

IMPROVING THE SYSTEM MANAGEMENT OF FARMS AND AGRICULTURAL ENTERPRISES ON THE BASIS OF CONTROLLING, ACCOUNTING AND INFORMATION FRAMEWORKS

L. Antoshkina

Department of Management
Berdyansk University of Management and Business
Berdyansk, Ukraine

M. Ihnatenko

Department of Economics,
Hryhorii Skovoroda University in Pereiaslav, Pereiaslav, Ukraine

A. Postol

Department of Economics and hotel and restaurant business
Bogdan Khmelnytsky Melitopol State Pedagogical University
Melitopol, Ukraine

Y. Hurbyk

Department of Economics and hotel and restaurant business
Bogdan Khmelnytsky Melitopol State Pedagogical University
Melitopol, Ukraine

K. Pylypenko

Department of Accounting and Economic Control
Poltava State Agrarian Academy
Poltava, Ukraine

ABSTRACT

The subject of the research is theoretical and methodological aspects and practical recommendations for improving the system management of farms and agricultural enterprises by supplementing its structure with new components and platforms or frameworks and principles of implementation.

The purpose of the work is formulated as a justification of the benefits of system management of agricultural farms and the need to increase its flexibility as a basis for

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improving productivity by implementing and using the principles of implementation, controlling and situational management, as well as new accounting and information frameworks.

The methodological basis of the article were both general and special methods of scientific knowledge. Methods were used: system-structural analysis and synthesis; monographic; accounting; assessment, diagnosis and forecasting based on quantitative accounting and statistical indicators.

The article highlights the advantages of system management for farms and agricultural enterprises as system economic entities. That is why system management allows you to take into account their features. Additional types of management and frameworks are defined, the principles which allow to provide flexibility of system management, therefore, to strengthen its efficiency are substantiated. It is determined that with all the obvious advantages, system management needs more flexibility to respond in a timely manner to the challenges of the internal and external business environment, their prevention, leveling. The means of its achievement substantiate certain principles of implementation, use of controlling and situational management, for certain parts of agricultural reproduction, strengthening of other frameworks - accounting, especially for management and control of costs, as well as information on all components of system management.

The results and conclusions of the article can be used in the work of managers and owners of farms and agricultural enterprises, in the training of management specialists in colleges and universities.

The effectiveness of the use of system management in ensuring the organizational and economic priorities of the development of farms and agricultural enterprises is also determined by its principles: versatility, multidimensionality, hierarchy, diversity of properties, dynamism. Particular attention should be paid to the principle of democratic centralism, which means the delegation of managerial powers to structural units, centers of responsibility, functional managers or departments. Finally, we are talking about the development of accounting and information frameworks as important factors in enhancing the flexibility and, consequently, the effectiveness of system management.

Key words: system management, farms, agricultural holdings, controlling, accounting, information, frameworks, improvement

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1. INTRODUCTION

With the strengthening of competitive factors in the activities of economic entities of the agricultural sector of the economy, the role and importance of effective management of business, production, environmental, socio-economic processes is growing. Therefore, the introduction and use in farms and agricultural enterprises of system management as one of the fundamental tools for the implementation of organizational and economic priorities of their development is of great theoretical and practical importance.

System management, according to popular belief, is based on the understanding of control and managed entities as interconnected systems. The first system means the understanding of farms and enterprises as open complex system formations with an ordered structure based on certain interconnected units. The second system means understanding the actual management or management as a system consisting of system components - measures, techniques, methods, mechanisms, management decisions.

In this definition, they ensure the implementation of the process of agricultural reproduction, and the system components of farms and enterprises are its basis. Therefore, there is reason to believe that the implementation within the system and process management, which is responsible for the implementation of the latter. Process management, which is carried out by the centers of responsibility, contains elements of controlling as an interfunctional direction of management. Also within the system management it is possible to implement a situational approach and the corresponding situational management. It is aimed at solving those or other situations that have the greatest impact on the efficiency and competitiveness of farms and agricultural enterprises. Such a rationale, in our opinion, significantly enhances the flexibility and, consequently, the effectiveness of system management.

In addition to the above, in accordance with the concept of system management is implemented functional (with a focus on the relevant tasks of functional performers or functional units); tactical (aimed at solving everyday operational or tactical tasks); strategic (aimed at ensuring the fundamental goals and objectives for the future) management. The basis for the implementation of system management and its components or any other types is information, evaluation and analysis and diagnosis. They are provided with monitoring, ie observation and accounting of all activities. That is, we can say that the flexibility of system management, its improvement is provided by accounting and information frameworks.

Monitoring and accounting of the activities of agricultural entities must be daily, consistent, systematic; be carried out according to certain rules, indicators and criteria. These requirements are best met by financial and management accounting. Ensuring management accounting is aimed at implementing the information needs of enterprise management and is based on the prompt processing of internal information and making timely management decisions regarding its actual implementation. At the same time, modern economic conditions emphasize the direction and management orientation of accounting, in particular in agricultural enterprises, which emphasizes the special relevance and complexity of solving this problem.

Analysis of recent research and publications. Problems of introduction of management accounting in the practice of domestic enterprises and its management and, in particular, accounting by centers of responsibility were studied by such well-known domestic and foreign scientists as Blank O.I., Golov S.F., Drury K., Kaverina O.D., Marmul L.O., Napadovska L.V., Paliy V.F., Plaksienko V.Y., Pushkar M.S., Savchuk V.P., Sadovska I.B., Sheremet A.D., Atkinson E., Horngren C., Foster J. et al. Although the scientific developments of these and other authors are quite diverse in theoretical, methodological, methodological and practical aspects, but remain insufficiently studied and require in-depth development of organizational and methodological support for the implementation of accounting and internal reporting by centers of responsibility for system management.

The purpose of the paper is formulated as a justification of the benefits of system management of agricultural farms and the need to increase its flexibility as a basis for improving productivity through the introduction and use of principles of implementation, controlling and situational management, as well as new accounting and information frameworks.

2. THE MAIN RESEARCH MATERIAL

The multisectoral nature of modern agribusiness structures requires the construction and adherence to the principle of flexibility of system management in order to reduce costs and make sound management decisions due to the growth of operational information flows and the flow of administrative orders and instructions. Improving the organizational and economic mechanism of functioning of farms and enterprises in the agricultural sector, achieving organizational and economic priorities for their development is also based on the decentralization of system management.

Generalizing concept in the decentralization of system management Sheremet A.D. calls the "center of responsibility" [1], which allows us to consider the organizational structure of a modern farm and agricultural enterprise as a set of different centers of responsibility associated with processes or lines of responsibility. Because in the decentralization of management it is possible to cover all structural units from top to bottom and determine the location of each structural unit (unit, department, segment, specialist) in terms of delegating to them the relevant functional powers and responsibilities. Thus, the emphasis is on the use of process and functional approaches in the system management of organizational and economic priorities.

Napadovska L.V. is determined that the centers of responsibility are the existing structural elements of enterprises and farms headed by the responsible manager [2]. In particular, scientists associate the allocation of centers of responsibility with the distribution of powers between employees of the enterprise and giving the heads of departments the right to make decisions independently, securing responsibility for the consequences of such decisions.

An important aspect of accounting as the basis of system management Horngren C. and Foster J. [3] consider the allocation of individual units as objects of accounting, because the centers of responsibility are those units by which it is possible to account for the performance of their managers clearly defined responsibilities. Thus, the decentralization of management not only allows to determine the place of each structural unit in the information space, delegating to it certain powers and responsibilities. It is a qualitatively new type of system management aimed at maximizing profits and efficiency of management in general.

In the organizational structure of economic entities of the agricultural sector of the economy there are various structural units (centers of responsibility) - units, mechanized units, brigades, departments, services, whose leaders are fully responsible for the results of their units and control them. The accounting system for responsibility centers makes it possible to evaluate the activities of such responsibility centers and their managers on the basis of collected, accumulated, analyzed and presented information about their costs and results. The definitions of scientists regarding the centers of responsibility allowed to generalize the characteristic features of the accounting system by centers of responsibility (fig.1).

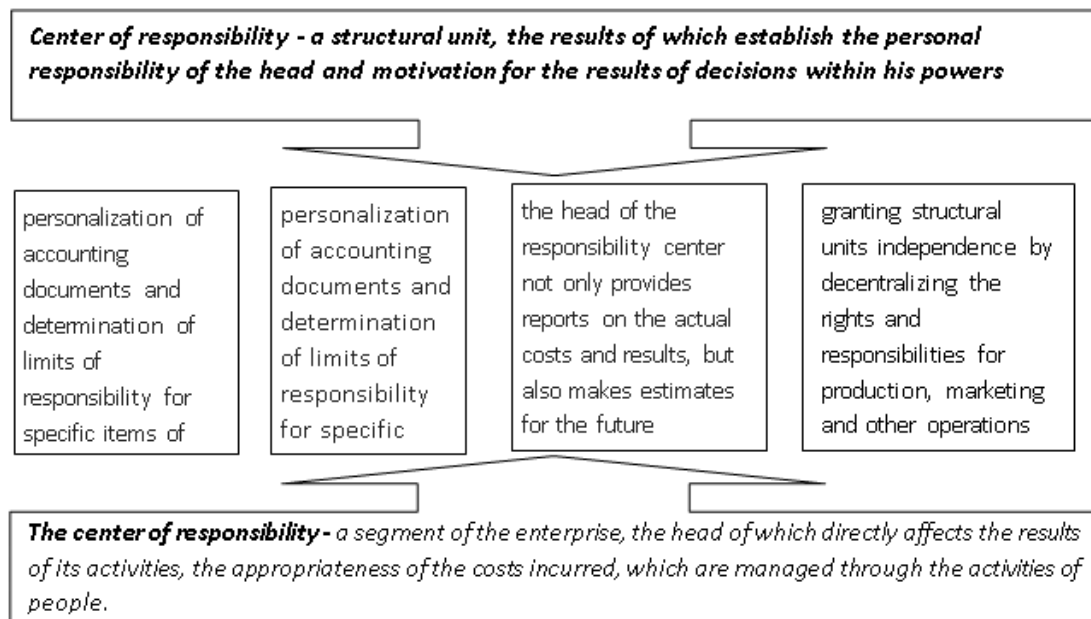


Figure 1. Characteristic features of the implementation of systematic management of farms and agricultural enterprises by centers of responsibility

Thus, in scientific works, system management by centers of responsibility (process management, process controlling) is based on the use of cost accounting by centers of responsibility and their places of origin. In this case, accounting is indicated not only as an internal tool for controlling the production costs of individual units, but also as a basis for assessing the efficiency of enterprises and farms as a whole [4]. In the organizational process of farms and agricultural enterprises, their division into structural units can be considered as one of its very important theoretical and practical aspects. After all, the teams of employees of production units are the objects of managerial influence by their leaders (managers) and, at the same time, the objects of planning, modeling and forecasting.

Another important theoretical and practical aspect of system management of the implementation of organizational and economic priorities for the development of enterprises and farms is the communication links of its various levels, based on their relationship and the powers of structural units. Therefore, taking into account the peculiarities of the organizational structure of an agricultural enterprise or farm (Pic. 2), the general system of centers of responsibility (costs) can be considered in two groups: technological cost centers and discretionary cost centers, namely (fig. 2):

1. Technological centers of responsibility or costs:

- cost centers of basic production (crop production and its industries; animal husbandry and its industries; processing and its industries);
- centers of auxiliary production costs (repair shop; trucks; electricity; water supply; heat supply, etc.);
- cost centers for maintenance of production processes (machine-tractor fleet; refrigeration equipment; elevator economy; agricultural chemistry, etc.).

2. Discretionary cost centers are represented by the following sections:

- center of administrative costs;
- center of marketing and sales costs.

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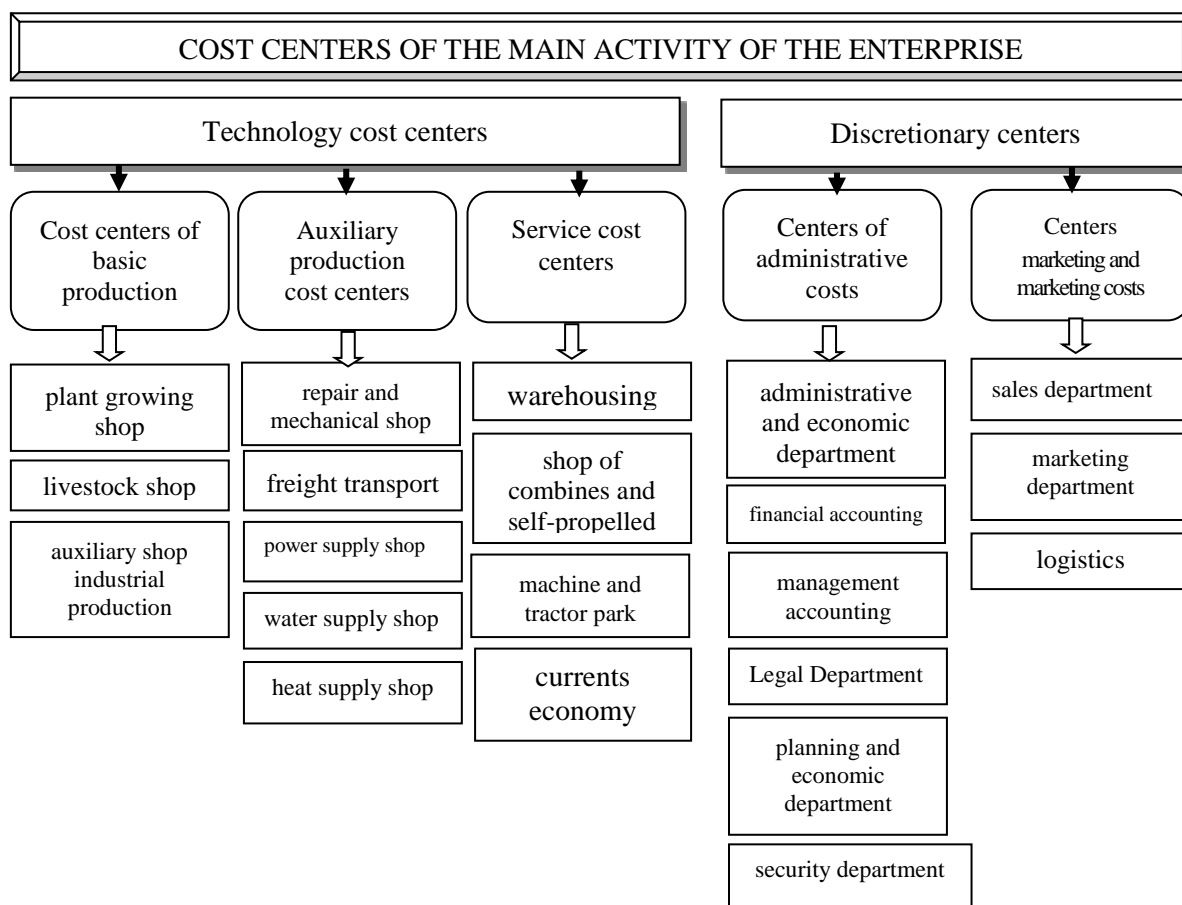


Figure 2 General scheme of centers of responsibility (costs) of the main activity of farms and agricultural enterprise.

Undoubtedly, fixing the centers of responsibility (costs) for the selected segments of activity in the organizational structure of farms and agricultural enterprises will affect: the organizational structure of system management, built on the basis of centers of responsibility; working plan of accounting accounts; the order of document flow [5]. Therefore, for the organization of accounting by centers of responsibility it is necessary to provide for the specifics of its maintenance in the accounting policy of farms and enterprises. In particular, it is a question of development of the plan of accounts on the cost centers; grouping of costs by centers according to their composition and diversity; division of cost centers into primary and secondary, primary and secondary, primary and secondary, fixed and variable; improvement or change (addition, reduction) of internal reporting forms, etc.

Thus, the management policy of farms and enterprises on the organization of accounting as an information-analytical basis of system management by centers of responsibility should contain information on: planning and evaluation indicators of the centers of responsibility; approved norms and standards, their observance or deviation, seasonal fluctuations; possibility to use transfer prices; reflection in the accounts and in the balance sheet of the results of the centers of responsibility; their interpretation in accounting and financial reporting.

To assess and analyze the effectiveness of the centers of responsibility of farms and agricultural enterprises, it is necessary to choose evaluation indicators, which depends primarily on the type of such center. The activity of cost centers is evaluated mainly on the basis of analysis of deviations from planned or standard costs [6]. Thus, the activities of profit

centers are assessed on the basis of a report on financial, economic and production activities, which reflects the profits of each center. The activity of income centers is determined by the volume and structure of sales of products or services.

The reference point of activity and means of assessment of each center of responsibility is the group or set of quantitative indicators. They are assigned to each center of responsibility (costs) in accordance with the set priority goals, objectives, directions of their development to ensure common (general) priorities for the development of enterprises and farms in the structure of which they are. In accounting, the activities of responsibility centers as objects of system management will be reflected by the formation of quantitative indicators, the set of which is the information model of this activity. Therefore, the allocation of actual and estimated indicators, their inclusion in the information flows in the system of internal production plans and reports is an important condition for the organization of accounting for the centers of responsibility [7].

3. RESULTS AND DISCUSSION

The evaluation of the activity of responsibility centers of farms and agricultural enterprises is also carried out in compliance with certain criteria or requirements (fig. 3).

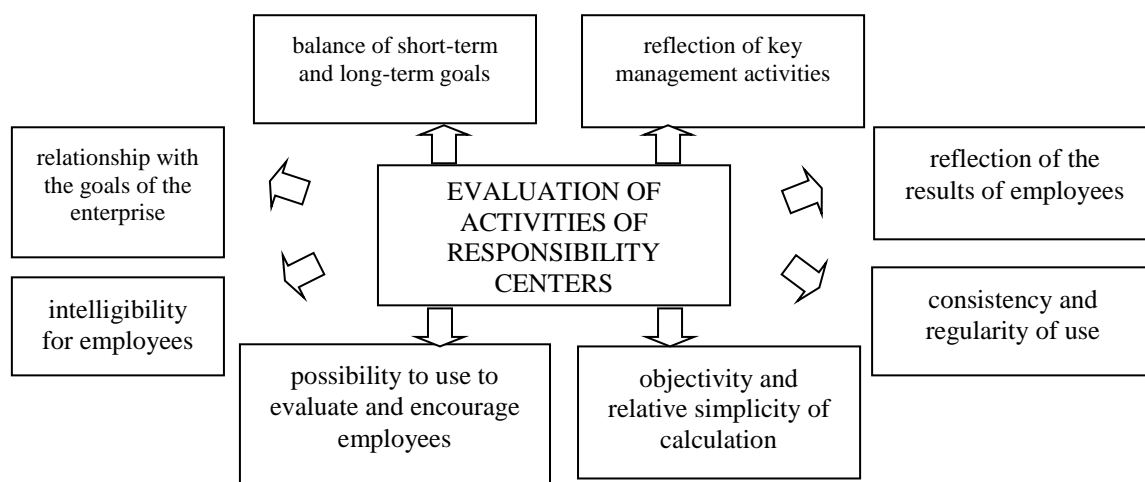


Figure 3. Criteria for evaluating the activities of centers of responsibility of farms and agricultural enterprises

For example, to assess the activities of the center of responsibility "Department of logistics" can be selected the following groups of indicators: a) supply volume (supply) of the production process with fuels and lubricants, spare parts, agricultural materials (including indicators security and performance of contracts in the production process); b) the cost of supply of inventories by type; c) limits on inventories [8].

It is generally accepted that in the accounting system by centers of responsibility it is advisable to provide: 1) definition of centers of responsibility by their types, functions and specialties; 2) preparation of budgets (plans or standards) for each center of responsibility; 3) regular preparation in the centers of responsibility of reports on the analysis and results of their work in comparison with the planned indicators of activity.

A necessary prerequisite for the establishment of an effective system of monitoring, internal reporting and evaluation, analysis and diagnostics in farms and agricultural enterprises is the study of those tasks that are solved by the heads of various departments and

identify needs for their information support. And this, for the most part, is provided for the organization and implementation of self-control of the heads of responsibility centers.

Their means is to form an information base in the system of internal reporting of agricultural entities. First of all, information blocks (maps) are compiled, which contain information about the activities of structural units [9]. To carry out accounting for the centers of responsibility collect information on costs and revenues for each center. This is done in order to identify deviations or problems, establish the causes of deviations (problems) and those responsible.

In the scientific economic, accounting and management literature, the only approach to the interpretation of internal reporting of enterprises and, in particular, the reporting of responsibility centers, is not formed. Most scholars and practitioners use the terms "management reporting", "management accounting", "internal accounting", "internal management reporting" [10]. However, today it is necessary to specify both the interpretation and the structure, content and form of internal reporting to provide up-to-date information to the heads of responsibility centers at different levels and management and owners of farms and agricultural enterprises in general. Therefore, the internal reporting of responsibility centers must meet certain requirements and be systematized on certain grounds (fig.4).

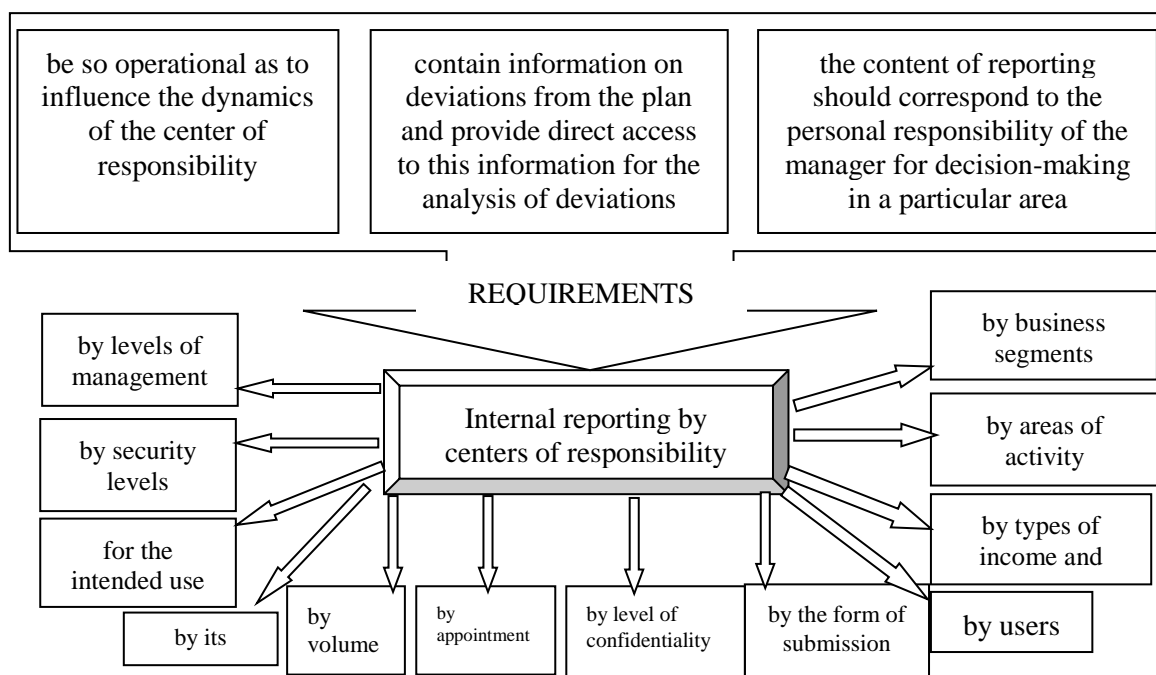


Figure 4. Requirements for internal reporting of responsibility centers and its types in farms and agricultural enterprises

The effectiveness of the use of system management in ensuring the organizational and economic priorities of the development of farms and agricultural enterprises is determined by its principles:

1. The principle of multifacetedness is that any object is considered in several plans, aspects. For example, as a qualitative unit that has its own specific features, as part of its macrosystem and others.
2. The principle of multidimensionality is that any complex object is characterized by a large set of properties that are grouped into groups (clusters), each of which describes certain features.

3. The principle of hierarchy is that the study of complex objects should be based on the idea of the hierarchy of their structure, namely the idea of placing parts or elements of the whole in order from highest to lowest. Not only models of system composition (systems - subsystems-elements) have a hierarchical structure, but also quality properties of these systems and criteria used for their evaluation.

4. The principle of diversity of properties is that the hierarchy of the structure of the system and its properties generates patterns of different order. Some patterns are inherent in all levels of the hierarchy, namely the whole system. Others belong only to some group of levels, the third is inherent only in the elements of one level, and the fourth - only for individual elements of one level.

5. The principle of dynamism is that a systematic approach requires consideration of the studied objects in their development at all stages of the life cycle.

It is determined that the basic tool for managing the implementation of organizational and economic priorities for the development of farms and agricultural enterprises is system management [11]. It involves understanding the objects of management as complex open system formations with the relevant components - structural units (sectoral, territorial, functional); responsibility centers; relationships (internal and external), relationships between them and processes [12;13]. The concept of system management in its composition allows to apply process, situational and functional approaches and the corresponding types of management activities.

One of the advantages of system management is the use as an information and analytical basis of comprehensive, reliable, timely, systematic and consistent information, evaluation, analysis and diagnosis. In our opinion, they can provide monitoring of activities, as well as management accounting for cost centers or responsibilities. In this interpretation, the latter marks controlling as an interfunctional tool - a component of system management. It allows not only to account for and evaluate, analyze and diagnose costs by responsibility centers, but also to control them [14]. The introduction of system management takes into account the presence and specificity in the structure of farms and enterprises and production or economic industry and economic territorial units.

4. CONCLUSION

The effectiveness of the use of system management in ensuring the organizational and economic priorities of the development of farms and agricultural enterprises is also determined by its principles: versatility, multidimensionality, hierarchy, diversity of properties, dynamism. Particular attention should be paid to the principle of democratic centralism, which means the delegation of managerial powers to structural units, centers of responsibility, functional managers or departments. Finally, we are talking about the development of accounting and information frameworks as important factors in enhancing the flexibility and, consequently, the effectiveness of system management.

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