Chapter 3
Planning, Budgeting, and Green Controlling:
The Budgetary Process of an Economic Entity

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ABSTRACT
The issue of this chapter is to illustrate the aspects of planning, budgeting, and controlling green activities within an economic entity and their impact on the profitability of the entity. The objectives of this chapter are to present the strategic planning, budgeting, and control/controlling processes; the presentation of the principles underlying the budgeting; and the presentation of a case study on the elaboration of the budgetary process and the controlling of an economic entity in the manufacturing field. The chapter presents the types of integrated budgets and how to report the achievement of the objectives. By providing effective information on planning and budgeting, green controlling becomes an indispensable tool for any economic entity in monitoring and measuring performance. Thus, through the contribution made, a new theoretical and empirical framework is created by the authors, which facilitates the identification of new ideas, themes, and debates of other aspects encountered in the activity of the economic entities.

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INTRODUCTION

Within all economic entities, the planning, drafting and implementation of budgets and their control have become crucial in streamlining the use of tangible and intangible resources. In order to ensure an efficient and transparent management system for the use of all these resources, economic entities are directly interested in modernizing the process of drafting, implementing, controlling and reporting the budget, improving accounting records, implementing the control system and measuring the results obtained, as well as the creation of an integrated information system for management of all the company’s available resources. In fact, any economic entity cannot actually start its activity without a program of activity and without a forecast of revenues and expenses for a period. As a forecasting document, the budget is compiled annually and can be compared to an entity’s GPS, being the instrument that helps management to determine the amount of activity and resources needed, responsibilities on each organizational structure, and last but not least in management guidelines in the future, the ultimate aim being to obtain profit. Also, the budget is a tool for coordinating the various activities of an economic entity, being useful in measuring performance, promoting efficiency and preventing waste. The constant analysis of past performance allows management to make optimal strategic decisions and to produce better forecasts in the future. Thus, over the past twenty years, the concept of controlling has greatly developed, becoming a management function without which a modern entity cannot be conceived. At the national level, there is a tendency for the two control and controlling concepts to be considered similar, but controlling is a functional leadership concept that has the role of coordinating management planning, control and management in the direction of achieving the proposed objectives. Controlling develops the possible methods of informing all those responsible for the budgetary process to act in such a way as to achieve consistency between the proposed objectives, the means of achieving them and the results achieved. This chapter addresses various conceptual formulations on the planning, budgeting, control/controlling process, which then integrates into an empirical study.

The main objectives of this chapter are: (1) the presentation of the strategic planning, budgetary and control/controlling processes; (2) the presentation of the principles underlying the budgeting; and (3) the presentation of a case study on the preparation of the budgetary process and the controlling of an economic entity in the manufacturing sector.

BACKGROUND

Regarding the issues addressed, the national and international literature offers a considerable number of theoretical and practical studies related to the concepts of strategic planning, budgetary process, budget itself, control and controlling (Albu & Albu, 2003; Anthony & Govindarajan, 2007; Burlaud & Simon, 2003; Bouquin, 2006, 2008; Briciu et al., 2010; Căpușneanu, 2006; Dragomirescu, 2010; Kerzner, 2001; Tabără, 2009). Anthony (1965) defines strategic planning as a means of formulating the strategy. According to Kerzner (2001), strategic planning is the process of developing and implementing decisions about the future direction of the organization, being vital to the survival of any organization because it helps companies adapt to the ever-changing environment applicable to all managerial levels and all types organizations. Wagner (1883) defines the budget as ‘a plan comprised of figures, in a sequence determined by a systematic object, about the likely inputs and outputs (incomes and expenses) in monetary terms or monetary values that occur in the economic management of a public body for a certain
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