddin and Ruhana, 2011).

As far back as 1988 Welsch, Hilton, Gordon denoted the budgeting process is a profit planning and control process and, in that way, not only have identified the two most important functions of budgets in organizations, but have also presented budgeting process in a wider context, than it is usually depicted. Budgets are beyond reproach for this purpose because they are, in point of fact, the detailed quantification of targets for short-term choices of actions. It should be highlighted, that budgeting is not planning by definition, it is just the quantification of planning.

Most of the authors, which analyse the theoretical aspects the budget (Gitelman, 1999; Horvat, 2006; Shim and Siegel, 2008; Needles et al., 2011 and others) also agree that strategical and operational planning in organizations are the most complex and critical management function. Activities and budget funds for their implementation are built in a plan to base for achieving the goals. It is dwelled briefly on the logic of planning, as shown in Figure 1. Strategic planning, during which goals, objectives and strategies for a whole organization as well as its business areas forms the framework for operational planning. Operational planning provides on the basis of the strategic goals the implementation of the relevant annual (operational) plans, determining the path of development of an organization for a short time. Scheduled activities and their quantitative assessments of income and expenditure provide information for budgeting.

A regular comparison of achieved and planned budget figures allows to specify the plan for the fiscal period. The study of results and reasons gives occasion to the basis for further and remedial actions. At first, an organization should find a path providing long-term development, which formulated as a target, and then it followed by the implementation of the goals through activities. If this process is implemented without significant difficulty, it means that the mechanism of interaction between strategic and operational planning at the organization is worked out.

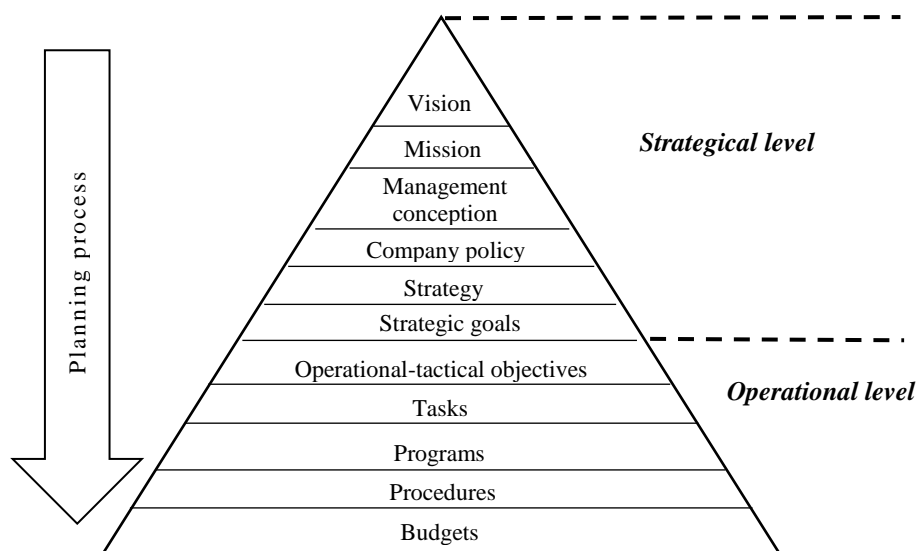


Figure 1. Budget Place in Planning System

(Source: Tamulevičienė (2015))

There are a lot of budgets in budgetary practice and it is not a unitary concept, but varies from organization to organization. But, it is important to note, that the end product of a budgeting process is a master budget. On theoretical

level, the structure of the master budget is similar, but practically it is impossible to locate two companies, which have identical models of their budgets. According to Cherrington and Cherrington (1973), Afanasjev (2004); Smirnova and Smirnov (2010), the size and the type of organization, timing of the enterprise life cycle, informational needs of the enterprise leadership, strategic objectives, management system, leadership style, personalities of people affected by the budget, the method of preparation, and the desired results of the budgeting process are the main factors which influence the model of budgeting making. Tamulevičienė and Subačienė (2013) as an extra factor, influencing the budget's structure, have indicated limitations, which influence the enterprise's activities. All the factors are interconnected, each one of them has much impact on the implementation of the budgets.

The master budget summarises the objectives of all subunits of an organization. It quantifies the expectation regarding the future income, the financial position, cash flows and supporting plans. Generally, the master budget can be classified into two primary categories by the majority of scientists: operational budget and financial budget as illustrated in Table 1. But, the Shchiborsch (2001) presents an exceptional point of view on this classification; he proposed his own division into three parts, as follows: operational budget, financial budget and investment budget. The object of this author's research is budget making in manufacturing companies. It is due to this reason, why investment budget as a separate part, in his opinion, is very important, as the cycle of financing and investment is remarkably more advanced in manufacturing companies.

Table 1. The Main Structural Parts of the Master Budget

Source	Type of budget	Budget structure
Noreen et al. (2014)	Operating	Sales; Production; Direct material; Direct labour; Overhead; Selling and administrative expenses
	Financial	Cash; Budget balance sheet; Budget income statement
Hansen et al. (2000)	Operating	Sales; Production; Direct material purchases; Direct labour; Overhead; Selling and administrative expenses; Ending finished good inventory; Cost of goods sold
	Financial	Cash; Budget balance sheet; Budget for capital expenditures
Bhimani et al. (2008)	Operating	Revenue; Closing stock; Production; Direct material costs; Direct manufacturing labour costs; Manufacturing Overhead costs; Cost of goods sold; Non - production costs; Budget operating profit statement
	Financial	Budget balance sheet; Cash; Capital; Budget statement of cash flows.
Engler (1990)	Operating	Sales; Production; Direct material purchases; Direct labour; Manufacturing overhead; Ending inventory; Cost of goods sold; Marketing cost and administrative cost; Budget income statement
	Financial	Long range planning; Research and development Capital expenditure; Cash; Budget balance sheet; Budget statement of cash flows.
Shim and Siegel (2008)	Operating	Sales; Production; Direct materials; Direct labour; Factory overhead; Selling and administrative expenses; Budget income statement
	Financial	Cash; Budget balanced sheet.
Garrison (1990)		Sales; Production; Direct materials; Direct labour; Manufacturing overhead; Ending finished goods inventory; Selling and administrative expense; Cash Budget; Income statement; Budget balance sheet
Kovalev and Volkova (2002)	Operating	Sales; Closing stock; Production; Direct material costs; Direct manufacturing labour costs; Manufacturing Overhead costs; Selling and administrative expenses; Cost of goods sold
	Financial	Budget income statement; Cash; Budget balance sheet
Shchiborsch (2001)	Operating	Sales; Production; Closing stock; Direct materials; Direct labour; Manufacturing overhead; Production cost; Purchase; Marketing cost and administrative cost; Budget income statement
	Financial	Cash; Budget balanced sheet; Budget statement of cash flows.
	Investment	Investment
Cohen et al. (1994)	Operating	Sales; Production; Inventory; Materials; Labour; Overheads, Research and development
	Financial	Cash; Capital expenditures; Budget balance sheet; Budget income statement

(Source: compiled by the authors, based on the sources listed in the table)

The majority of the described authors deal and analyze preparation of budgets in exceptionally manufacturing companies, as well as state, that manufacturing companies' activities are more complicated if compared to sales and services companies, consistency of budget making in sales and services enterprises has been described by Needles et al. (2011). They listed structural frameworks of operational and financial budgets in all three types of business, according to which, the structure of a financial budget is the same in all enterprises. The budget consists of investment budget, cash budget, forecasted profit (loss) statement and forecasted balance sheet. The structure of the operating budget differs according to the enterprise business area. Needles et al. (2011) presented a list of manufacturing companies' budgets, which is identical to the above-mentioned authors' list. The authors state that the operating budget in a sales company consists of sales budget, purchases budget, cost of goods sold budget and selling and administrative expense

budget, and the operational budget in a services company consists of service revenue budget, labor budget, services overhead budget and selling and administrative expense budget. And despite that, Needles et al. (2011) provide a presumable list of a service company budgets, however, the authors do not present a more detailed analysis. Analysis of organizing an order of budget making and control of their implementation in manufacturing companies becomes further research object for the authors.

And, even though, as it is seen in the table 1, different authors distinguish different elements of master budget, but the process of formation of master budget is possible to call as a traditional budget preparation method. As noted by Campbell (1985) a traditional budget is a quantitative expression of a proposed plan of actions by management for a specified period and an aid to coordinate what needs to be done to complement that plan. The main objective is the ultimate goal of control and responsibility of controlling unit for planning, coordinating, measuring, and rewarding. Due to the lack of rules as to how to form and how a budget has to be used or applies there are various methods of traditional budgeting. The most commonly used method is to use previous year key figures adapted to the new period with the management's assumptions and targets. This method serves better for those companies whose operations are relatively stable. However, Bunce et al. (1995) consider that this method is considered to be the worst possible method because budget figures are forced to fit the overall objectives of the company.

The traditional budgeting methods present both advantages and disadvantages. Lucey (1996) formulated some of the advantages that traditional budgeting may bring into organization if adopted and managed in a proper manner: a) it is a major formal way by which the organizational objectives are translated into specific plans, tasks and objectives related to individual managers and supervisors; b) it is an important medium for communication of organizational plans and objectives and of the progress made towards meeting those objectives; c) the development of budgets helps achieve coordination between the various departments and functions of the organization; d) the involvement of all levels of management in setting budgets, the acceptance of defined targets, the two-way flow of information and other features of a properly organized budgeting system all help to promote a coalition of interest and to increase motivation; e) management's time can be saved and attention directed to areas of greatest concern by the exception principle which is at the heart of budgetary control; f) performance at all levels is systematically reported and monitored thus aiding the control of current activities; g) the investigation of operations and procedures, which is part of a budgetary planning and the subsequent monitoring of expenditure, may lead to reduced costs and greater efficiency; h) the regular systematic monitoring of results compared to the plan (i.e. the budget) provides information upon which current operations are adjusted to bring them into line with the previous plan or, adjustments are made to the plan itself where this becomes necessary; i) the integration of budgets makes it possible to better manage cash and working capital and makes stock and buying policies more realistic. Even though these advantages were identified two decades ago, today's authors (Wall et al., 2011; Cardoso, 2014; Lorain et al., 2015) agree that in many cases traditional budgets have not lost any of their meaning.

In addition, to its advantages, the traditional budgeting also presents disadvantages. In these latter days, the criticism towards traditional budgeting has got larger. Neely et al. (2001), Hansen et al. (2003), Horvath and Sauter (2004), Pietrzak (2013), Zeller and Metzger (2013) deem that it prevents reactions to changes in the market, it cannot keep up with the changes and requirements of today's business world and it isn't useful for business management. Neely et al. (2001) identified the following disadvantages of traditional budgeting: budgets are time-consuming and costly to put together; budgets are rarely strategically focused and often contradictory; they add little value, concentrate on cost reduction and not value creation; they are developed and updated infrequently, usually annually; budgets are based on unsupported assumptions and guess-work; they strengthen vertical command and control; reinforce departmental barriers rather than encourage knowledge sharing and makes people feel under-valued. Corresponding notions were made by Libby and Lindsay (2010) and are subject to the following: the traditional budgeting is time-consuming and costly; it detects problems slowly and quickly becomes out of date; it does not reflect the strategy and leads to unreliable performance evaluation. Hansen et al. (2003) resumed the problems of traditional budgeting and divided them into three categories: time, process and people related. Authors think that the time-related issue is the most problematic disadvantage because budgeting is a long and heavy process, usually it takes four or five months to make it, and it takes up to 30% of a managers' time which can be very costly. In addition, people related aspects can be problematic as well. Budgeting creates dysfunctional behaviour, complicates cooperation within the organization when it is used for performance measurement and personal target setting when objectives and goals are set too low or too high.

To eliminate the criticism and disadvantages of traditional budgeting researchers (Goode and Malik, 2011; Pietrzak, 2013; Lohan, 2013; Margison, 2013; Samudrage, 2014 and others) consider that there is a need for alternative solutions and budgeting methods designed to adapt to the new environmental conditions, market developments, technical progress, growing competition, customer orientation. Authors note that over the years it has claimed, that traditional budgeting has lost relevance with the modern business environment and is no longer satisfying the needs of managers. In response, alternative budgeting methods which suit better for the needs of the modern business world were developed. In the Table 2 there are reviewed some of the additional budgeting models, such as beyond budgeting, zero-based budgeting, activity-based budgeting, and performance-based budgeting.

Table 2. Additional Budgeting Models

Type of budgeting	Description	Advantages	Disadvantages
Beyond budgeting (BB)	BB is a specific idea which regards the abolition of the traditional budget process as the trigger for improving management control within organizations by a fundamental re-examination of how they might be managed better. It is a set of guiding principles that, if followed, will enable an organization to manage its performance and decentralize its decision-making process without the need for traditional budgets.	Comparison with the traditional, the beyond budgeting has two essential advantages: it is a more adaptive way of managing and it enables a more decentralized way of managing. This leads to higher motivation and productivity as well as providing better customer service.	<ul style="list-style-type: none"> - The BB model is not a standardized recipe type of solution for budgeting problems. - BB is difficult to use for controlling since management actions are totally free. - The BB concept is very difficult to implement. - Budgetary data are often provided to external users of financial information, such as banks, support funds, but it means that an organisation has to continue budgeting even if it launches beyond budgeting.
Zero-based budgeting (ZBB)	ZBB is a budgeting process that allocates funding based on program efficiency and necessity rather than budget history. As opposed to traditional budgeting, no item is automatically included in the next budget. In ZBB, budgeters review every program and expenditure at the beginning of each budget cycle and must justify each line item in order to receive funding.	<ul style="list-style-type: none"> - Resulting budget is well justified and aligned to strategy. - Catalyses broader collaboration across the organization. - Supports cost reduction by avoiding automatic budget increases, often resulting in savings. - Improves operational efficiency by rigorous challenging of assumptions. 	<ul style="list-style-type: none"> - Costly, complex, and time consuming as budget is rebuilt from scratch annually, whereas simpler and faster traditional budgeting requires justification only for incremental changes. - May be cost-prohibitive for organizations with limited funding. - Risky when potential savings are uncertain. - Execution challenged by budget cycle timing constraints. - Typically requires specialized training or personnel to accomplish, and requires more resources in general. - May be disruptive to the organization's operations. - Could harm organizational culture or brand.
Activity-based budgeting (ABB)	ABB is a planning and budgeting tool, which works by understanding the linkages between the activities and the drivers behind them, particularly for those involved in creating value in the product for the customer. It should be used where there is a need to understand the cost impact of significant changes in levels of activity and where a decision in one part of the organization affects another in order to ensure that there is an optimum allocation of scarce resources across the business.	<ul style="list-style-type: none"> - The ABB approach avoids unnecessary calculations of the financial effect of operationally infeasible plans. - The ABB approach focuses on generating a budget explicitly from activities and resources. - The explicit analysis of resource capacity and the increased visibility of resource consumption allow organizations to identify capacity issues and make adjustments earlier in the budgeting process than in traditional budgeting processes. - Lower level managers and employees can more easily understand and communicate budgeting information in operational rather than financial terms. 	<ul style="list-style-type: none"> - Information availability about activities, processes and resources, and the cost of creating and maintaining the information. - It is difficult and costly to implement if the company does not already have activity-based costing system. - The ultimate success of the ABB depends heavily on management's commitment to act on the data. - Due to numerous cause-and-effect linkages among the demand for products and services, activities required to provide them, and the resources required to perform the activities, the ABB system is time consuming and cumbersome to maintain.
Performance-based budgeting (PBB)	PBB uses statements of missions, goals and objectives to explain why the money is being spent. It is a way to allocate resources, to achieve specific objectives based on program goals and measured results. The key to understanding performance-based budgeting lies beneath the word "result". In this method, the entire planning and budgeting framework is result oriented.	<ul style="list-style-type: none"> - PBB clearly defines major purposes for which funds are allocated and tells the manager how program results will be measured. -It provides a comprehensive view of each department. -It provides clear information. - It ties in results with funding. -It creates consistency in classification. - It creates accountability. 	<ul style="list-style-type: none"> - Improperly defined measures may lead to pursuit of the measure itself without regard to its associated objective or goal; - It may not be clear whether the appropriate response to a measure would be to increase or to decrease funding. -It requires specificity in order to operate efficiently. -There is no qualitative evaluation. - It is usually implemented in a way, that is inefficient. -Many goals are easy to create on paper, but not so easy to create in the real world.

(Source: compiled by the authors, based on Hope and Fraser (2003b), Wilks and Burke (2007), Rickards (2006), Hopkins (2015), Pietrzak (2013), Pilkington and Crowther (2007), Carter (1994), Young (2003), Olaopa et al. (2012))

Yet, the quality and efficiency of budgets is determined not only by the chosen budgets model or their structural elements, but also by an appropriate process of budget formation. According to Emmanuel et al. (1990) a budget formation process generally involves an iterative cycle which moves between targets of desirable performance and estimates of feasible performance until there is, hopefully, convergence to a plan, which is both feasible and acceptable. This process begins with a discussion of organizational strategy, budgeting policies and changes in a business landscape. In the later period, budgeting targets are fixed and various budgets are then established. As part of the process, negotiation is also an essential step. When all is said and done, budgets are united together, and the whole set of budgets should be finally reviewed and implemented.

As a general rule, the budget formation process is a back-and-forth movement between top and lower management. Taking into consideration the fact that the first budget choice about the process used to create the budget is much significant, these particular methods will be concretized more specifically. Currently, management's choices on how to start creating budgets fall into one of three major approaches (Rasmussen and Eichorn, 2000; Rasmussen et al., 2003; Venkataraman and Pinto, 2008; Bagdžiūnienė, 2006).

1. *Top-down*. The top-down approach of budgeting means that upper management completes the budgeting process with minimal involvement from the management of individual operating units or departments. The levels beneath headquarters level receive the budget amounts "from the top" and they are expected to adhere to these given amounts. Individual operating units have very little, if any, input into the determination of the budget amounts. Some authors top-down budget formatting approach entitle as a separate budgeting model "centralized budgeting".

2. *Bottom-up*. With the bottom-up approach the budget is established at the bottom levels of the organization – at the operating unit, departmental or cost/profit centre level – and then brought up to the corporate level. Guidelines and targets are set at the corporate level, but specific amounts and budgeted account balances are not passed down to the individual departments. Rather, these entities are given the freedom to create their own budgets at the local level.

3. *Top-down/Bottom-up or Negotiated budgeting*. A top-down/bottom-up approach combines and balances the best elements of the two approaches. This approach allows input from lower and upper management into the model. The budget process becomes collaboration between lower and top management rather than a one-way exercise. In the combined approach, lower management submits the budget to upper management and then upper management modifies the submitted budget to reflect the operational knowledge that they have.

For understanding the role of budget formation process, it is necessary to focus on advantages of budgeting system. Firstly, the budgeting makes a clear understanding and helps to analyze the end of purposes of an organization by using a financial plan. Secondly, an organization has a choice of optimal financial plan for the criteria: income, cash flows, balance sheet structure, and so on. Thirdly, financial unreasoned decisions are minimized since the budget is adopted taking into account the forecast of internal and external changes. The other, equally important advantages are an early recognition of a problem and think of a way out of a difficulty as well as the ability to an estimation of efficiency of internal activities. Also, it becomes possible to determine the costly and unprofitable business. Properly organized system of budgeting gives to top management, on the one hand, estimation of internal operations, and on the other hand, situation understanding as a whole.

Empirical Research Methodology

Information about application of the budgets, organization of the budgeting process and difficulties of accomplishment of the budgeting system in the Ukrainian enterprises at the moment is virtually non-existent. Therefore, empirical research in the area of budgeting was carried out for this work at private enterprises in Ukraine, which would create the potential for a successful economic operators in the future. In order to achieve performance targets of the research it is necessary to use the appropriate methodology.

The research method. A quantitative method was used for this research, because the aim of it was to reveal the facts and reasons instead of finding out and describing the opinion of respondents. Taking into consideration that the extent of researched elements is large, the most accurate way is to use survey method. According to Greener (2008), Rudzkienė (2005) applying this method with little use of time it is possible to survey the representative sample's elements of the researched population. Also, this method is easily formalised and it simplifies the analysis of collected data. Although there can be considered three ways of performing the survey: a conversation, an interview or questionnaire, in this case the only acceptable choice is questionnaire because it is executed in writing.

The survey population. According to the State Statistics Service of Ukraine, the number of active enterprises in Ukraine is 341,001 (excluding the results of the banks, budget institutions of the temporarily occupied territory of the Autonomous Republic of Crimea and in Sevastopol and the zone of the antiterrorist operation) as of 2015, the latest update date.

The survey sample – it was used the minimum sample size. Selective results always have a greater or lesser uncertainty, which has been decreasing, while, at the same time, increases the accuracy of the conclusions made by increasing the sample size. The task is to determine the minimum sample size min. It can be calculated by the following formula (Paschaver, 1983; Martišius, 1997; Bernard, 2011):

$$n_{min} = \frac{z_a^2 N p(1-p)}{(\Delta p)^2 (N-1) + z_a^2 p(1-p)}$$

Where: N – selective population size;

p – we are interested in setting the proportion of selective population, if previous studies have no information about the samples proportions assumed that $p = 0.5$;

Δp – sampling error (the maximum sampling margin of error of ± 5 per cent.);

z_α – normal distribution coefficient. In this study, we accept that all the results we receive a 95% probability, then the normal distribution z_α coefficient = 1.959.

According to the State Statistics Service of Ukraine, there are 341,001 enterprises as of 2015 year, we get = 384.

$$N = \frac{1,959^2 \times 341\,001 \times 0,5(1-0,5)}{0,05^2 \times (341\,001-1) + 1,959^2 \times 0,5(1-0,5)} = 384.$$

Considering the specifics of the analysis and the sample size, the group of respondents were chosen by applying nonprobability sampling technique as follows:

1) *Convenience sampling*. The questionnaire survey was as a volunteer and has been performed in English language using the online tool www.apklausa.lt, which allowed the respondents to answer the questions in a comfortable way using their web browser. The used website is Lithuanian and it is available in English language. It was taken because of its convenience, since there was no found an appropriate website among Ukrainian. The survey was used by intended population and everyone who visit that site was invited to complete it (it was clarify, that the survey might be polled only by representatives of Ukrainian companies).

2) *Snowball sampling*. Also, this online tool had a possibility to send invitation letters to my colleagues, in turn, they could send the invitation letter to their colleagues and so on. As well, it was a post on LinkedIn to potential respondents, that contained a direct “hotlink” to the survey website.

The sampling design - the empirical study used questionnaire consisted of 21 questions, where provided mainly closed questions, the answers to that were to select one of the following options. Questions were divided as follows: yes - no questions (sometimes provided the answer “I do not know”); alternative questions for which the respondent needed to choose from a number of possible answers one, sometimes several (multiple choice), scaled questions on the Likert scale (scale of preferences) that provided a differentiated assessment of the similarity or differences of the objects, and open-ended questions where respondents had the opportunity to respond in their own words.

The questionnaire survey was available from 19th of March 2016 till 4th of May 2016. It was restricted to 1 answer per IP address. A total of 410 completed questionnaires recorded during the survey. The empirical research in order to obtain the predetermined minimum amount of responses (384), for 95% of the results were pooled results total of 410 replies.

The Research Results

Application of the Budgets in Ukrainian Companies

In order to find out the popularity of budget use in Ukraine, it has been tasked to evaluate the application of budgets, taking into account the size and activities of the respondent companies. The first question of the questionnaire are to identify the size of companies. Thus, by this survey mostly were interviewed micro-enterprises – 143 feedback forms, small enterprises – 81 feedback forms, medium-sized business – 94 feedback forms and large enterprises – 92 feedback forms. The next survey question is “What type of your company?” to investigate enterprises in term of the fields of activities. The questionnaire is identified such activities as manufacturing, building, service industry, marketing and also include a personal answer of the respondent. The study participants have chosen such own fields as wholesale market, chemical concern, health and hygiene, banking, agro-food industries, car repairs and insurance, and for convenience, the fields of activities, which indicated by the respondents were put into the group “Other activities” and separately were examined only groups of activities specified in the questionnaire. But when the questionnaire was compiled, it was not thought that it is possible to choose several options. Thus, answers of respondents who selected a few activities have been brought into the “Mix group” (see Table 3).

Table 3. Breakdown of Respondents' Answers to the Question “What Type of Your Company?” in the Context of the Companies' Activities (Numerically)

Size/ Activity	Manufacturing	Building	Service	Marketing	Other activities	Mix activities	Total
Micro companies	22	7	63	16	15	20	143
Small companies	-	-	59	9	13	-	81
Medium companies	18	19	15	13	29		94
Large companies	27	11	-	-	38	16	92
Total	67	37	137	38	95	36	410

(Source: developed by the authors, based on survey data)

Considering the large volume of the research only the most important results were published in the article. In order to determine whether the respondents have applied the budgets, the question is asked “Does your company set the budgets?”. If a company, for whatever reason, has not used budgets at all, it is proposed to go directly to question 20.

Thus, the majority of the surveyed companies compiling budgets, that is 373 companies (90.98% of respondents), while 37 companies (9.02%) do not use. More specifically, all surveyed business organizations not using budgets are exclusively micro-sized companies (of them service industry – 48.65%, marketing – 21.62% and mix activities – 29.73%). The explanation could be following, the most researchers in their works focus on large and medium-sized enterprises, and indicate the effectiveness of the system regardless of the size of the enterprise, and the possibility of a universal method for all companies. However, such an approach cannot be accepted, since small businesses are fundamentally different from medium and large, in addition, the budgeting system performs to these groups miscellaneous tasks. Thus, for small enterprises the main purpose of budgeting should be the formation of a clear, formal control systems, eliminating essential staff and enable effective decision-making, while for large enterprises the main task of budgeting is to coordinate the actions of departments and employees. If for a large enterprise budgeting is an element of a management system, then for a small - the control system itself.

To find out whether the Ukrainian companies, drawing up budgets, have used the traditional budgeting model, the question is asked “Does your company use the Traditional Budgeting model?”. Thus, on the basis of the answers of the respondents, most companies use traditional budgeting system, that is 93.83%, and only 6.17% of the companies replied in the negative, of those 30.43% are large manufacturing companies and 69.57% – large mix activities companies. The explanation can be that the smaller firms (1 – 50 employees) tend to use strict budgets. It is likely depends on the size, management style and ability to train staff in unfamiliar concepts.

In order to determine what kind of operational and financial budgets the responded companies have used, they are divided into two questions. Both include several positions answers and respondents are also given the opportunity to present own response option. The first question is asked “Which of the following operational budgets are drawn up in the company?” and include such budgets as sales budget, production budget, direct material budget, direct labor budget, overhead budget, cost of goods manufactured budget, cost per unit budget, ending finished goods inventory budget, cost of goods sold budget, operating activity budgeted income statement, selling expense budget, administrative expense budget (see Table 4).

Thus, Table 4 shows, the most popular budget is administrative expense budget used in all the sectors, on average by 95.87% of the companies. Followed by, with almost identical numbers, overhead budget – 82.28%, direct labor budget – 82.1%, sales budget – 81.19%, production budget – 76.92% and selling expense budget – 69.65%. The most unpopular budgets among the respondents are cost of goods manufactured budget – 31.53% and cost per unit budget – 37.83%, because of the situation described above.

In context of size, micro companies are tending to use administrative expense (92.48%), overhead budgets (81.23%) and direct labor (80.86%) and sales budget (67.79%). Small companies are also preferred administrative expense (89.93%), selling expense (81.07%), direct labor (76.04%) and sales budget (75.32%). Medium-sized companies are also used administrative expense (94.65%) and sales budget (88.26%). And large companies – direct labor and overhead budgets (both 100%), as well administrative expense (99.46%) and sales budget (93.38%).

Also, as noted earlier, respondents have the right to give own answer or comment. Thus, 14 representatives of the building companies note, that in addition to the provided budgets by some firms also constitute additional budgets such as the pre-project preparation and projecting budget; construction budget; expense budget for vehicles and machinery operations; operations with banks budget (credit plan) and the development budget. From 11 insurance companies, 6 of them note using budgets are not mentioned in the list of issues, such as insurance premiums revenue budget; earned commission budget (acquisition budget); insurance compensation budget; reinsurance budget; actuarial reserve budget; distribution of actuarial reserve budget. As well respondents said that it is important for an insurance company to analyse its solvency. Information unit, characterizing the solvency of insurance company, can be isolated in a separate budget – a credit standing budget.

Table 4. Breakdown of Respondents’ Answers to the Question “Which of the Following Operational Budgets are Drawn up in the Company?” in the Context of the Companies’ Activities, %

Activity / Operational budget	Manufacturing	Building	Service	Marketing	Other activities	Mix activities
Sales	100	91.89	67.23	58.73	82.14	88.89
Production	100	72.97	41.18	0	42.86	74.38
Direct material	100	100	32.77	0	71.43	44.44
Direct labour	100	100	41.18	0	83.24	74.38
Overhead	100	100	87.39	0	85.71	100
Cost of goods manufactured	100	0	31.09	0	27.38	55.56
Cost per unit	81.67	0	35.29	0	41.79	44.44
Ending finished goods inventory	75	0	29.41	0	52.16	44.44
Cost of goods sold	100	54.05	9.24	83.25	56.49	77.78
Operating activity budgeted income statement	43.33	81.08	9.24	86.95	77.99	37.67
Selling expense	71.24	100	92.44	53.33	61.42	88.89
Administrative expense	100	97.29	77.74	92.05	99.36	87.83

(Source: developed by the authors, based on survey data)

In order to examine what financial budgets have usually compiled by Ukrainian companies, they are asked “Which of the following financial budgets are drawn up in the company?” and include such financial budgets as cash budget, budgeted income statement, budgeted balance sheet, budgeted cash flow statement, budgeted statement of changes in equity, investment budget. Also the respondents have multiple answers and opportunity to present own response option, but it has not been received any other opinion result. In Figure 2 it is presented the use of financial budgets by Ukrainian companies in the context of the companies’ size.

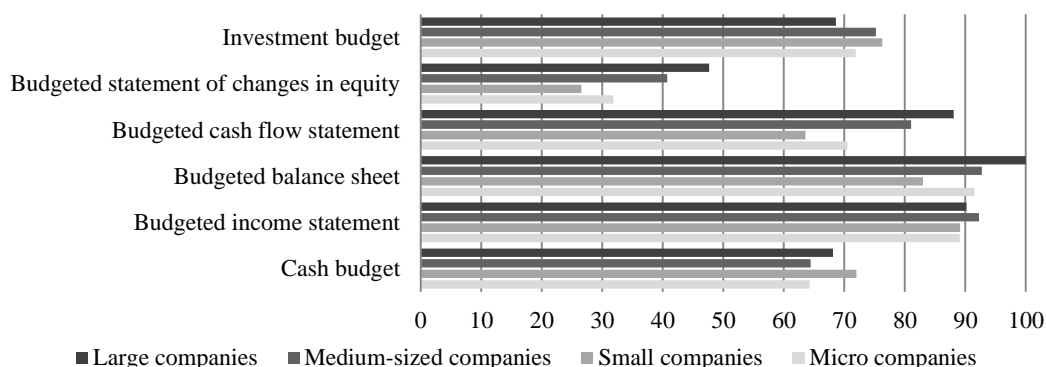


Figure 2. Breakdown of Respondents’ Answers to the Question “Which of the Following Financial Budgets are Drawn up in the Company?” in the Context of Companies’ Size, %

(Source: developed by the authors, based on survey data)

As shown in Figure 2, all manufacturing companies use budgeted income statement and budgeted balance sheet; also budgeted balance sheet is used by all building as well as other and mix activities companies. Budgeted cash flow statement is used by all building and mix activities companies, while marketing business nearly does not use it at all as well as service and marketing firms near live without budgeted statement of changes in equity.

The next question is “Does your company use additional budgeting models?”. The answers include positive and negative answer, as well as “I do not know” answer. The surveyed have the right to choose one answer. Those respondents, who use the additional budgeting models, also point out what kind of additional budgeting models they are using answered the question “Which of the additional budgeting models are used in the company?”. In this list there are included beyond budgeting, zero-based budgeting, activity-based budgeting, centralized budgeting, performance-based budgeting. This question is multiple choice and also, the correspondents could add their own answer, but it has not been received any other opinion result. It should be noted, that companies have chosen mostly several models and only beyond budgeting as individual model.

Consequently, it can be concluded the results of using and the favor of budgeting models in companies, thus, 58.2% (217 companies) of representatives are using additional budgeting models, 27.1% (101 companies) do not use and it should be mentioned, that 14.7% (55 companies) of the respondents answered “I do not know”. In calculating of results, the companies that do not use budgets in general (37 companies) and the companies that responded “I do not know” (55 companies) are not taken into account. Thus, from the total number of respondents (410 companies), in this question, only 318 companies are taken into consideration. If consider the results of respondents’ answers who not using the additional budgeting models, it can be concluded, that 48 of the surveyed service companies have not used them, 17 of marketing business, as well as 13 of building companies, and 23 of other activities companies.

When viewed in the context of what of the additional budgeting models are used, it is possible to note following. Thus, according to respondents’ answers, zero-based budgeting is used by 107 companies of all sectors, mostly by other activities companies and manufacturing industry as an additional budgeting model - indicated 44 companies and 36 companies; building and mix activities companies use it 16 and 7 resp.; the least of all by marketing firms – 4. Its popularity is based on the fact, that it allows not to plan on the basis “of progress”, but, in fact, form the budget on a zero basis. This requires a deep analysis of the cause-and-effect relationships of the value of production within the company, which enables more accurate calculation of the need for resources (especially overheads). In addition, it is effective way of controlling for unnecessary costs.

Centralized budgeting (used by 83 companies of all sectors), as an additional budgeting model, is popular and it is used by service, other activities, manufacturing and building companies (34, 28, 12 and 9 resp.). It requires all decision-making powers to be in the hands of upper level administration. In a system combining central budgeting with another process, the rationale for choosing which units are centrally budgeted may be adaptable; also some expenses are necessary to the basic functioning of divisions, and are therefore not optional. But, when budgeting is centralized and the element of competition is removed, departments may be less motivated to generate revenue.

Performance-based budgeting (used by 71 companies of all sectors) is used by the same sectors, that are other activities, service, manufacturing and building companies (26, 21, 16 and 8 resp.). Its funds are based on performance, which is determined by a number of defined outcomes standards. The budget process must include time for the review of performance measures (which itself necessitates a prior collection and analysis process) and time for discussion of performance against expectations. Only then values can be assigned to divisional outcomes. Activity-based budgeting

(used by 33 companies of all sectors) is used only by manufacturing and mix activities companies – 27 and 6 resp. And beyond budgeting (used by 23 companies of all sectors) - by the following industries, as manufacturing, marketing and other activities companies (14, 7 and 2 (of them are banking sector) resp.). It should be noted, that companies, which use the beyond budgeting, either small or large companies. It is explained by the fact, that now the beyond budgeting can be successfully applied only by large Ukrainian companies accumulated a large experience in financial planning or by very small companies, where planning is carried out so-called “intuitive” method, and they believe that it is due to the use of this technique, even in a crisis, they could provide greater growth than its competitors in the industry. But the transition to the beyond budgeting for many businesses could be devastating for the reason that the vast majority of companies have not yet accumulated enough experience of successful financial planning, rolling forecasts are not defined those key indicators which can give an objective assessment of the ongoing processes in the enterprise. Therefore, as it can be seen from the results of the survey, it used by a very small number of Ukrainian enterprises.

Organization of the Budgeting Process in Ukrainian Companies

This part discusses an organization of budget formation process in the company. It is important to every company, because the budget formation process begins with a discussion of organizational strategy, budgeting policies and changes in a business landscape. The next question is “What are the preferences of budgeting in the company?” and include such answers as provide structure, control the organization, predict cash flows, allocate resources, model scenarios and measure performance. This question could be answered from 0 to 10 and the inferences were deduced on average points of the answers from 10 grade.

According to respondents’ answers, Figure 3 presents the average of selected preferences.

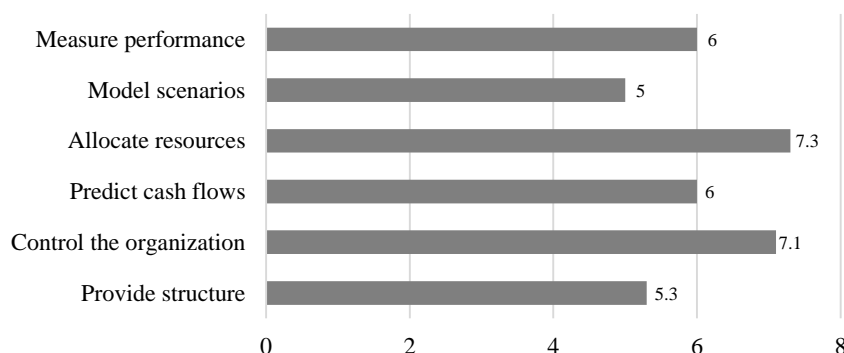


Figure 3. Breakdown of Respondents’ Answers to the Question “What are the Preferences of Budgeting in the Company?” (Scale Score)

(Source: developed by the authors, based on survey data)

If we consider from the side of using additional budgeting models it should be noted, for companies, using beyond budgeting, the measure performance is the most essential reason for budgets using. Thus, in these small and large enterprises the average value of measure performance is average 7.9 points. In the second place is allocate resources – 5.7 points and model scenarios – 5.4 points. Then in the companies with centralized budgeting, the most significant reason for using the budgets is control organization. Thus, this objective provides 8.9 points at the average from 10. In the next place is provide structure– 7.8 points. The enterprises using zero-based budgeting choose up front control the organization – average 8.2 points; allocate resources – 7.2 points. For performance-based budgeting - allocate resources is prevalent – 8.4 points on the average from 10. Activity-based budgeting is taken advantage, firstly, for control the organization – 7.1 points at the mean from 10. For provide structure – 6.2 points; allocate resources – 5.4 points; predict cash flows – 4.3 points; measure performance – 3.5 points and model scenarios – 3.1 points.

The next question is “Which of the following approaches of creating budgets is used in the company?”. There is several answers option and the possibility of multiple choice. In most cases, the respondents have taken out multiple set, and the reason for this may lie in the fact, that these three approaches work for a particular situation, thus in some cases, it is impossible to use bottom-up approach due to level of responsibility, or importance of prerequisites, or decision-making time, etc. Conversely, sometimes leadership is delegated their authority and hold loose reins on subordinates.

It is estimated preferences of the total number of respondents and identified their answers on average using as top-down approach is preferred by all companies – 65.4%, bottom-up approach is 35.28% and the most unacceptable is negotiated budgeting – 19.77% (see Fig. 4).

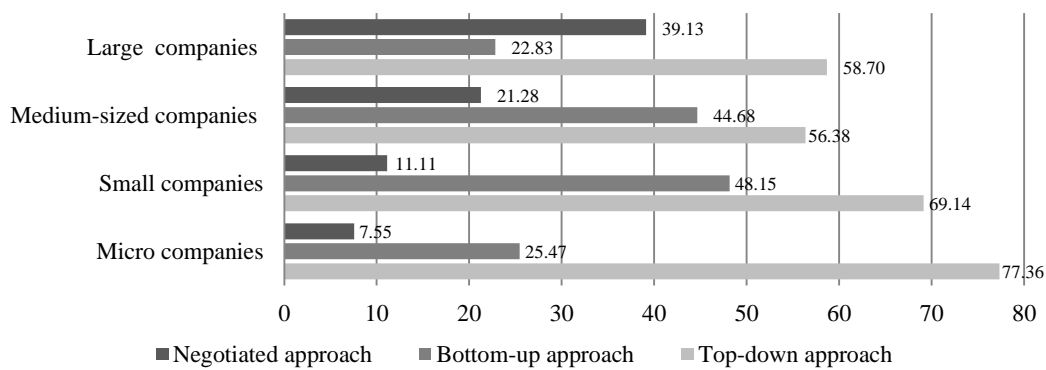


Figure 4. Breakdown of Respondents' Answers to the Question "Which of the Following Approaches of Creating Budgets is Used in the Company?" in the Context of Companies' Size, %

(Source: developed by the authors, based on survey data)

The reason for this selection could be following. In the bottom-up approach, a lot of effort and time usually spent on coordination of budgets of individual structural units. In addition, quite often figures represented by the "bottom" vary greatly by leaders in the process of budget approval, in the case of invalidity of a decision or lack of reasoning can cause negative reaction of subordinates. In the future, this situation often leads to lower confidence and attention to the budget process by the managers of the lower level, which is reflected in the data prepared carelessly or deliberately inflating the figures in the original version of the budget. This type of budgeting is widespread in Ukraine in mind as the uncertainty prospects of development of the market as a whole, and the reluctance of management to plan for. The top-down budgeting ensures consistency of the budgets of individual departments and allows to set benchmarks for sales, costs, etc., to evaluate the effectiveness of the responsibility centers. In general, top-down budgeting is preferred, however, in practice, is usually used mixed variants negotiated budgeting containing the features of both.

The next question is "Who is responsible for developing budgets in the company?". The answers are director general, executive director, financial department, accountant and department supervisor answers. The question provides multiple choice answer as well as own response, but it has not been received any other opinion result. The results indicate, that more often in the companies the budgets are developed by financial department (identified by 52.46% of respondents) and executive director (identified by 51.27% of respondents). The analysis of the results obtained by the size of the companies, shows, that director general and/or executive director mainly indicated for micro and small business representatives, meanwhile, financial department – large and medium-sized businesses. The budgets are developed by accountant only in micro-sized companies (only 26.76%) and no by department supervisor at all in micro companies. In addition, it should be noted, that most (85% of companies) have engaged in drawing up the budget a few staff positions. All shown replies include only the answers of the companies which make up the company's budgets.

Also the questionnaire poses the question "Who is responsible for control of the budgets in the company?" with the same option of answers as previous one. The results have shown, that in the most companies, both a director general, that is 65.87%, and an executive director, that is 57.63%, are responsible for control the budgets in the companies. In these companies, where a financial department are responsible for developing budgets it also is responsible for control it. The same situation with accountant and department supervisor. In order to determine whether Ukrainian companies carries out the budget review and adjustment in the questionnaire is asked the question "Does your company constantly review and adjust budgets?". The results show, that the companies, which never have reviewed and adjusted their budgets are a small part. Such companies risk to get distorted results. The reason is simple - if the budgets, if necessary, will not be reviewed and adjusted, they will lose their importance and become irrelevant, since not match reality. If not permanently, then at least of need, 210 companies review their plans. A significant part, that are 135 companies, are constantly viewing the budgets, and it is an indication that budgets plants occupies an important place.

Accomplishment and Difficulties of the Budgeting System in Ukrainian Companies

The next group of questions is given to the respondents to understand the difficulties experienced by Ukrainian companies in the preparation of budgets, is there any benefit from the budget and plans for the future. For understanding how the respondents meet the budgeting in their companies, it is asked the question "Is the budgeting system in the company enough satisfying?". The question provides single chose answer as well as own response, but it has not been received any other opinion result.

Thus, the majority of the companies says that the budgeting system is medium quality and it can be improved, but it is not critical (63.48%). The cause can be simply, that the company can always improve approaches. The perfect budgeting system, which is not needed to be improved, have 21.25% of the companies, while 9.84% of the respondents are not satisfied at all.

In order to assess what risks and challenges facing the Ukrainian companies, which set up budgets, it is formed

the question “What problems do you face during preparation?” and it includes such answers as difficulties with the amount of cost associated with production volume, difficulties with the documentation due to the large volume of documents, lack of workers’ qualification, lack of information, limited recourses, “I have no problem during the budget preparation” and “I do not know”, as well as own response, but it has not been received any other opinion result. This question provides multiple choice answer.

As shown in Figure 5, the biggest problems arise when making budgets when determining the amount of the costs, since the costs related to production volume, which accurately predicted quite difficult (31.48%). The second reason, which can raise difficulties is the lack of information (21.89%). Businesses hard enough to plan future actions, in particular the long-term, because it is difficult to anticipate future developments. For example, a small part of the companies could have foreseen the impending financial crisis, which not all survived the market. Companies go through a lack of information not only in the external environment, but within the company. As the modern enterprise has ceased to be well-known elements, it consists of various units, among which are the subject of complex and sometimes difficult relationships are revealed, and difficulties in obtaining all the necessary information from individual departments and it all combined into a single unit. The third cause of difficulties when making budgets, the data merging (15.57%). As mentioned above, the company – it is a complex set of links, so it is difficult enough to combine all the data. Company units can be in various locations around the world, making it difficult obtaining information, comparability and integration. Much less respondents mentioned answers “limited resources” (8.76%) and “lack of qualified employees” (8.34%), what leads to the conclusion that the reasons causing fewer problems when making a budget, but still the problem exists. A small number of respondents, but not the smallest, that is not exposed to any difficulties (11.25%).

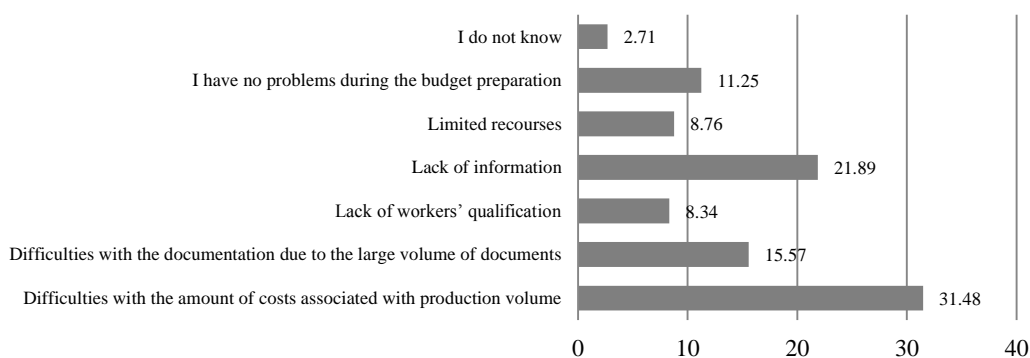


Figure 5. Breakdown of Respondents’ Answers to the Question “What Problems Do You Face During Preparation?”, %
(Source: developed by the authors, based on survey data)

The questionnaire also concludes the question “Are there budget benefits in the company?”. 169 respondents say that the budgets have benefits, but they are not great as they would like and 119 said that the budgets have benefits. While, 35 respondents point out that despite all the advantages it costs more than the benefits. Thus, these companies are not satisfied with the budget as usefulness. However, regardless of the small part of the respondents, that is 28 companies, percent of respondents chose the answer that budgets do not provide any benefit.

How it is mentioned above, some of the respondent companies do not make up budgets, in order to determine why, it is asked the important question “Why your company does not set the budgets?”. The question provides multiple chose answer as well as own response, in order to analyze the cause, but it has not been received any other opinion result. Also, as noted previously, 37 respondents, who replied negatively to the question “Do your company use budgets?”, should go to the question 20. As respondents indicate, the main reason – the lack of demand, that is 26 companies. This means the company believes, that the budgets are completely unnecessary and it’s just a waste of time. The answer “Budgeting process is too expensive” is chosen by 17 companies from 37 respondents, who answered that they do not prepare budget. The answer “No qualified worker who is able to engage in budgeting” is chosen by 5 respondents from 37 respondents, however, this is not the main reason for the company, after all, an employee can be sent to a training or otherwise solve the problem. The main reason – the company executives need budgeting absence.

The last question of the questionnaire is “In the future, are you planning to continue to create the budgets?”. A very small part of the companies, that is 1 (2.7%), answer that they plan to give up these activities in the future, that shows these companies still do not have the need for budgeting. 28 (75.68%) respondents say, that their future plans are always conclude budgets, and 8 companies (21.62%) - if the need arises.

In the context of globalization, the adoption of Ukraine’s strategic course towards European integration against the background of the financial crisis phenomena are increasingly raised questions of improving budget management, not only at the state level, but also at the micro level. As it can be seen, now, budgeting, as an effective management tool, is widely used, but a considerable number of Ukrainian companies ignores it, which could lead to noncompetitiveness of a company, as budgeting can improve the quality of strategic and operational management leaders’ decisions, that in turn leads to stability in the market and reasonable estimate of enterprise position. Applications by Ukrainian enterprises efficient budget systems require the formation of certain preconditions

(organizational, economic, social, technical, etc.), taking into account the specifics of corporate organization during the reform period of national economy and contributes to the solution of a number of existing problems in order to provide a sound resources management and their intended use, improve cash flow management, in order to maintain the required level of solvency, make more reasonable management decisions, etc.

Conclusions

After analysing the scientific literature, it was found that most of the authors examining the issues of budgets preparation in companies introduce a budget as an inseparable element of strategic and operational planning process. All the analysed authors also agree that the meaning and the significance of a budget when making management decisions are undeniable. Yet, their opinions were different on the introduction of budget structure elements, as well as on proposition of acceptable budget models and on laying down procedures of their implementing in practice. When presenting a possible structure of master budget, basically every author note that it has to be divided into two parts: operational budget and financial budget. Yet there is no consensus on which elements ought to comprise each of these budget types. Sales, production, direct material cost, direct labour cost, manufacturing overhead cost, cost of goods sold and selling and administrative expenses budgets are the most commonly mentioned elements for the operational budget. Cash budget, budget balance sheet and budget income statement, as well as investment budget are the most common suggestions for the financial budget. However, taking into account the peculiarities of investment budget – that it is normally prepared by managers of an investment centre and that the planned depreciation of investments should be represented in the operational budget – it is therefore appropriate not to consider the investment budget as a part of the financial budget but as a separate component of the master budget.

It is also important to underline that the preparation of the master budget, regardless of the contents of its structural elements, is considered a traditional method of budgets preparation. Literature analysis has revealed that, according to some of the authors, the traditional budgeting has a lot of disadvantages, yet it has not lost any of its significance and can be successfully applied to plan the activity of today's companies. On the other hand, different authors offer to completely abandon the traditional budgeting and apply only new models of budgets preparation, such as beyond budgeting, activity based budgeting, zero based budgeting, performance based budgeting and others. Yet such approach is too categorical since the new innovative models of budgeting have a lot of shortcoming, which have to be taken into account. Thus – when choosing a budgeting model – it is essential to evaluate both the advantages and disadvantages of the model as well as the peculiarities and needs of a particular company.

By trying to evaluate the level of budgets formation and their implementation in Ukrainian private companies, an empirical research was carried out and it revealed that overwhelming majority (approx. 91%) of the surveyed companies plan their activities with the help of budgets. Only a small part of them do not prepare budgets and those are exceptionally micro-enterprises. The survey shows that two-thirds of the respondents indicate the main reason not to set up the budgets as the lack of demand and about half of the respondents indicate that their budgeting process is too expensive. When asked about the future, two-thirds of the respondents replied that they will always prepare budgets and one fourth of the companies that they are going to do it if there will be a need for that. Thus it can be concluded that the level of budgeting in Ukrainian companies is high and it is probably even going to increase.

After analysing the spread of the traditional budgeting approach in Ukrainian companies, it was concluded that 94% of the companies choose this way. The research examining which operational and financial budgets are being prepared in the respondents' companies shown that not every company is preparing the type of budgets they are supposed to prepare according to the structural model provided in the scientific literature. It can be explained by the notion that companies take into account their peculiarities and prepare the budgets according to their own procedures. Yet, a certain non-compliance with budgeting procedures (i.e. the lack of budgets preparation in marketing companies) may lead to inefficient application of budgets system. The research revealed that more than a half (58 %) of Ukrainian companies preparing budgets apply additional budgeting models next to the traditional one. This indicator is really high which shows that the companies are aware of new innovative models and their application level is sufficient. However, considering that beyond budgeting – which is applied considerably more often in other countries – is the least applied model in Ukraine, it is appropriate to focus more on its development.

After examining the budgeting process it was found that the top-down approach in Ukrainian companies is the most popular one. More than 65 % of the respondent companies apply this model. The top-down budgeting ensures consistency of the budgets in individual departments and allows to set benchmarks for sales, costs, etc., to evaluate the effectiveness of the responsibility centres. However, it is important to note that large companies also apply negotiated approach on a wide scale (approx. 38 % of surveyed large companies). It is explained by the fact that most of the large companies are decentralised and thus the top-down approach in such companies may present an obstacle for efficient application of budgets system. The survey results analysis, in the context of accomplishment and difficulties of the budgeting system in Ukrainian companies, shows that the majority of the companies consider their budgeting system medium quality which can be improved, but is not yet critical. The most serious issues of budgets preparation arise when determining the amount of the costs and the lack of information. Almost half of the respondents say that budgets have benefits, but they are not as great as the respondents would expect.

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