

Formation of Financial Planning for the Automotive Industry

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Abstract

The article presents the principles and criteria for staging and the use of process-oriented financial planning in the automotive industry, allowing separate business processes, promote the growth of the company's value. The developed model estimates of currency risks on the basis of cash flow modeling of the budget of foreign economic activity the automotive industry aimed at increasing the company's value.

Keywords: financial planning, cost control, the automotive industry, responsibility center, ABC-costing, foreign trade activities.

1. Introduction

The process of cost management is a component part of the overall management of the economy of the enterprise. To one of the elements of the financial mechanism of cost management automotive companies include financial planning.

Changes occurring in the internal and external environment, have a corresponding impact on the functioning of the organization as a whole and its budgeting system in particular.

In recent years, the most widely used in practice to obtain three methods of financial planning: the method of percentage of the sale; computational and analytical method; budget planning.

Budgeting is an integral part of the overall planning process, and not just the financial part. The mechanism of budgetary planning income and expenditure to ensure it is advisable to implement cost savings, greater efficiency in the management of these funds, reduce wastage and losses, as well as to improve the reliability targets (for tax planning purposes).

Financial planning - the process of developing specific budgets in accordance with the objectives of operational planning.

2. Theory

For automotive companies there is a need to streamline management processes, the creation of a coherent system of planning and control, ie, it comes resolved budgeting system, the foundation of which is the financial structure.

Following procedure is recommended to determine the financial structure in the formulation of budgeting:

1. Analyze the business enterprise.
2. Make a list of the types of economic activities (type of business).
3. Distribute businesses on structural divisions.
4. Determine the financial structure of the enterprise.
5. Select in the financial structure of the enterprise centers accounting (financial reporting center, the center of financial accounting, cost center).
6. Distribute the revenues and costs for the structural subdivisions.
7. Select the kinds of budgets for these units.
8. Determine the types of consolidated budgets.
9. To review the financial structure of the company, to develop a position on the finance department, accounting,

budgeting provision.

Center of financial responsibility - to the financial structure of the company, which is responsible for all financial results: revenues and profit (loss), costs. The ultimate goal of any center of financial statements - profit maximization. For each center, the financial statements shall be drawn up of all three main budgets: the budget of income and expenses, cash flow budget and forecast balance.

As a rule, a center of financial statements are the individual enterprise; subsidiaries of holding companies; subdivisions, agencies and branches of large companies; regionally or technologically isolated activities (business) diversified companies.

Center for Financial accounting - to the financial structure of the company, responsible for only some of the financial indicators, such as income and for part of the cost. Center for Financial Accounting component of the budget of revenues and expenditures, or some private and support budgets (budget labor costs, sales budget).

As centers of financial accounting may make major manufacturing plants involved in a single process chain enterprises with sequential or continuous production cycle; manufacturing (assembly) shop; sales and service units.

A cost - to the financial structure of the company, which is responsible only for expenses. And not for all the charges, and the so-called regulated costs and expenditure savings which management cost centers can control. This sub-units operating core business processes. For the cost center accounts for only some auxiliary budgets. As a cost center can act Support Services Company (maintenance department, security service, administration).

Registration Center - is any object of the financial structure, which may be the center of the financial statements, and the center of the financial accounting and cost center.

Given the ongoing changes in the automotive industry is the purpose of financial planning, cash flow management of the company as a whole, reducing the risk of loss of company liquidity and inefficient use of funds, accounting centralization, standardization of processes within the company.

Given the ongoing changes in the automotive industry, the purpose of financial planning is to manage the cash flow of the company as a whole, reducing the risk of loss of company liquidity and inefficient use of de-monetary funds, accounting centralization, standardization of processes within the company.

Given the changes in the structure of the industry and company risk-based system of financial planning in the automotive industry offers based on the following principles,

Table 1: Principles of risk-based system of financial planning in the automotive industry

Principles	Characteristics
Support for the organizational structure of the financial structure of the company	Financial structure should be maintained organizational structure, ie, elements of the financial structure must comply with the elements of the organizational structure.
Integrity and consistency	Unity and consistency of the accounting policies used in risk assessment methodologies.
Unification and methodological integrity	All classifiers, budget forms, calculation algorithms and methods used are standardized and binding on all participants in the budget process.
Personal responsibility	Each participant of the budget process is personally responsible in the area of its competence, assesses the extent and cost of risk.
Continuity and coherence of the budget process	The process of planning, accounting, control, analyze and adjust the budgets of operating continuously, when a probability of default of the budget developed appropriate measures.
Feedback	To improve the efficiency of financial planning at the enterprise need for constant monitoring parameters and monitor the implementation of control actions and state changes.
Visibility and transparency	An openness and accessibility of information on the implementation of the company at all levels of the budget system.
Balance	Involves ensuring the planned budgetary measures necessary operational and financial resources.
Rational centralization	Centralized planning and management of financial resources
Budget evaluation	Valuation of potential losses from the planned revenue shortfall and excess expenditure in the performance of the budget.
Democratic governance	Provision of equal conditions and opportunities for all participants in the system.

Management of financial flows of the company is necessary, but any company, managing for results, must learn, first and foremost, to manage their economic results, namely to increase the value of the company as a whole for the shareholders (owners) by increasing revenues and reducing costs. None of the existing models of financial flows can not reveal how effectively the company's financial functions. Therefore, and need a comprehensive approach to budget management system.

Financial planning should be an ongoing process, creating a favorable environment for the development of alternative approaches, as well as allow you to make changes quickly and easily. As a general rule, if the budgeting

system does not work, from her, or is abandoned, or put it in order, which is what most companies, each decide for themselves on their own which way to go, and any of the options is correct.

The financial planning of any business is a set of interrelated operational, investment and financial budgets. The operating budget consists of the budgets of sales, production, procurement, etc., Investment - from capital budgets, implementation of non-current assets, investment income. In the financial budget usually include cash flow budget, the budget of the profit and loss (income and expenditure budget) and the budgeted balance sheet. Consolidated budget, which includes financial, operational and investment budgets, often called the master budget.

In the development of the budgeting system should take into account not only the species component of the budget, but also the relationship between them, as well as the sequence of their formation. The collection of all budgets and order of compilation is called a budget model. And if the low-end models in the textbooks tend to be similar, in practice to find at least two companies who have low-end models are the same, it is difficult.

The budget structure of the enterprise is determined by three main factors:

- Requirements on the part of the company's management,
- Specifics of business,
- The management structure of the company (the future financial structure).

Under the requirements from the management understanding the requirements for composition, detail and timing budgeting procedure. The budget structure should reflect those areas of economic activity, follow-up is mandatory for regular management, that is to be minimally sufficient for successful business management.

In doing so, the budget structure are presented as requirements of detail and accuracy of the information contained therein. The higher these requirements, the more complete structure must be low cost, i.e. cover all areas of economic activity. Completely reliable information has only comprehensive model of the budget structure, and the most detailed and reliable - individual complex model of the budget structure.

Specificity of business enterprise requires an individual approach to the development of functional budgets. There is no single (base) for all types of businesses and areas of economic activity budget structure.

Based on the practice of systems development and implementation of budget management, the following cost model:

1. Individual model for comprehensive budgeting
2. Universal budget model
3. Financial planning of individual work areas
4. Financial Planning financial flows
5. Financial planning inventory flows

In conclusion, we note that, although not formally All models comply with the generally accepted concept of budget management, they all have features that distinguish financial planning in a separate management technologies:

- Availability of financial responsibility centers (although in some cases there is no comprehensive financial structure);
- Availability of interrelated budgets that allow to plan activities and to take into account the fact in the same sections;
- The ability to refine and optimize the system.

It is the choice of optimal budget model at the design stage of financial and budgetary structures enable the company to not only reduce the time and costs, but also to get maximum results, expressed in increasing business transparency and improved financial performance in the shortest possible time, and to provide an opportunity for further growth and development of the system.

It is possible to identify the main factors that make the budgeting system of each company unique:

- Limitations that affect activities of the company (sales volume, production capacity, and so on. Etc..)
- Type of activity;
- The strategic objectives;
- The information needs of management of the company;
- The size of the enterprise and control system.

In the opinion of the author and a modern classic budgetary accounting needs further refinement for management purposes. Although he has many important factors for decision-making:

- Have a complete management cycle: planning, implementation, monitoring, analysis.
- Accounting for financial responsibility centers and centers of financial accounting.
- The existence of different forms of budgets;
- Office of the targets set in the budget;

- Cyclic accounting (accounting periods), and others.

This data is often not enough to make management decisions and to reflect the full picture of the current state of the enterprise. Of course, everything depends on the structure and specificity of business - processes, and for many businesses it will be enough.

Large enterprise is a branched structure with a variety of units and complex bonds. The company can be represented as a set of specific processes or functions:

- The function or process (hereinafter may be considered these concepts as synonyms) for the management of business;
- The function of power supply enterprise;
- The function of maintaining personnel records, production and safety, etc.

As a rule, all functions are grouped by department or office, but the same department may be involved in several processes, such as transport section busy main transportation and support units, as well as leadership, or the same department can perform several different functions for example, the Department of Informatics and Communications, has the role of providing telephone services, computer equipment repair, maintenance or development programs.

The way out of this situation would be to use Activity-Based Budgeting (ABB) - Budgeting built on a process-oriented approach (Process cost functional or financial planning). Process cost financial planning - a relatively new approach to budgeting, but it is small enough common, not least because of the reluctance of companies to share technology, which they consider to be their competitive advantage.

Application of this technique allows you to:

- Get the cost of each process in the enterprise with the necessary level of detail;
- Get the cost structure of processes;
- Track where costs specific aim Center of financial responsibility or the Center for Financial accounting;
- Use additional flexibility in the budget structure through an extra dimension;
- To accurately calculate the cost of goods sold through the distribution process costs;
- Rate of an enterprise from different perspectives;
- Plan on the basis of zero-based budget;
- Evaluate the effectiveness of each process;
- Rate of why there are costs to evaluate the bottlenecks and what processes are the least effective.

We recommend using this technique after the development of strategic maps of the enterprise.

For the introduction of the concept of ABC costing and thus posing ABC budgeting, you need to spend Pre ABC-Costing. ABC-Costing is relevant when the share of indirect costs are substantial, and their distribution approximate empirical methods (in terms of revenue, direct costs, salary, etc.) results in significant error. Sometimes enterprises are marginally unprofitable products. Often accountant analyst feels, what products and other objects accounting unprofitable, if properly take into account all costs. But without ABC-Costing prove by figures that cannot. In the method, all these factors are analyzed quantitatively. Sometimes the use of simple calculations based on data from existing records, but most expert. We call this ratio analysis.

3. Results

For the introduction of the concept of ABC-Costing and thus posing Aus- Budgeting, it is necessary to carry out Pre ABC-Costing, which includes a ratio analysis, which allows to determine the need for and feasibility of ABC-costing the company. The first three coefficients calculated, the fourth factor - expert (see Table 2).

Table 2: Data coefficient analysis

	Odds	
1	The share of indirect costs in the total aggregate cost	>50%
2	Revenue contribution marginally unprofitable products under the existing accounting system	>20%
3	Share of profit marginally unprofitable products in profit under the current accounting system	>30%
4	The error probability distribution of indirect costs	>50%

The total or cumulative assessment of the feasibility of ABC on the enterprise as a whole or groups of units and / or products is a measure - the amount of points (b) to indicators (ratios) with the weights of indicators (a) = $ABC = \sum b_i \cdot a_i$ (1).

If $ABC > 40$, the statement of ABC-costing the company will be rational and will lead to lower costs and allocation

errors if $ABC < 40$, the statement of ABC-costing the enterprise feasible.

The paper presents a block diagram of the model formulation and use of process-oriented financial planning by the automotive industry, which allows select business processes that contribute to the growth of the company's value:

Methodology Pre ABC-Costing is based on the following principles:

- Simplicity and practicality.
- The probabilistic nature of the conclusions.
- Ability to use a truncated procedure with an incomplete set of coefficients of the difficulties in assessing the appropriateness of some of the factors ABC-Costing.
- Methodology is easily adjusted to the company (usually by giving up some of the coefficients that have little value in the enterprise or that are difficult to estimate).
- The use of expert judgments only where there cannot be direct evidence.
- Estimates used in the method is indirect. Using legal language, we can say that they are not direct but indirect evidence. This means that a negative score on any of the criteria does not put an end to the ABC-Costing for this company. It shows that, probably, the introduction of ABC-Costing is not very important. And even this cautious conclusion is not quite correct. Now, if all of the estimates are negative, then the development of ABC-Costing almost certainly worth the wait.

4. Conclusions

Thus, the purpose of financial planning in the automotive industry, operating in the market of Russia, is as follows:

- More efficient use of the available resources, assets (tangible and intangible) and responsibilities of managers at various levels of government for providing them with the resources and assets.
- Create opportunities for the evaluation of investment attractiveness of certain areas of economic activity which is or who is going to do in the future business.
- Increasing the validity of the provision of financial resources in certain areas of economic activity.
- Strengthening of financial discipline, especially increasing the responsibility of managers at various levels of management and to stimulate a more effective combination of structural units in the interests of the entire organization.
- Control over changes in the financial situation of the company.

In the context of Russian instability problem of risk is of great importance in the justification of administrative decisions, so be aware that the effects of environmental influences can be both positive and negative.

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