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## **SUGGESTED APPROACH TO THE FINANCIAL CONTROLLING IN WOOD ENTERPRISES**

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### **Abstract**

The aim of this paper is to analyse theoretical and practical approaches to the fundamentals, place, roles, functions and contents of the financial controlling in wood enterprises. After analysing various works by domestic and foreign authors, we designed our own approach to the problem of financial controlling, which is integrated into the subsystem of operative controlling and emphasises the relations between single subsystems of controlling. Financial controlling is a relatively independent part of enterprise controlling, whose main objective is to provide for liquidity in a company at all times and to ensure that the prime target of profitability is achieved at the same time.

**Ključne besede:** wood enterprise, financial controlling, modern tool of management, approaches to the financial controlling, financial stability of the enterprise (liquidity)

### ***PREDLOG PRISTOPA K FINANČNEMU KONTROLINGU V LESNEM PODJETJU***

### **Izvleček**

*Cilj raziskave je bil analizirati teoretične in praktične pristope k osnovam, mestu, vlogi, funkcijam in vsebini finančnega kontrolinga v lesnem podjetju. Po pregledu in analizi del domačih in tujih avtorjev smo oblikovali lasten pristop k problematiki finančnega kontrolinga, ki je integriran v podsestav operativnega kontrolinga in daje poudarek odnosom med posameznimi podsestavi kontrolinga. Finančni kontroling je relativno neodvisen del kontrolinga v podjetju, njegova osnovna naloga pa je zagotoviti likvidnost v podjetju v vsakem trenutku, pri čemer je posebna pozornost usmerjena v dobičkonosnost.*

**Key words:** *lesno podjetje, finančni kontroling, moderna podpora managementu, pristopi k finančnemu kontrolingu, finančna stabilnost podjetja (likvidnost)*

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## **1 INTRODUCTION**

### **UVOD**

A common situation in today's business environment is the great complexity of changes that put business environment under great pressure and severe competition. The used progressive methods of management are the reason for great differences between enterprises and their success in the environment. Controlling belongs to those progressive methods.

Controlling is an effective tool of active management of enterprise that consolidates several regulation and information subsystems (planning, control, budgeting, calculations, financial accounting, cost accounting, a. o.). Its tasks are: fixing of aims, planning, monitoring of pursuance of plan, detection of deflexion, analysis of deflections and suggestion of corrections.

Relatively independent part of enterprise controlling is financial controlling, whose main aim is to provide for liquidity in the company at all times and to ensure that the prime target of profitability is achieved at the same time. The functioning of financial controlling depends on the quality of used controlling instruments, on the consistency of planning and control systems and, finally, on the quality of management information systems of the company. The aim of this paper is to analyse theoretical and practical approaches to the fundamentals and place of financial controlling in the structure of enterprise controlling, as to the contents of financial controlling, with subsequent proposal as to our own approach to the given problem.

## **2 FUNCTIONS AND TASKS OF FINANCIAL CONTROLLING**

### **FUNKCIJE IN NALOGE FINANČNEGA KONTROLINGA**

The main task of financial controlling is the regulation of financial resources, which are necessary for the coverage of payments that arise in the corporate transformation process (FOLTÍNOVÁ 1997).

The functions of financial controlling can be seen in the scopes described in Figure 1 below (SEDLIAČIKOVÁ 2004).

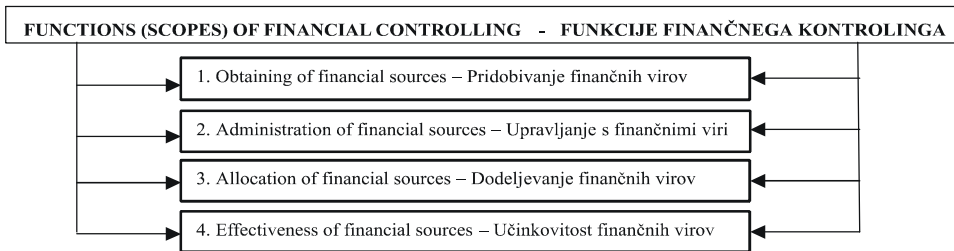


Figure 1: Functions of financial controlling

Slika 1: Funkcije finančnega kontrolinga

Through the interface of single scopes of financial controlling with the primary stages we obtain twelve files of activities that represent a global view on the structure of tasks of financial controlling (Figure 2).

	Planning <i>Planiranje</i>	Realisation <i>Realizacija</i>	Control <i>Kontrola</i>
Obtaining of financial sources <i>Pridobivanje finančnih virov</i>	•		
Administration of financial sources <i>Upravljanje s finančnimi viri</i>			
Allocation of financial sources <i>Dodeljevanje finančnih virov</i>			
Effectiveness of financial sources <i>Učinkovitost finančnih virov</i>			

Figure 2: Structure of tasks of financial controlling

Slika 2: Struktura nalog finančnega kontrolinga

### 3 SPECIFICS OF APPROACHES TO THE PLACE OF FINANCIAL CONTROLLING IN THE STRUCTURE OF ENTERPRISE CONTROLLING

#### SPECIFIČNOSTI PRISTOPA K MESTU FINANČNEGA KONTROLINGA V STRUKTURI KONTROLINGA V PODJETJU

In today's theory, several approaches are used that define the place of financial controlling in the structure of enterprise controlling. However, all approaches have one thing in common – each of them improves the financial process of an enterprise and enables the financial sources to be exploited in the most optimal way.

According to some authors (HORVÁTHOVÁ, GALLO 2003), it is possible to divide the system of enterprise controlling into 2 subsystems: profit and financial controlling (figure 3).

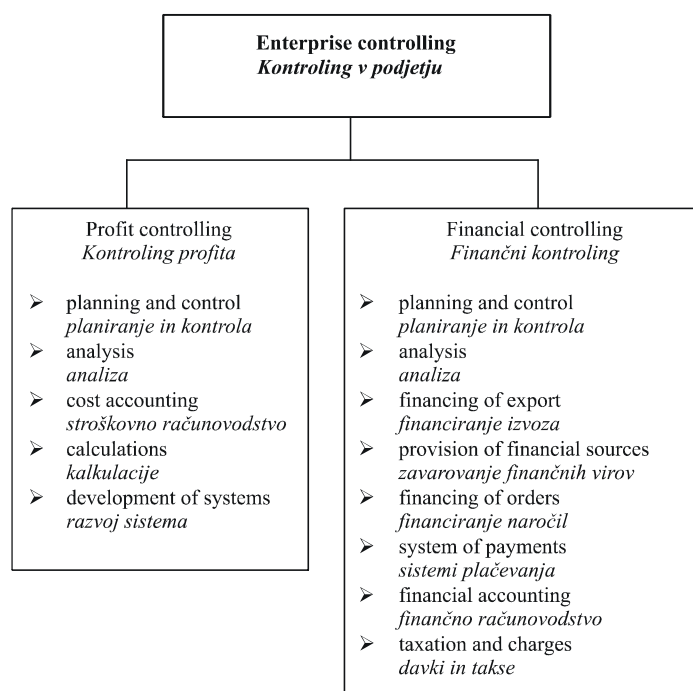


Figure 3: Structure of enterprise controlling

Slika 3: Struktura kontrolinga v podjetju

The second approach to this problem made by other authors (FOLTÍNOVÁ, KALAFUTOVÁ 1997, FREIBERG 1996, ŠATANOVÁ 2001, RAJNOHA 2002) is shown in Figure 4.

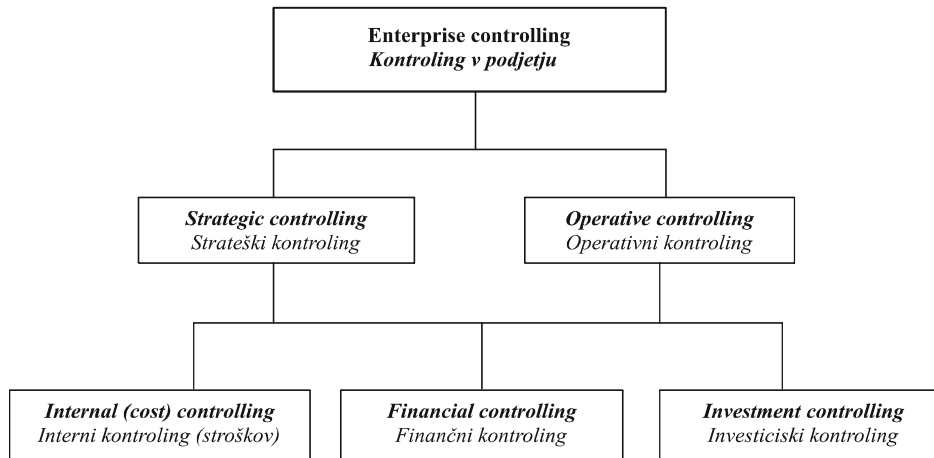


Figure 4: Structure of enterprise controlling

Slika 4: Struktura kontrolinga v podjetju

**Strategic controlling** is typically orientated to the future. The orientation of strategic controlling is mainly external but we can observe views to the internal surroundings of the enterprise, too.

**Operative controlling** is oriented to the present and immediate future. Operative controlling can be divided into three subsystems: internal (cost) controlling, financial controlling and investment controlling.

**Internal (cost) controlling** is oriented to management of costs, revenues and profit. It deals mainly with the economic regulation (value), which consists basically of calculation and cost systems.

**Financial controlling** can be understood as a regulation of financial flows especially outwards from the enterprise.

**Investment controlling** is oriented at discovering and evaluating investment alternatives, at planning capital expenditures, at designing economic effectiveness evaluation methods, and at project realisation.

Let us point out that strategic and operative controlling cannot be separated from each other, as they both generate an interconnected system, are in mutual interaction and complement each other.

Next approach to the place of financial controlling is shown in Figure 5 (DRÁBEK 2003), which stems from the approaches of various authors (FREIBERG 1996, FOLTÍNOVÁ, KALAFUTOVÁ 1997, ŠATANOVÁ 2001, RAJNOHA 2002), except that this approach gives more emphasis on the existing mutual relations between strategic and operative controlling.

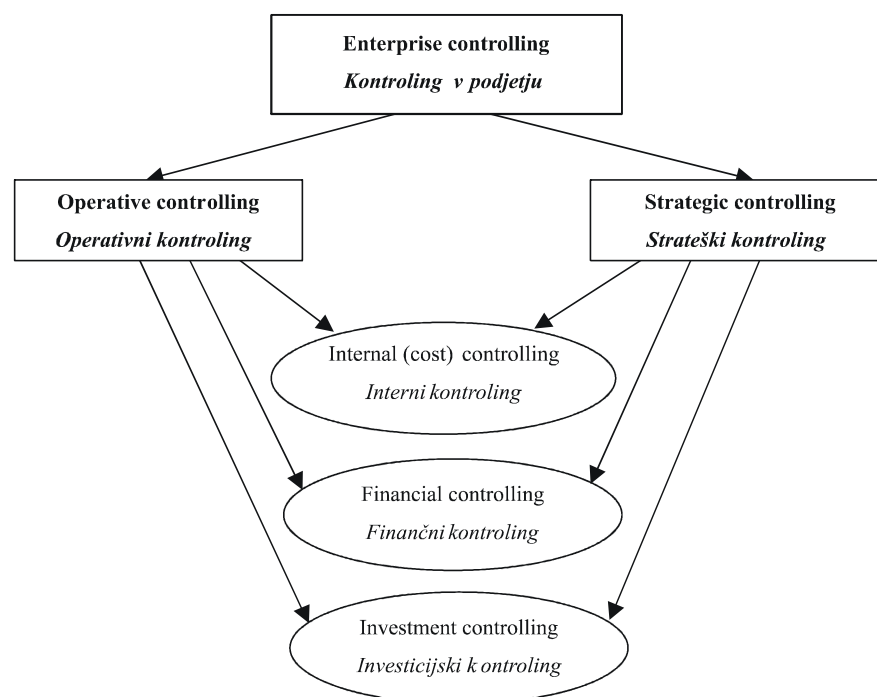


Figure 5: Structure of enterprise controlling

Slika 5: Struktura kontrolinga u podjetju

A completely different approach in comparison with those of other authors was made by ESCHENBACH (2000), who defines the place of financial controlling as part of enterprise operative planning. Although the author does not divide controlling into financial, investment and internal (cost) controlling within the operative planning, it is possible to specify the inscribed subsystems of operative controlling implicitly.

#### 4 SPECIFICS OF APPROACHES TO THE CONTENTS OF FINANCIAL CONTROLLING SPECIFIČNOSTI PRISTOPA K VSEBINI FINANČNEGA KONTROLINGA

We can find several approaches and opinions on the contents of financial controlling in theory and practice, namely that it does not exist as a strict limit among tasks of financial management and tasks of financial controlling.

According to some authors (FREIBERG 1996, LAUKO 2000, VOLČKO 2001), it is possible to define financial controlling from the side of practical realisation of the following scopes (Figure 6):

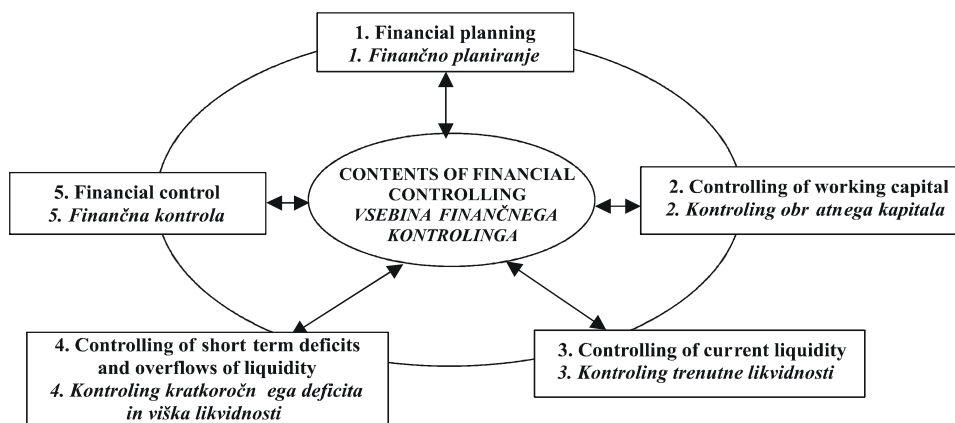


Figure 6: Contents of financial controlling

Slika 6: Vsebina finančnega kontrolinga



According to FOLTÍNOVÁ (1997), the financial controlling covers the following activities:

- controlling of working-capital,
- controlling of current liquidity,
- controlling of short-term deficits and overflows of liquidity.

According to other authors (HORVÁTHOVA, GALLO 2003), the contents of financial controlling are as follows:

1. Estimation of the financial policy and business aims
2. Controlling of working-capital:
  - through management of receivables,
  - through management of stocks,
  - management of working capital through controlling of current liquidity.
3. Indicators and systems of indicators – tools of management:
  - financial-economic analysis.

Other authors (ESCHENBACH 2000) think that it is possible implicitly to deduce the contents of financial controlling, as we can see in Table 1.

Table 1: Chosen financial controlling tools

*Preglednica 1: Izbrana orodja finančnega kontrolinga*

<b>Chosen tools of financial controlling – Izbrana orodja finančnega kontrolinga</b>	
Planning of property and capital level <i>Planiranje lastnine in ravni kapitala</i>	Planned balance sheet <i>Planirana bilanca</i>
Planning of the profit <i>Planiranje profita</i>	Planned profit and loss account <i>Planiran profit in izguba</i>
Management of liquidity <i>Upravljanje likvidnosti</i>	Financial plan <i>Finančni plan</i>
Analysis of provenance sources and their exploitation <i>Analiza izvora virov in njihovo izkoriščanje</i>	Planned cash flow <i>Planiran denarni tok</i>
Financial-economic analysis <i>Finančno ekonomska analiza</i>	Enumeration of indicators <i>Navajanje posameznih kazalcev</i>

Authors who dealt with the problem of corporate finances at the turn of the 20<sup>th</sup> century (VLACHYNSKÝ 1999, ZALAI et al. 1999, BREALEY, MYERS 2003, and others) consider financial-economic analysis, financial planning, financial control, management of working capital and other activities of financial controlling as activities that fall within the financial management cognisance. However, this approach can be considered

outmoded because the task of financial management is to make decisions on the basis of information prepared and provided by department dealing with financial controlling.

## 5 SUGGESTIONS AS TO OUR OWN APPROACH TO THE PLACE AND CONTENTS OF FINANCIAL CONTROLLING PREDLOG LASTNEGA PRISTOPA K MESTU IN VSEBINI FINANČNEGA KONTROLINGA

After the carried analysis of the particular approaches that define the place of financial controlling in the structure of enterprise controlling we suggest the following, own approach, which is presented in Figure 7. It derived mainly from the approaches of different authors (FOLTÍNOVÁ, KALAFUTOVÁ 1997, FREIBERG 1996, ŠATANOVÁ 2001, RAJNOHA 2002, DRÁBEK 2003) and we consider it the most complexed and the tersest. It is possible to monitor the designed change in the strategic and operative controlling and in the mutual connection of individual subsystems of operative controlling (SEDLIAČIKOVÁ, 2004).

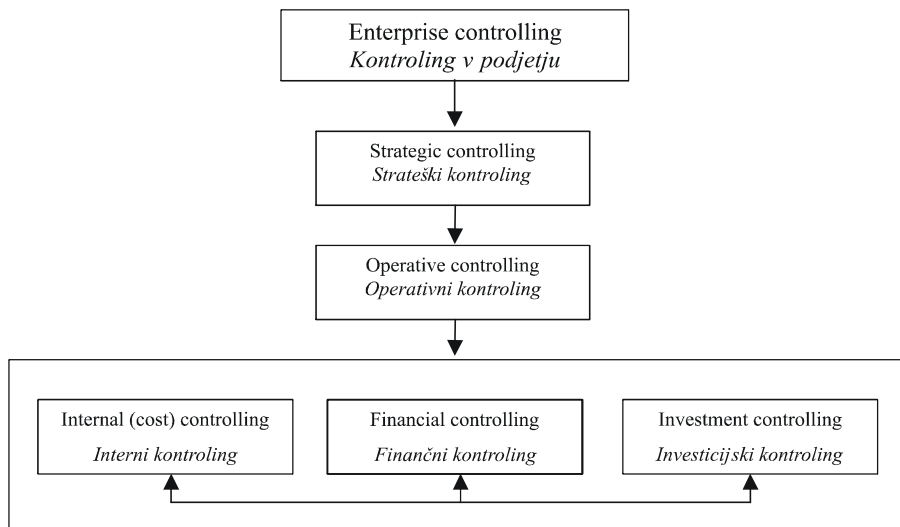


Figure 7: Place of financial controlling in the structure of enterprise controlling

Slika 7: Mesto finančnega kontrolinga v strukturi kontrolinga podjetja

It results with substantial difference from the analysis of approaches by particular authors to the contents of financial controlling. The designed approach to the contents of financial controlling derives from the authors Freiberg, Volčko, Lauko and Drábek and it is completed with financial analysis. The financial analysis is part of the financial-economic analysis from the approach by HORVÁTHOVÁ and GALLO (2003). We suppose that the financial analysis consists of all elements that we require from the controlling's oriented conception of the enterprise management (SEDLIAČIKOVÁ, 2004). The following figure represents the designed approach to the contents of financial controlling.

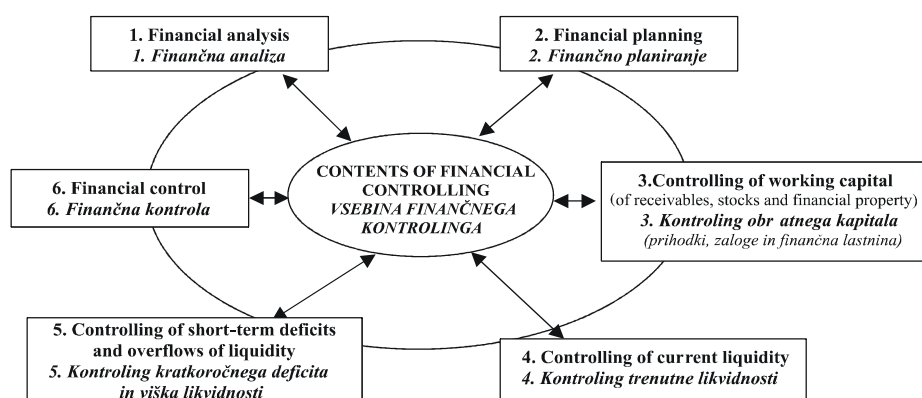


Figure 8: Contents of financial controlling

Slika 8: Vsebina finančnega kontrolinga

## 6 CONCLUSIONS SKLEPI

We have already encountered the problem of the financial controlling at the present time frequently, in the specialistic literature, as much as in the enterprise praxis. We have to say that there are substantial differences in opinions as to the place of financial controlling in the structure of enterprise controlling, as to the contents of financial controlling, as it results from the effected analyses of domestic and foreign authors.

After analysing the particular approaches, we have proposed our own approach to this problem. The designed approach integrates the financial controlling into the subsystem of operative controlling, and this approach is emphasised more on the existing mutual relations between individual subsystems of controlling. By suggesting its contents, we have attempted to create a complex subsystem, which will be characterized by logical coherence and intelligibility of single activities. The designed approach and its application in practice will create assumptions for effective financial-economic management of wood enterprises.

## **7 POVZETEK**

Zaradi nenehnega spreminjanja poslovnega okolja so lesna podjetja prisiljena k učinkovitemu prilagajanju svojega poslovanja tem spremembam. Pri sprejemanju pomembnih odločitev morajo odločevalci imeti na voljo kvalitetne informacije, ki morajo biti točne, pravočasne, popolne, zgoščene in razumljive. Praviloma poznajo samo del relevantnih informacij, zato se večinoma odločajo v razmerah tveganja in negotovosti.

Eno izmed orodij za uspešno vodenje in upravljanje podjetja je tudi kontroling. Z informacijskega vidika pojmuje kontroling kot podsistem ali proces, katerega namen je zgraditi ustrezne večdimenzionalne in strukturirane poslovne modele ter z njihovo pomočjo načrtovati in nato spremljati poslovne podatke in informacije, ki so pomembne za odločanje in uspešno vodenje podjetja.

Glede na horizont in raven ločimo strateški in operativni kontroling. V podstev operativnega kontrolinga je vključen finančni kontroling, ki je relativno neodvisen del kontrolinga v podjetju, njegova osnovna naloga pa je zagotoviti plačilno sposobnost podjetja.

Glavne funkcije finančnega kontrolinga so: pridobivanje finančnih virov, upravljanje z njimi, dodeljevanje finančnih virov in njihova učinkovitost. Iz literature so znani številni pristopi k vsebini finančnega kontrolinga. V članku je prikazan izviren predlog pristopa k vsebini in mestu finančnega kontrolinga v strukturi kontrolinga v podjetju. V predlaganem modelu vsebina finančnega kontrolinga zajema finančno analizo, finančno

planiranje, kontroling obratnega kapitala (prihodki, zaloge in finančna lastnina), kontroling trenutne likvidnosti, kontroling kratkoročnega deficita in viška likvidnosti ter finančno kontrolo.

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