

# Construction Modern Enterprise Budget Management System

Yuping Hong, Hongyu Wu

Guangdong AIB Polytechnic, Guangzhou, Guangdong Province, China

**Keywords:** budget; management system; enterprise development

**Abstract:** In recent years, along with the continuous progress of the society, the development of China's market economy has been accelerating and market competition has become increasingly fierce. Under this circumstance, the budget management system for building a modern enterprise becomes very important, which is not only the requirement of modern enterprise development, but also an important channel for realizing the optimization and integration of resources. Therefore, it is necessary to pay attention to the construction of the enterprise budget management system. On one hand, it can promote the smooth development of economic activities of enterprises; on the other hand, it can help enterprises to improve the level of risk prevention. This paper focuses on the construction of modern enterprise budget management system, hoping to promote the healthy and stable development of China's economy.

## 1. Introduction

In recent years, China's economic development level has been continuously improved, and the operating mechanism of enterprises is constantly innovating. The daily operation mode of an enterprise has become more and more complicated, and the phenomenon that the management mode is out of line with the actual development of the market has occurred from time to time. Under this situation, the importance of the budget management system has begun to emerge. The budget management system bears the overall planning and management of the enterprise, which is of great significance to the development of modern enterprises. Firstly, this paper expounds the work contents and functions of budget management, and then analyzes the problems of budget management system existed in modern enterprises. At last, it puts forward relevant optimization suggestions, thus promoting modern enterprises to build a scientific and rational comprehensive budget management system to improve their ability to control risks by comprehensively improving their budget management system.

## 2. Construction of modern enterprise budget system

### 2.1 Prerequisites for establishing a modern enterprise budget system

In order to establish a budget management system in modern enterprises, it is necessary to get the support of management. The managers of enterprises need to recognize the importance of the budget management system and fully cooperate in thinking and action. This is the basis for establishing an enterprise budget management system. Secondly, the support of appropriate staff is required. This is the technical support for establishing a modern budget management system.

### 2.2 Principles to be followed in building a modern enterprise budget system

#### 2.2.1. Principle of seeking truth from facts

In the construction of the modern enterprise budget management system, we should first adhere to the principle of seeking truth from facts. Only by doing things realistically can managers make correct decisions about the development of enterprises. This requires managers to adopt a more scientific and effective way to solve problems. In the management process, it is necessary to use the actual situation as the basis, and to use the data of the company's development as the basis, rather than relying on subjective experience to judge.

### **2.2.2. Overall planning**

Modern enterprises need to start from the overall situation when constructing the budget management system. Managers need to take into account the enterprises objectives are normally set for the organization as a whole and are then translated into unit objectives, which become the targets for the individual business units within the organization, and thus ensure that the budget management system can take into account all aspects of the enterprise.

### **2.3 Content of the modern enterprise budget system**

The enterprise's budget management system can be divided into three aspects, operating budget, financial budget and budgeted profit statement. The operating budget mainly refers to the budget related to the production and operation activities of the enterprise. The operating budget is mainly based on the sales of the enterprise, and the budget for all aspects of production. The sales budget can be divided into production budget, labor and material budget, and expense manufacturing budget. Capital expenditure budget mainly refers to the budget related to capital expenditure that is not generated frequently by enterprises. The financial budget is mainly related to financial status, cash flow and operating results. The development of various activities of the enterprise requires budgeting according to the feasibility of the project, so as to achieve risk control of the enterprise.

The development of the enterprise's comprehensive budget management work requires that each parts of an organization realize the integrity of the enterprise management system should coordination with each other. In addition, the sales budget is the most important plan over the budget management system. This budget is also the most difficult plan to produce, because sales demand will be influenced by the state of the economy or the actions of competitors. After determining the sales budget, the production management budget and manufacturing budget can be further determined. Based on the production budget, the cost budgeting work should be carried out. The capital expenditure needs to take into account the strategic objectives of the enterprise. At the same time, the relationship between sales cash and production should be considered in the preparation of capital expenditure budget. After the above budget preparation target is reached, the cash budget preparation work can be carried out, and finally the financial statements.

## **3. The multiple functions of budget management system**

Under the market economy system, enterprises are the main roles involved in market competition. Any enterprise that wants to occupy a dominant position in competition with other competitors in the market and win the competition must be based on the normal production and operation of the enterprise. In general, the budget management system is an integral part of management control system, it has the following functions.

### **3.1 to ensure the achievement of enterprise's objectives**

Budget system is concerned with the enterprise's objectives. Objectives for the enterprise as a whole, and for individual departments and operations within the enterprise are set. Quantified expressions of these objectives are then drawn up as targets to be achieved within the timescale of the budget plan. It also prevents management from relying on spur of the moment or uncoordinated planning, which may be detrimental to the performance of the organization.

### **3.2 to provide a framework for responsibility**

Budgets enable an enterprise's managers to measure actual performance against predicted performance. Budget management system requires that managers of cost and operating departments be made response for the achievement of budget objectives for the operations under their personal control.

### **3.3 to motive employees to improve their performance**

An effective budget system can be a useful device for influencing managerial behavior and motivating managers perform in line with the organizational objectives. A budget provides a

standard that under the right circumstances, a manager will be motivated to strive to achieve. Most employees are motivated to work more intensely to avoid failure than to achieve success.

### **3.4 to coordinate activities**

The activities of different departments or sub-units of the enterprise need to be coordinated to ensure maximum integration of effort towards common objectives. Without any guidance, managers may each make their own decisions, believing that they are working in the best interests of the enterprise. The budget system will compel managers to examine the relationship between their own operations and those of other departments and, in the process, to identify and resolve conflicts.

## **4. Problems existing in construction of modern enterprise budget system**

### **4.1 limitative data source**

The enterprises need a large amount of sales data as a support when conducting budget. However, many enterprises lack comprehensive data collection channels in the process of development, and thus cannot achieve comprehensive management. It is difficult for the budget management department to achieve comprehensive data collection. In addition, some companies do not pay attention to budget management, which is not conducive to the standardization and rationalization of budget management work.

### **4.2 The imperfect budget management system**

Along with the continuous development of the economy, Chinese enterprises are spread all over the world. The project development also involves all aspects of social production, which makes the construction of modern enterprise budget management system more difficult. And some enterprises in China are still in the initial stage of development, the relevant work links are still not perfect, and the comprehensive budget management system is not perfect, and the different departments cannot be effectively communicated. It hinders the development of modern enterprises and is not conducive to the overall development of China's economy.

### **4.3 Some enterprises lack attention to construction of budget management system**

At present, many enterprises lack the emphasis on budget management system, and they cannot effectively implement budget management system during the specific work development process. Some asset abuse phenomena occur frequently, and the budget management system is ineffective, which has brought great negative effects to the development of the enterprise. In addition, there are still some enterprises lacking an appropriate reward and punishment mechanism, which leads to the enthusiasm of the budget management staff, and the work effect is greatly discounted.

### **4.4 Unclear budget management objectives**

If modern enterprises want to build a budget management system that suits their own business development, they need to determine a clear budget management objective. Under normal circumstances, the company's budget management objectives are directly related to the company's strategic development direction, and it is the basic guarantee for enterprise budgeting, budget management and budget execution. Only in this way can we provide a stable foundation for the development of enterprises. However, many companies still do not consider the combination of strategic goals and actual goals, the combination of overall goals and phase objectives, and the combination of quantitative goals and qualitative goals in the process of building a budget management system, which leads to the budget of the enterprise. The management objectives are not clear, and over time, it will have a negative impact on the development of the company.

## **5. Suggestions for the construction of modern enterprise budget management system**

### **5.1 to optimize the budget management process**

In order to optimize the management process of modern enterprises, we should first manage the structure, divide the budget objectives at all levels, and refine the budget objectives of each level to the specific practice operators, and the efficient budget management work with the lowest Budget management costs are fully coordinated. Secondly, it should also conduct an effective analysis of the internal development of the enterprise, draw on the development experience of advanced enterprises, and combine the budget management guidance with the basic principle to simplify unnecessary management processes and optimize budget management.

### **5.2 to establish an appropriate budget management organization**

In order to construct a budget management system in modern enterprises, it needs to establish an appropriate budget management organization structure within the enterprise. Organization structure is an arrangement of lines of response within the organization. An enterprise may be organized primarily business function with each manager having decision-making authority over his or her function. The managers of individual divisions would each have decision-making authority concerning all the business functions within that division. Each manager, regardless of level, is in charge of a response center. A response center can be structured to promote better alignment of individual and enterprise goals.

### **5.3 to improve the budget information management system**

At present, most of the modern enterprise's industry information and budget management information are inconsistent with the actual development, which leads to deviations in its management mechanism, which is not conducive to the further development of the enterprise. Therefore, an information management system for modern enterprises should be established and improved. Modern enterprises need to clarify the responsible departments and subdivide them into three aspects: budgeted investment, budgeted profit and budgeted cost. In the implementation process of budget management system, the budget management information system should clarify the main body of responsibility, and can search all links accurately, timely and comprehensively, and clarify the current status of the project and the management status of the responsible subjects. After a unified understanding of the development of each link, through the analysis and analysis, the budget management information of the decision-making is distributed and transmitted, so that each functional department can clarify its own responsibilities, thereby promoting the further development of modern enterprises.

### **5.4 to establish and improve the budget management pre-warning system**

Modern enterprises are facing the dilemma of adjusting risk uncertainty and increasing risk. The establishment and improvement of the pre- warning system is a key way to enhance the monitoring and analysis of all aspects of budget management, management of each management and internal cash flow. The establishment and improvement of the modern enterprise budget management pre-warning system should be based on the overall budget management plan and target implementation of the enterprise. The indicator pre-warning facilities in the system are flexible according to relevant indicators. The analysis of the variance will be issued when the indicators exceed the established scope; the budget management decision-making level and the management and executive departments can help the different departments to establish different pre-warning areas and complete budget management according to the past implementation of the department and the actual implementation. Monitoring work for the non-measurable factors in budget management, the monitoring and management is implemented through the factor pre-warning method. Although the design factors in the monitoring and management of non-measurable factors are much less than the measurable factors, the impact of each factor on the overall budget management system is much greater. The decision-making layer needs to be participated by the decision-making level and the

management.

### **5.5 to establish budget management objectives**

Establishing a scientific and rational budget management objective is an important prerequisite for the construction of a budget management system. It is also an inevitable requirement for standardizing modern enterprise financial management, implementing corporate budget management tasks, and promoting corporate strategic development goals. Budget goals should be clarified in the budget management process of modern enterprises. For example, the financial management of a company can begin to prepare the financial budget for the next year in November each year. This should be the responsibility of the budget committee to make a financial budget for the subsequent production, procurement and sales departments. After the budget plan is completed, it needs to be confirmed by various departments to ensure that this plan can meet the development requirements of the enterprise and provide a basis for the optimization and development of the enterprise.

## **6. Summary**

In summary, modern enterprises further strengthen the overall budget management work, on the one hand can help enterprises to achieve optimal allocation of resources, on the other hand can also improve the overall management level of enterprises, and promote rapid development of enterprises. Judging from the current development situation, there are a series of problems in the budget management process of most enterprises in China. Therefore, we need to adopt different optimization measures according to the development status of different enterprises, so as to improve the management awareness of management enterprises, improve management plans, and develop a budget management system to maximize the steady development of modern enterprises.

## **References**

- [1] Colin Drury, Management and Cost Accounting, 10<sup>th</sup>, Cengage, United Kingdom, 2017.
- [2] Charles T. Horngren; Srikant M. Datar; Madhav V. Rajan; Monte Wynder; William Maguire; Rebecca Tan, Cost accounting, 2<sup>nd</sup> adaptation edition, Pearson Australia, 2014.
- [3] Zhu Haiying, Discussion on the comprehensive budget management of group companies [D]. Beijing: Department of Financial Accounting, Peking University, 2008.
- [4] Zhao Xibu, Several Misunderstandings in Implementing Total Budget Management in Enterprises [J]. World Business Review, 2007(12): 42~43.
- [5] Yang Jinsong, On the Implementation, Adjustment and Assessment of Enterprise's Comprehensive Budget [J]. Transportation Enterprise Management, 2003 (8): 35~38.