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ACCOUNTANCY-BASED SOURCES OF INFORMATION FOR PLANNING PURPOSES IN SMES

Keywords: SMEs, Business Planning, Accountancy-Based Sources of Information.

J E L Classification: M21, M40.

Abstract: The present paper's research objective is to reveal the specifics and capabilities of the accountancy to serve as an information base for planning of the business of SMEs. In this regard, a research method (a survey) focusing on study of documentation in a number of Bulgarian SMEs has been carried out. Based on the results gained after the implementation of the research method, main sources of information for planning purposes in SMEs have been synthesized and evaluated. The main conclusions are that due to relatively high level of quality, actuality and availability, the accountancy-based data can constitute a major source of information for planning purposes in SMEs.

■■■ INTRODUCTION

Planning is a complex process directed to preparing of managerial decisions for different types of organization. Notwithstanding the attempts to understate the role of plans for developing of complex systems, the dissemination of planning activities has recently grown up. At the same time, the methodology of planning has not altered in pace with the changes in the economic environment. Planning approaches, methods and techniques has not reflected the influence of certain realities typical for the modern business such as the increasing role and importance of small and medium-sized enterprises (SMEs) for the economic development. To the range of similar discrepancies can be added also those associated with the necessary information for practical application of appropriate planning tools (Papazov, Mihaylova 2014; Papazov, Mihaylova 2010; Simeonov, Lambovska 2012; Germanos, Pliota, Germanou 2013).

The accumulation and the usage of information stemming from different sources and the application of flexible planning methods, developed and / or adapted to the requirements and specifics of the SMEs are problems that are not solved yet fully. The mechanical transfer of approaches, methods and techniques from large companies to small and medium-sized enterprises cannot be recommended, as their application for planning purposes in SMEs does not render the expected results (Papazov 2014). A second major reason is the lack of connection or synchronization between planning and accountability in SMEs.

Having in mind the outlined range of issues, the emphasis of the present paper is put on the capabilities of company's accountancy to provide information needed for the business planning in SMEs. The purpose is, based on the results of a study in a number of Bulgarian SMEs, to synthesize the main sources of accountancy information that can be used for planning activity and to evaluate them in view of their actuality, quality and accessibility.

RESEARCH PREMISES AND THE FOCUS OF THE RESEARCH PROCESS

Corporate planning requires basic information sources. They are diverse by nature and by relevance with a company. In a paper written in compliance with quantitative limitations it is difficult to analyze all possible information sources. However, having in mind the research purpose, an attempt has been made to synthesize main information sources and to present some of their characteristics.

A main difficulty comes out from the fact that some of the information need-ed for managerial decision making in SMEs is acquired through informal chan-nels. Managers do often consultations with the company's personnel, talk with colleagues, customers and suppliers, and inform themselves from newspapers or specialized editions. Such sources of information are very useful, but they cannot always be used directly in the process of decision making, because they allow no proper integration with the overall planning construct.

Contemporary managers are experiencing a serious need to find formal ways to collect and process managerial information for planning purposes. The reason is that the amount of data increases in parallel with the size of the enter-prise and the information flows become infinite and uncontrollable, if are not properly canalized. It is best to organize these flows in a system often called strategic enterprise information system (SEIP).

In the practice of company management a strategic enterprise informa-tion system is perceived not only as a formalized structure to provide strate-gic planning horizon. It serves as a starting point for implementation of other planned activities possessing tactical and operational characteristics. Addi-tionally, SEIP is expected to dispose information about the past, present and future, albeit with a certain degree of conditionality. Thus, it should cover all processes in an organization, including events running beyond it, but connect-ed with its activities. The most important thing is to provide information for making decisions to the right person, at the right time and the right place.

The providing of timely, accurate and detailed information for planning purposes, corresponding to the specifics of the SMEs, can be performed only by well-organized economic reporting in its diversity as operational, statistical and accounting. As a rule, for making rational strategic, tactical, and operation-al decisions the management needs a sufficient amount of reporting informa-tion with a respective quality. For the different types of managerial decisions the necessity of such information is not in equal proportions.

Practically, it is difficult to accurately measure the amount of the reporting information needed for planning purposes in a SME. The often emerging im-balances appear in form of shortage or surplus of information. It is necessary to look for an optimal ratio between the maximum and the minimum of the re-porting information volume needed, which will greatly improve the process of the corporate planning.

The qualitative aspect of the reporting information is connected with its usefulness, i. e. with the possibility to contribute to the working out of a par-

ticular managerial decision. Thus, according to the needs in making management decisions, accountancy information can be detailed to varying degrees. For example, strategic decisions are slightly differentiated and are based on generalized information about markets, products, resources and technologies, while operating decisions are highly differentiated and are based on detailed information with precise parameters for revenues, fixed costs, variable costs, etc. (Papazov, Mihaylova 2010; Peršić, Bakija, Vlašić 2015; Ciemleja, Lāce 2009; Kocmanová, Simberova 2014; Raulinajtys-Grzybek, Świderska 2014; Dziawgo 2014).

The first attempt to synthesize main sources of information for corporate planning purposes in Bulgarian SMEs has been made in a study published in 2002 by a team of researchers in the field of entrepreneurship (Todorov, Kolarov, Ruychev 2002). However, the outcome of this study concentrates only on **external** (from the company's point of view) sources. Three indicators have been used for evaluation of the different sources, i. e. accessibility, quality and actuality[1]. Also, for each of these indicators a three-tier grading scale[2] has been applied. The synthesis of the main external sources for information provision of company planning together with their evaluation is presented in Table 1.

Table 1. Main (external) sources for information provision of company planning

Source	Official statistics	
Information about	Demographic data, Macroeconomic data, Industry data, Regional data, Data on income, Data on prices, Data on consumption, etc.	
Examples	"Statistical Yearbook", Yearbook „Population", Yearbook „Social and Economic Development", Yearbook „Employment and Unemployment".	
Accessibility – 3	Quality – 2	Actuality – 2

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[1] The essence of the indicators defined by the above-metioned study are as follows:
– Accessibility – determined by the time and resources required for the use of the source.
– Quality – determined by the authenticity of the information and its applicability to the specific needs of the entrepreneur.
– Actuality – determined by usability at present.
[2] Three-tier grading scale has the following levels:
– 1 – low;
– 2 – satisfactory;
– 3 – good.

Source	Newspapers		
Information about ….	Trends in the economy and industry, Information for competitors, Social trends, Changes in consumer preferences and habits, etc.		
As an example	Newspapers "Kapital" and "Dnevnik"; The Official Gazette		
Accessibility – 3	Quality – 1		Actuality – 2

Source	Magazines		
Information about ….	Specialized sector information, Trends in the economy and industry, Information for competitors, Social trends, Changes in consumer preferences and habits, etc.		
Examples	The magazines "Manager", "Economic Thought", "Economic Alternatives", "Izvestiya", "Business Management" and other specialized publications.		
Accessibility – 3	Quality – 2		Actuality – 2

Source	Electronic media		
Information about ….	Trends in the economy and industry, information for competitors, expert opinions, etc.		
Examples	TV channels, Radio		
Accessibility – 3	Quality – 1		Actuality – 3

Source	Internet		
Information about ….	Any type of information		
Examples	Websites of competitors, specialized economic information portals		
Accessibility – 3	Quality – 1		Actuality – 2

Source	Competitors		
Information about ….	Price data, information on products and technologies, information on competitor's strategies, information on the quality of competing products.		
Examples	Providing "false" offers, "Mystery Shoppers", Purchase of samples from competitors, Visit to seminars, fairs, exhibitions, etc.		
Accessibility – 1	Quality – 3		Actuality – 3

Source	Branch organizations		
Information about ….	Information on patents, licenses, "know-how", duties, fees, taxes, Information on manufacturers of equipment and materials, Information on external markets, etc.		
Examples	BCCI, BIA, the Association of Dairy Processors in Bulgaria, the Association of Meat Processors in Bulgaria, Federation of Bakers and Confectioners in Bulgaria, Regional Winery Chamber and others.		
Accessibility – 2	Quality – 2		Actuality – 2

Source	Public administration		
Information about ….	Macroeconomic data, Data on government projects and programs, incl. public procurement, economic and social trends, etc.		
Examples	Ministry of Economy, BSMEPA, Website of the Council of Ministers, Bulgarian National Bank, etc.		
Accessibility – 2		Quality – 3	Actuality – 2
Source	**Branch experts**		
Information about ….	Price data, Information on products, technology, strategies of enterprises, Information on the quality of products produced by various manufacturers.		
Examples	Consultants, Project partners and others.		
Accessibility – 2		Quality – 3	Actuality – 3
Source	**Observation**		
Information about ….	Consumer data, information on competitors, information on demand for certain groups of products, details of certain economic activities and more.		
Examples	Business survey in industry, construction, trade and services; business survey on investment activity in industry; consumers and others.		
Accessibility – 1		Quality – 3	Actuality – 3
Source	**Own questionnaire survey**		
Information about ….	Data on consumer demand and customer preferences, propensity to buy new products, etc.		
Examples	Business surveys of industry, construction, trade and services; investment activity in the industry, the users, etc.		
Accessibility – 1		Quality – 3	Actuality – 3
Source	**Specialized software**		
Information about ….	Data for competitors, Data for suppliers, etc.		
Example	The "Compass" Program.		
Accessibility – 2		Quality – 2	Actuality – 2

S o u r c e : study based on Todorov, et al., (2002), Rykovodstvo za startirane na sobstven biznes v sferata na uslugite, Sofia, 108-110.

The above-presented table shows that the internal sources (including the enterprise accountancy with its diversity and importance for the company's planning) have been excluded from the scope of the study. For this reason, based on the results of an additional survey conducted among a representative sample of SMEs in Bulgaria in 2015, an analysis and a synthesis of basic **inter-**

nal sources of information for corporate planning, related to the accountancy system of the enterprise, have been made.

To ensure continuity with the previously cited study, the new one uses the same indicators of accessibility, quality and actuality. The assessment of these indicators is made analogically with the same three-tier scale.

Research methodology

A survey has been carried out on the basis of a pre-established organizational plan, which specifies the units, the time and the place of observation, the method of recording and reporting of data, the forms of organization, the opportunities for mistakes, etc. The sample consists of SMEs from different sectors located in the region of Ruse, North-Eastern Bulgaria. In view of the specific research, the units of observation are 49 SMEs and the period of observation is from January to October 2015. The investigated companies should have had at least three years of business experience to guarantee that they have already passed the initial stage of survival.

The outcome of the research process and proposals

The results based on the undertaken survey are summarized in Table 2. Along with the characteristics of the accountancy-based internal information sources for information provision of company planning, their degree of accessibility, quality and actuality has also been evaluated.

Table 2. Main accountancy-based sources
for information provision of company planning

Source	Synthetic and analytical accounts	
Information about Financial resources	The information shows all receipts and payments. The cash flow for a certain period serves to the liquidity planning of the enterprise and fixes the terms of payment by counterparties. Financial resources include cash and cash equivalents.	
Examples	Accounts "Cash in BGN", "Cash in foreign currency", "Current accounts in BGN", "Current accounts in foreign currency", "Letters of credit in national and foreign currency", "Deposits", "Cheques", "Cash and cash equivalents", "Financial current assets", "Treasury bonds", "Government securities", "Precious metals and stones".	
Accessibility – 3	Quality – 3	Actuality – 3

Source	Synthetic and analytical accounts
Information about Receivables	The information about receivables is very important for making decisions for deferred revenues and for maintaining good relationships with customers. The analysis of this information is indicative of the enterprise liquidity and its policy on collection of receivables from customers. Receivables from customers on the instalment plan are a way to increase sales, but in fact they "block" receipt of funds. As a result, a need for additional cash resources may arise, the risk of uncollectible receivables increase and additional costs on receivable's collection grow, etc. Liquidity of a SME depends on the nature, grade and allocation of the receivables, the term of their collection, etc.
Examples	Accounts: "Receivables from customers", "Receivables from suppliers for advances", "Receivables on trade credits", "Receivables on sales under certain conditions", "Receivables on sales with related parties", "Receivables from participating interests", "Receivables on complaints", "Receivables on shortages and deficiencies", "Receivables on litigation", "Receivables on sentence", etc.

Accessibility – 3	Quality – 2	Actuality – 2

Source	Synthetic and analytical accounts
Information about Inventories and valuables (current assets)	The information is important for planning of inventories for a certain period of time and as well as controlling of their consumption and storage. Thanks to this detailed information, the planning of any current asset needed is possible and correct. The essential point in planning is that the volume of materials has to be based on the planned product mix, sales and production. The volume of current assets should allow the achieving of enterprise's goals, continuity of sales and effective use of working capital. The planning of inventories and valuables requires the use of natural and value indicators.
Examples	Accounts: "Basic materials", "Additional materials", "Fuel", "Semi-manufactured articles", "Spare parts", "Stationery", "Production", "Goods", "Small productive animals", "Swarm of bees", "Young animals", "Animals for fattening", etc.

Accessibility – 3	Quality – 2	Actuality – 3

Source	Synthetic and analytical accounts
Information about Fixed assets	The information shows the original cost of each fixed asset, the accumulated depreciation and its net book value. Because of the ongoing depreciation, the net book value of a fixed asset is always declining. Depending on the organization of the accounting, additional information necessary for planning (such as the status of each asset, its technological level, etc.) can also be displayed. The information about fixed assets is connected with: assessing of the extent of use of available assets; determination of the need for additional investment (by types) in order to achieve strategic objectives; evaluating of the investment and depreciation policies and their planned changes; determination of financial resources to ensure the planned investments, etc.
Examples	Accounts: "Land", "Forests", "Perennial plants – fruit-bearing", "Perennial plants – non fruit-bearing", "Draught animals", "Buildings and structures", "Machinery and equipment", "Transport vehicles", "Office furnishing", "Equipment", "Computer equipment", "Other tangible fixed assets", "R&D Products", "Intellectual Property Rights", "Software", "Industrial property rights", etc.

Accessibility – 3	Quality – 3	Actuality – 3

Source	Synthetic and analytical accounts
Information about Liabilities	The information for liabilities shows their type and characteristics; who is the supplier; what is the deferral in payment, etc. The analysis of this information is an indicator for liquidity and indebtedness of the enterprise, as well as for its net working capital.

Examples	Accounts: "Customers on advance payment", "Liabilities to suppliers", "Liabilities to suppliers on trade credits", "Liabilities to suppliers under certain conditions", "Liabilities to suppliers with related parties", "Liabilities to the staff", "Liabilities for unused annual leave", "Liabilities to participating interests", "Liabilities to the municipality", "Liabilities for income tax", "VAT Liabilities", "Liabilities for taxes on income of individuals", "Liabilities to ministries", "Liabilities for excise", "Liabilities to Customs", "Liabilities to NSSI", "Liabilities under the voluntary social insurance", "Liabilities for health insurance", "Liabilities for one-time aid and family allowance", "Liabilities to international financial institutions", "Liabilities to creditors".
Accessibility – 3	Quality – 3	Actuality – 3
Source	**Synthetic and analytical accounts**
Information about Expenditure	The information about expenditures is directly related to decision-making in SMEs. Planned amount of costs has to be determined on the base of respective statements on individual items of expenditure – this is a planning requirement. In the coming periods, thus determine more precisely the expenditures changes, disclose and indicate possibilities and ways for their reduction and achieving relative savings for the enterprise. An important indicator for the SMEs is the cost effectiveness. It gives the opportunity to compare companies on sector and sub-sector level and to plan strategic moves.
Examples	Accounts: "Material expenditure", "External service expenditure", "Depreciation", "Salaries", "Social costs", "Taxes and similar payments", "Expenditure for provisions", "Expenditure from the revaluation of assets", "Other expenditure", "Operating costs", "Costs for supporting activities", "Costs for acquisition of fixed assets", "Administrative costs", "Cost of Sales", "Liquidation costs of fixed assets", "Interest", "Operations with financial assets and instruments", "Expenses on foreign currency transactions", "Impairment expenses", "Non-financial expenses for future periods", "Financial expenses for future periods", "Extraordinary expenses".
Accessibility – 3	Quality – 3	Actuality – 3
Source	**Synthetic and analytical accounts**
Information about Revenue	It is important for the information for revenues of SMEs to be structured by products (services) and business activities. Essential is that the net sales revenue have to be in accordance with the chosen business strategy. For a SME, an important indicator is the effectiveness of revenue, which is an alternative indicator of the cost effectiveness. The index is also suitable for comparisons on sectoral and sub-sector level and for planning of future strategic moves.
Examples	Accounts: "Revenues from sales of products", "Revenues from sales of goods", "Revenues from sales of services", "Financing", "Revenues from sales of fixed assets", "Revenues from sales of materials", "Other revenues", "Interest income", "Income from participating interests", "Income from operations with financial assets and instruments", "Income on foreign currency transactions", "Income from revaluation of financial assets and instruments", "Income from impairment losses reversed", "Extraordinary".
Accessibility – 3	Quality – 3	Actuality – 3

S o u r c e : own study, 2015.

On the basis of the synthesis of the accountancy-based sources, a generalization concerning the role of accountancy-based information in the planning process of SMEs can be outlined:

- Accountancy-based sources can contribute essentially to the assessment of a situation when reliable internal and external data is needed.

- Accountancy-based sources possess a high level of flexibility needed for different financial analyses.
- Accountancy-based sources ensure a quick reaction to timely plan income, expenses, investments and funding.
- Accountancy-based sources guarantee a non-error work and does not require frequent adjustments in the estimates of income and expenditure and the formed financial result.
- Accountancy-based sources constitute an irreplaceable instrument for preparing of good plans and their successive implementation.

There is also a room for concrete proposals concerning the adapting of information for planning purposes in SMEs. As examples the following two can be resumed:

- Stemming from the movements in the accounts reflecting receivables, a scheme for cash inflows by months can be set up.
- Based on movements in the accounts reflecting liabilities to suppliers, a scheme for the cash outflows by months can be formed.

The conclusions from the research

A rapidly changing environment makes it difficult to determine, which sources support mostly planning activities in SMEs. A systematization of the main information sources contributes essentially to the good quality of plans and affects the efficient running of the whole planning process.

Accountancy represents a system for measuring the activity of an enterprise with view of providing a variety of information. Some authors (Drury 2005; Bramford and Bruton 2006; Pyka 2015) define accountancy primarily as a means for internal (with the management) and external (with the stakeholders) communication of an enterprise. From the systematization of the sources of accountancy information and their evaluation, offered in this study, it becomes clear that due to their relatively high level of quality, actuality and availability, the accountancy-based data can constitute a major source of information for planning purposes in SMEs.

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