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Research on Budgeting in Animal Feed Processing Enterprises in Vietnam

Ngô Thị Thu Giang

University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Ngô Thị Thu Giang**

Abstract

The study has synthesized theories on making production cost budget in manufacturing enterprises. Production cost budget include three production cost items, and the budget are prepared as static budget and flexible budget. Budget are the basis for checking and controlling achieved results and comparing with budget to analyze the reasons for making business decisions and are the basis for evaluating the performance results of departments, responsibility centers and the entire enterprise. The study was conducted on 52

animal feed processing enterprises and the study conducted an in-depth survey of Rural Technology Development Joint Stock Company to assess the current situation of building production Standard cost and making production cost budget at the farms. animal feed processing enterprise. The research has provided complete solutions for building Standard cost, making cost budget, and especially making flexible budget to serve the control of costs and business performance.

Keywords: Direct Materials Budget, Direct Labor Budget, Overhead Budget, Flexible Budgets, Static Budgets, Cost Management, Animal Feed Processing Enterprises

1. Theoretical Basis

Budget are detailed plans that describe the mobilization and use of an enterprise's resources over a certain period of time. Cost budget and standards cost are closely related to each other, standards cost is the basis for making budget, standards cost are the costs necessary to produce one unit of product, and budget are the costs necessary to establish the entire necessary output expected in the period. Therefore, cost budget are only accurate when standard cost are built scientifically, reasonably and closely to the reality of the business.

Budget are divided into static budget and flexible budget:

* *Static Budget:* Static budget is an estimate built on an activity level to provide information about the cost, revenue and profit the business can achieve according to the selected business plan. The basis for making a production budget is a production estimate to determine the output that needs to be produced according to the estimate, ensuring sufficient supply for the output according to the sales estimate, and at the same time ensuring the necessary reserve output. set.

Direct Materials Budget

Based on the demand for production output in the period, raw material standard cost to determine the amount of raw materials needed for production. However, to produce a product, many raw materials are needed, but only the main raw materials that directly have great value and play an important role in product production need to develop a raw materials budget. Direct costs, while additional raw material costs should be included in production costs.

Direct Labor Budget

Direct labor cost budget are developed to meet product production needs during the period. The number of direct labor hours is equal to production needs multiplied by the standard amount of production time calculated for 1 unit of product. From there, multiplying by the standard price per hour will calculate the total direct labor cost. Labor Standard cost will help businesses predict the amount of direct labor for each period, thereby being more proactive in direct labor issues. However, it is necessary to pay attention to the Labor Law, the minimum wage prescribed by the state and the labor contract signed with the employee to build appropriate labor Standard cost. The cost estimate for R&D depends on: Production time norms, salary unit prices, labor structure, professional qualifications and skills, production output budget.

Overhead Budget

Manufacturing overhead costs are all production costs other than direct materials costs and direct labor costs. Thus, it can be seen that general production costs are formed including many combined cost elements and include both fixed cost elements and variable costs. Developing a overhead budget is a difficult and complicated job. Manufacturing overhead costs will be divided into fixed costs and variable costs. However, it is necessary to determine the operational criteria that affect variable manufacturing overhead costs such as the number of machine hours operated, the number of products produced or the number of direct labor hours; From there, determine the variable manufacturing overhead costs for a unit level of activity, such as variable manufacturing overhead costs per machine hour, per product unit or per direct labor hour. Fixed production overhead costs are considered fixed within the appropriate scope of operations. It should be noted that in general production costs there are non-cash cost elements such as depreciation costs of fixed assets, so when calculating the cash expenditure necessary for general production costs, it is necessary to subtract depreciation costs. depreciation of fixed assets.

* Flexible Budget

Flexible budget are budget built on a series of activity levels to provide information about the costs, revenues and profits the business can achieve according to business plans and possible possibilities happen. If the results of production and business activities are different from the estimated level of activity, a new estimate will be made for the actual level of activity to serve as a basis for comparing the actual assessment with the estimate. In flexible budgeting, fixed costs do not change at the appropriate level of activity, while variable costs are adjusted according to actual activity levels. The difference between actual costs and revenues incurred and estimated costs and revenues that have been adjusted according to the actual level of activity will be the basis for evaluating managers' ability to control costs and revenues. and is the basis for evaluating the production and business activities of the enterprise.

Static budget and flexible budget have different effects in cost management activities of businesses, both types of budget can be prepared to serve different cost management purposes. Static budget are good for planning, flexible budget are suitable for evaluating and controlling costs. The estimate provides a business plan for the enterprise and is a tool to link departments within the enterprise to achieve common goals.

2. Research Methods

With the goal of synthesizing theory on production cost estimation and researching the situation of budgeting at animal feed processing enterprises, the article used statistical and synthesis methods to perform the synthesis. Reasonable theory of production cost budget based on articles, textbooks and other documents. At the same time, the study collects statistical data on the situation of production cost estimation of animal feed processing enterprises and studies a typical case of production cost estimation in Rural. Technology Development Joint Stock Company (RTD Company) to evaluate the current situation of production cost estimation in animal feed processing enterprises.

3. Actual Situation

According to the survey results, 41/52 businesses (accounting for 78.8%) have made budget, and 78.8% of businesses that have made budget have made sales budget. However, for the remaining budget such as capital expenditure budget, capital expenditure budget, direct labor cost budget, the proportion of enterprises making budget is still low with the corresponding ratio being 21/51 enterprises. Enterprises (accounting for 40.4%), 17/52 enterprises (accounting for 32.7%), 17/52 enterprises (accounting for 32.7%).

Table 1: Business statistics table with budget

		Quantity	Percent %	Valid Percent %	Cumulative Percent
Valid	Yes	41	78.8	78.8	78.8
	No	11	21.2	21.2	100.0
	Total	52	100.0	100.0	

Thus, companies are interested in making budget, but only sales budget are of most interest to businesses because sales budget are the basis for making subsequent budget. As for the remaining types of budgets, the rate of making budget is still low, reflecting that many businesses do not really care about making budget as a basis for checking and evaluating the implementation of costs and revenues.

At Rural Technology Development Joint Stock Company, the sales plan is prepared annually, agreed upon at the first meeting of the year with the combination of the sales department, accounting department and board of directors. Consumption output per year is divided into quarters. During the implementation process, each quarter may have high months and low months, but it must be ensured that the full plan must be implemented in that quarter. If there is a time when the sales situation is not good, it may not be possible this month, then next month will force sales to ensure the sales plan for the quarter; If it is due to general market difficulties such as an epidemic, market fluctuations or changes in state policies... then to promote consumption, businesses can offer a number of programs. Programs such as promotions and discounts, in order to still meet the revenue commitment, without affecting the quarter's revenue estimate.

4. Solution

Direct Materials Budget

Direct materials cost are calculated for each type of material. Example of building a direct labor cost estimate for RTD company for the material type Ca Mau fish meal. Knowing that the enterprise plans to produce 300,000 kg of finished product Super high protein pork with code B52V.05, with the need for raw materials inventory at the beginning and end of the period of 2,000 kg of Ca Mau fishmeal raw materials, from there calculate The demand for Ca Mau fish meal is 39,000kg. The demand to buy Ca Mau fishmeal multiplied by the standard purchase price of 20,050 VND/1kg will calculate the estimated cost of Ca Mau fishmeal for the quarter at 781,850,000 VND. Similarly, also calculate the Direct Labor Cost estimate for all other types of materials, combined to calculate the raw material cost estimate for the quarter.

Table 2: Direct materials costs

Rural Technology Development Joint Stock Company					
Direct Materials Budget					
Product's Name:				Super high protein meat pork (5kg)	
Product code:				B52V.05	
Material code:				1521.BOTC	
Material name:				Fish powder Ca Mau	
Targets	Quater				Year
	I	II	III	IV	
1. Output to be produced	300,000	300,000	300,000	300,000	1,200,000
2. Standard cost of raw materials for 1 product	0.1300	0.1300	0.1300	0.1300	0.1300
3. Demand for raw materials for production (1x2)	39,000	39,000	39,000	39,000	156,000
4. Direct materials for ending inventory	2,000	2,000	2,000	2,000	2,000
5. Total raw material needs (3+4)	41,000	41,000	41,000	41,000	164,000
6. Direct materials inventory at the beginning of the period	2,000	2,000	2,000	2,000	2,000
7. The need to purchase direct raw materials (5-6)	39,000	39,000	39,000	39,000	156,000
8. Unit purchase price of raw materials	20,050	20,050	20,050	20,050	20,050
9. Cost of purchasing raw materials	781,950,000	781,950,000	781,950,000	781,950,000	3,127,800,000

Direct Labor Budget

Direct labor budget is calculated for each product line. Animal feed processing businesses have two main product lines: mixed product lines and concentrated product lines, with different production times for one batch of these two product lines, one hour of machine running. for mixed product lines and 1.5 machine hours for concentrated product lines. At RTD Company, in one quarter there is a

plan to produce 42,500,000 kg of mixed products. Multiplying the quantity needed to produce by the production time norm of 0.003333 hours/kg will calculate the total time needed to produce 141,653 machine hours. Multiplying the machine running time with the standard cost of 1 hour of machine running time, which is 50,000 VND/hour, will calculate the total estimated labor cost for operating the machine, which is 7,082,625,000 VND.

Table 3: Direct labor budget

Rural Technology Development Joint Stock Company					
Direct labor costs budget					
Machine labor costs					
Mixed product line					
Targets	Quarter				Year
	I	II	III	IV	
1. Production needs	42,500,000	42,500,000	42,500,000	42,500,000	170,000,000
2. Set amount of time/1 product	0.003333	0.003333	0.003333	0.003333	0.003333
3. Total demand (1x2)	141,653	141,653	141,653	141,653	566,610
4. Set price for 1 machine hour	50,000	50,000	50,000	50,000	50,000
5. Total direct labor costs	7,082,625,000	7,082,625,000	7,082,625,000	7,082,625,000	28,330,500,000

Overhead Budget

Overhead budget is also built on the basis of general production standard cost but are calculated for the estimated

production volume in the period. An example of building an estimate of electricity costs at the production workshop at RTD company is presented in Table 4.

Table 4: Overhead budget

Rural Technology Development Joint Stock Company						
Overhead budget						
Month (Quarter):..						
Electricity costs						
No.	Targets	Quarter I	Quarter II	Quarter III	Quarter IV	Year
1	Demand for mixed product production (kg)	42,500,000	42,500,000	42,500,000	42,500,000	170,000,000
2	The need to produce concentrated products (kg)	7,000,000	7,000,000	7,000,000	7,000,000	28,000,000
3	Variable electricity costs for 1kg of mixed products (VND).	79	79	79	79	79
4	Variable electricity costs for 1kg of concentrated product (VND).	118	118	118	118	118
5	Total variable electricity costs (1x3+2x4) (VND).	4,174,792,333	4,174,792,333	4,174,792,333	4,174,792,333	16,699,169,333
6	Determine electricity costs (VND).	253,968,320	253,968,320	253,968,320	253,968,320	1,015,873,281
7	Total estimated electricity costs (5+6)	4,428,760,654	4,428,760,654	4,428,760,654	4,428,760,654	17,715,042,614

5. Conclusion

Budget is the basis for planning, allocating resources, controlling profits, evaluating results, determining the responsibilities and rights of individuals and departments in

the enterprise. The budget represents the goals and tasks of the entire enterprise in a certain period, and is the basis for implementing the enterprise's tasks. Budget include static budget and flexible budget. Static budget and flexible

budget have different effects in cost management activities of the enterprise. Static budget is good for planning but is not suitable for evaluating whether managers are controlling costs well or not. Flexible budget is effective for the purpose of controlling and evaluating cost control managers. The budget provides a business plan for the enterprise, a tool to link departments within the enterprise to achieve common goals. Research on the current status of budgeting and solutions to improve budgeting is important for cost management and performance assessment of animal feed processing enterprises in Vietnam.

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