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BUDGETARY CONTROL ON THE EXAMPLE OF THE RESIDENTIAL COMMUNITY

KONTROLA BUDŻETOWA NA PRZYKŁADZIE WSPÓLNOTY MIESZKANIOWEJ

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Streszczenie: The article discusses a role of budgetary control as a method of financial management in the housing community during the period of 2011-2015. As the research methods there were used the analysis of the budgets, as well as deductive and inductive reasoning for conclusions. The analysis of the budgets and their implementation in 2011-2015 shows that budgetary control is successfully used to manage community's finances. It allowed the community to reduce certain categories of costs significantly. The analysis undertaken by the community venture shows that manifestations of budgetary control are present in its activities, taking into account feed-back and also feed-forward.

Keywords: budgeting, budgetary control, cost, financial management, residential community.

Summary: W artykule omówiono rolę kontroli budżetowej jako sposobu zarządzania finansami we wspólnocie mieszkaniowej w okresie 2011-2015. Jako metody badawcze wykorzystano analizę budżetów, a także wnioskowanie. Analiza budżetów i ich realizacji w latach 2011-2015 pokazuje, że kontrola budżetowa jest z powodzeniem wykorzystywana do zarządzania finansami wspólnoty. Pozwoliło to na znaczne ograniczenie niektórych kategorii kosztów. Analiza przedsięwzięć podjętych przez wspólnotę pokazuje, że w jej działaniach występują przejawy kontroli budżetowej, biorąc pod uwagę zarówno feedback, jak i feed-forward.

Keywords: budżetowanie, kontrola budżetowa, koszt, zarządzanie finansami, wspólnota mieszkaniowa.

1. Introduction – the purpose and methodology

In the literature budgeting, as well as its role, are defined in many ways. Below are presented only some of them, useful from the point of view of considerations in this article:

- budgeting is a method of the company's current management, defining the principles of planning and use of financial resources in order to effectively carry out the tasks of production [Komorowski 1997]. The term "budgeting" emphasizes its functional aspect, including the use of various methods and techniques associated with the preparation, execution and control of budget. It turns out that budgeting, if it is understood not as a decision, but as a process involving all management activities related to the preparation and execution of the budget, can have a significant influence on economic performance, e.g. [Komorowski 1997];
- budgeting encourages the conscious formation of revenues, expenses, expenditures and other economic categories. It is a system of current impact on these values, because it includes an adequate fusion of processes of planning and control, e.g. [Kiziukiewicz (ed.) 1999].

It is also a system for obtaining information, which is a kind of enterprise resource and an essential element of the decision-making process. Without it, the management of the entity cannot be efficient and effective. Through the information system, there should be an ensured supply of a set of reports provided for each level of management. On the basis of appropriate information provided in a timely manner and provided in an appropriate way, decisions are made [Kotowska 2012]. It is important that decisions are supported by the best information available within a reasonable cost to obtain it [Nowak 2000]. Budgeting is designed to provide reliable information, so the operator (entity) is aware how it expends its cash funds, and areas where costs can be reduced [Michałowska 2014].

The main thing is to determine the current demand for information, taking into account the potential demand for management information in the future; e.g. [Nowosielski 2002]. Budgeting can be successfully used by large, medium and small firms [Kotowska 2012]. Given the diversity of the goals of budgeting, it can be said that the creation of budgets is caused by the desire to achieve objectives that have been included in the financial and operational plans of an entity. In small units, the aim of budgeting is to improve the financial condition by reducing costs [Michałowska 2014].

This article will discuss the role of budgeting as a method of financial management in a residential community, with particular emphasis on the nature of the budgeting (budgetary) control – in terms of ex-post and ex-ante. It is an important problem, because in Polish literature of accounting, especially managerial accounting, there is generally lack of scientific research about housing communities, with only few exceptions [Tertelis 1999; Tertelis 2001; Niemczyk 2010; Goldmann, Bernasińska 2013; Spigarska 2015]. The authors chose as an object of research a residential community in Greater Poland where on board of the community there are no specialists in the field of management or accounting. This article aims to examine whether an entity such as community housing, where the board members are just

inhabitants without an experience and professional knowledge in the field of management and finances, especially accounting, using budgeting as a tool for financial management, takes advantage of budgetary control, even unwittingly, and with what result.

To achieve the objective general research methods were used, such as an analysis of the budgets of the community of the past five years (2011-2015), interviews with board's members as well as deductive and inductive reasoning, for the formulation of conclusions.

2. Findings

2.1. The role of budgetary control

Budgeting is considered to be one of the most important instruments of management accounting, supporting the achievement of the objectives of companies. It serves the implementation of all management functions. Budgeting supports planning, involving the demarcation of objectives and resource allocation, as well as devising methods of operations enabling to achieve goals. Supporting the role of budgeting (in functional terms), as an organizational function of management, comes down to programming in the budget operations, the performance of which leads to better functioning of the enterprise [Nita 2014]. Moreover, budgeting assists the organization in terms of attribute, forcing designing appropriate organizational structures – responsibility centers, to contribute to the success of the entire enterprise and its objectives [Nita 2014]. The budget is also an instrument of employee motivation (the standards contained in budget and keeping them or not, should transpose into remuneration). Finally, the control function of budgeting refers to confronting those standards with real values [Nita 2014].

The “steering nature” of budgeting (associated with budgetary control) is presented below in Figure 1. It illustrates both the modes of budgetary control, taking into account the feed-back and feed-forward, proving that in such an approach the budgeting control cannot be divorced from the other phases of budgeting [Nita 2014].

Budgetary control, taking into account feedback, requires a determination of whether it is a desired state as well as the determination of the facts, and then the comparisons thereof; and as a result, takes many control actions aimed at eliminating the formation of variations. Budgetary control in this approach is to ensure [Nita 2014]:

- disclosure of variations of the current or anticipated values from the budgeted ones,
- identification of areas where variations appear,

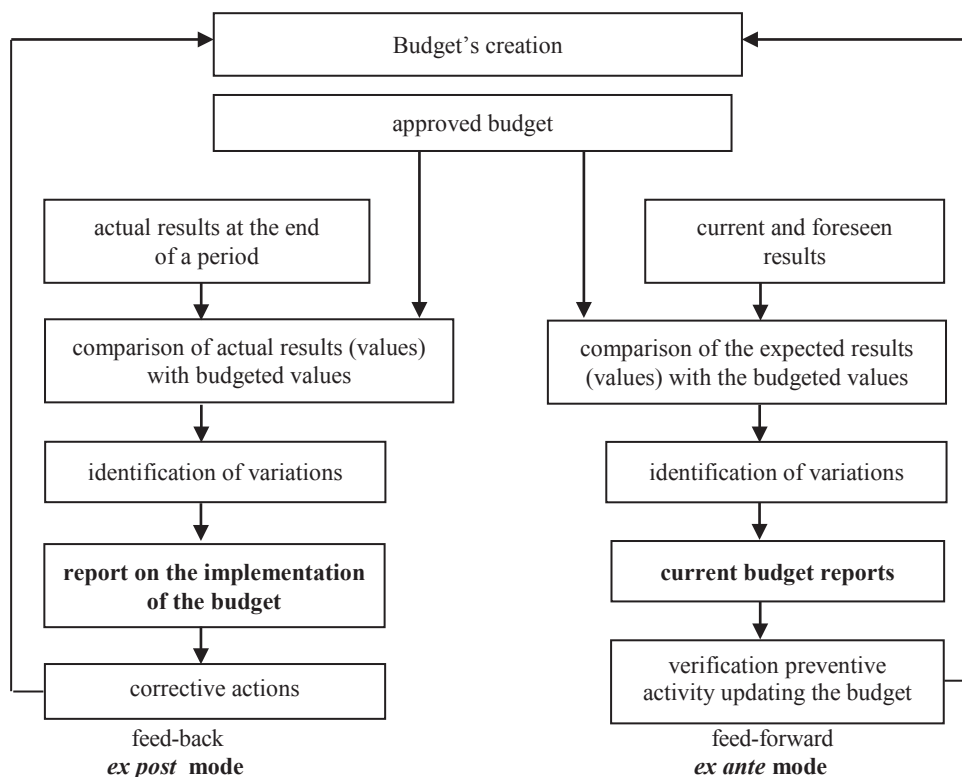


Fig. 1. Budgetary control

Source: own compilation based on [Nita 2010, p. 211].

- identification of the causes of variations,
- establishment of the persons responsible for the formation of *ex post* variation,
- examination of the effects of formed variations in various business areas,
- pointing out corrective actions for occurring variations,
- postulation of corrective actions to eliminate the formation of variations in the future,
- proposal of changes in the activities of the entity,
- implying improvements in the budgeting process.

The report on the implementation of the budget, in addition to the comparison of actual data with the budgeted data, includes the possible causes of formation of divergences (based on the calculation and analysis of any revealed variation). In the budgetary control system, financial reports on the implementation of the budget perform, as part of the feedback, a regulatory function. The diagnosis of the causes of variation allows [Nita 2014]:

- taking corrective action to prevent further occurrences of the factors that triggered the formation of adverse variations in the past,

- updating of the budget, if there was a change in conditions of the enterprise's functioning and the variations are significant, and their analysis shows that the budget adopted in its present form cannot be realized.

Modern companies operate in a dynamic environment. Therefore, an approach which prepares budgets, and then compares budgeted values with the actual values, is somewhat insufficient (as any static approach). Budgetary control in *ex post* mode should therefore coexist with control conducted in *ex ante* mode, using a feed-forward operation. Consequently, in such an approach, the control stage cannot be clearly separated from the stage of preparing the budget, because feed-forward involves predicting the future state of the company's activities by constructing problem scenarios in many areas of its business. It allows to make a comparison of the budget drawn up with the projected results and anticipate future adverse variations. It gives the basis for [Nita 2014]:

- performance of the appropriate corrective actions and preventive measures, to avoid variations before they occur,
- verification of assumptions made for the purpose of drawing up the budget, revision of the findings and the preparation of the next version of the budget.

The analyses of variations play a key role in budgetary control. Both feed-back as well as the feed-forward mode should aim to identify variation and detection of their causes (*ex post*), or potential factors that trigger the formation of variation in the future (*ex ante*) [Nita 2014].

2.2. The approach to budgeting issues in the housing community

The analysis of budgets and reports on their implementation in the audited entity (a residential community in a city in the Greater Poland region) for the last five years (2011-2015) can help draw conclusions as to the methods used by those responsible persons for the preparation and implementation of the budget. As it turns out, the community has its own way of preparing the budget, which it considers correct. It does so:

- from a broader perspective – budgets from previous years, in particular the last year's budget, are treated as a basis for planning for the next year. This is a budget that, should it be modified, the changes may only apply to certain items;
- trends (namely, changing trends) – the reasoning is as follows: if we consume less energy, because lightbulbs were exchanged for LED bulbs, we can plan on spending less every year for this purpose. A typical example of the trend in the studied community is also the gradually increasing debt of the inhabitants, which results in the need to plan for higher legal expenses (these are primarily debt collection costs) in part attributable to the community – and taking into account a decrease in revenues. On the basis of a few years, it is possible to calculate the percentage of the increasing costs and determine their estimated value in the coming year. There can also be taken into account the costs incurred by having

to reverse the negative trend (change restrictions, the possibility of spreading the debt in instalments, the introduction of financial penalties, increasing investment in a law firm, debt collection) or other;

- plans – due to maintenance works, the need for repairs and obtaining permits. Plans should include information regarding the expected changes necessary in a given year.

When preparing the budget for the community, requests for proposals for the work, planned in light of the full cost (labor costs and operating costs), should be taken into consideration before invitations to tender are prepared. In addition to the cost of performance, operating costs are also taken into account, as well as wear costs and all others.

Elements such as voting on changes to the community at a meeting of members should also be considered in the budget; such as the introduction of new rules that the community must take into account incurring mandatory fees.

When planning the budget, it is reasonable to consider inventories (their current state) which good example is the purchase of road salt. Because of the different weather conditions in previous years, existing inventory could remain from the last year, which should be taken into consideration during the purchase in the current year.

Difficult to define in terms of value during the period, and because of that, troublesome for the community, is a group of costs for various failures – hence the issue of planning insurance expenses (random events, vandalism) is seen as very important.

It was therefore an attempt of failure's classification to better plan spending on them. The analysis of past and current events shows that the most frequent failures which the community had to deal with were:

- seasonal, very costly damage to the heating valves, temperature controllers in the shafts, garage halls,
- burned out bulbs in stairwells and garage halls,
- crashed barriers in garage halls (3 barriers), torn lines, damages caused by attempts to manually lift or lower these barriers,
- door damages – locks, handles, closure regulators (in staircases and garbage room),
- clogged drains (sewerage wells and gutters),
- failures of ventilation ducts – damages to chimneys, ventilation of dwellings and garages,
- roof leaks – cracks, stains.
- devastation of green areas, ornamental plantings.

The following tables contain information on selected data included in budgets, and reports on their implementation in the considered period. The interpretation of variations and investigation what impact they had on budgetary decisions in the coming years, let determine how the residential community uses information contained in the budgets for the management of its finances and whether it uses budget controlling.

Table 1. Budget of residential community for 2011 and its implementation (selected items) in PLN

Costs			Revenues		
specification	Plan Jan.- Dec.	implemen- tation	specification	Plan Jan.- Dec.	implemen- tation
Working costs			Advance payments	234,707.59	237,966.54
1. Electric energy	27,859.22	38,797.83	Repair Fund	34,004.16	33,987.58
2. Water & sewage	7,651.67	16,505.44			
3. Heat center	6,269.13	5,756.40			
4. Building's insurance	3,900.00	4,751.00			
5. Maintenance of cleanliness	53,724.00	50,700.24			
6. Obligatory inspections	5,500.00	4,999.97			
Minor breakdowns and repairs					
1. Provision for failures and repairs	15,000.00	15,308.69			
Other costs					
1. Road salt	4,500.00	2,316.00			
2. Postal charges	1,500.00	544.11			
3. Costs of heating	11,344.54	10,892.88			
4. Bank charges	900.00	1,151.54			
5. Others	16,183.31	8,268.82			
Management	50,494.92	50,479.92			
Elevators maintenance	14,380.80	17,028.90			
Repair Fund					
1. Plank's expertise	3,000.00	6,900.00			
2. Other minor repairs		25,501.73			

Source: own study based on the documentation of residential community.

Noteworthy are significant discrepancies between planned and actual expenditures on electricity, water and sewage, building insurance, road salt, postal services, expertise of planks estimator, and costs included in the budget as "other".

The increase in spending on electricity can be explained, on the one hand, by price increases (as in the case of an insurance policy), and on the other hand – running the ventilation on the roof of the building, as well as more intensive than expected exploitation of gates in the garage halls. Much higher than planned cost of water and sewage is explained by the lack of separate counters for water (almost double the cost of water increases when consumption is recognized together with the wastewater); and the development of green areas has resulted in the year 2011, an increase in water demand (intensive watering plantings). The consumption of road salt lower than expected was related to the unpredictable weather conditions in late autumn and winter. Similarly, expenditure on correspondence turned out to be overestimated compared to the real demand. An interesting item is the budget "expertise of planks", in connection with their planned replacement – difference between the estimated cost of the service and the actual expense resulting from

necessary changes in elements (replacing one kind of planks with other types), which resulted in a significant change in the operating costs and the required expertise. Other costs are primarily associated with unscheduled repairs and reconstructions, which occurred and had to be conducted after the budget's preparation; similarly, a significant amount of small, unplanned repairs and breakdowns due to the difficulty in predicting their necessity. Higher than expected maintenance costs of elevators resulted from a routine check, and the need to replace/repair of some of its elements.

The analysis of the 2012 budget (Table 2) indicates that the community can draw conclusions from past events and take them into account in plans for the next year.

Table 2. Budget of residential community for 2012 and its implementation (selected items) in PLN

Costs			Revenues		
specification	Plan Jan.- Dec.	implemen- tation	specification	Plan Jan.- Dec.	implemen- tation
Working costs			Advance payments	181,932.18	181,932.18
1. Electric energy	42,000.00	36,919.09	Repair fund	126,976.17	120,310.86
2. Water	8,000.00	14,497.70			
2a. Service fee – water	150.00	140.07			
2b. Service fee – sewage	250.00	233.13			
3. Heat center	17,000.00	16,577.78	Other revenues	7,400.00	7,292.85
4. Building's insurance	5,000.00	4,752.79			
5. Maintenance of cleanliness	50,800.00	45,043.20			
6. Obligatory inspections	5,200.00	3,500.00			
Other costs					
1. Maintenance of greenery	11,000.00	10,351.00			
2. Court fees	5,000.00	4,442.67			
3. Bank charges	1,200.00	1,122.25			
Management	50,464.92	50,251.79			
Elevators maintenance	17,000.00	16,577.78			
Repair Fund					
1. Joinery	1,500.00	2,160.00			
2. Locksmith	1,800.00	447.23			
3. Emergency works	30,000.00	67,040.03			
4. Facades	64,000.00	35,881.11			
5. Others	58,000.00	46,872.00			

Source: own study based on the documentation of residential community.

The housing community has installed water meters, which was a rational action, which aimed to reduce costs in this area. However, the need for the care of landscaping, during difficult to predict weather conditions in the spring and summer, largely eliminated the planned savings on the cost of cold water in the year under review. In the budget there is a new position – maintenance costs of greenery, including activities such as pruning, replacing plants, spraying, mowing, etc. Also planned are

higher spendings on electricity, taking into account their actual level of last year, while at the same time exchanging light bulbs for energy-saving ones was carried out successively. The community has also undertaken efforts to initiate an exchange of elements of the ventilation in the garage halls and its control on the innovative and intelligent, and thus – energy-saving – which should be reflected in the subsequent years, by significant reduction in power consumption (installation of modern electronic system, shortening the time of ventilation and automatically turning it off when the hall conditions are consistent with established standards). The measures taken resulted in a slight decrease in spending on electricity in the current year. Similarly, in the case of the costs of maintenance and operation of the lift, and the repair costs of failures, lessons have been drawn from the past and higher spending has been planned. In the case of maintenance of the elevator, the actual level of spending almost exactly corresponded with the planned costs. Planned costs of unexpected failures and minor repairs, raised to the level of expenditure for this purpose PLN 30,000 (in 2011 they reached the amount of PLN 25,501.73) have not produced the expected result - these costs have proved once again to be underestimated; the actual expenditure for this purpose in 2012 amounted to more than PLN 67,000. This resulted from the planned work on the façade of the building; because not all of the activities resulting from the schedule of work were actually completed in the current year, and also during the work it was decided to replace some of the materials substitutes, the cost of performance of the elevation (at this stage), in practice, proved to be lower by more than PLN 28,000. However, undergoing renovation work resulted in a series of gradually revealing minor damages and accidents caused by both residents and property renovation teams, hence the planned expenditure for this purpose proved to be insufficient.

Nevertheless, according to the activity of the community, persons responsible for drawing up the budget and its implementation apply in practice to *ex post* budgetary control. Drawing conclusions on the basis of the implementation of last year's budget, they made the necessary adjustments in spending planned for the next year, while seeking the causes of variations. Some remedial and preventive actions are taken, e.g. installing meters for water, changing the light bulbs and the ventilation system control. Elusive, however, are manifestations of feed-forward, which could testify to the practical *ex ante* budgetary control, if the current update and revision of the budget are taken into account.

The budget of the community in 2013 (Table 3) contains new items, from the point of view of those disadvantageous to the community – there are, namely, the backlog in bringing charges for running costs and the Repair Fund, which increases the costs of legal proceedings (these are the costs of debt enforcement proceedings) that exceed the planned expenditures for this purpose more than PLN 2,000.

The increased cost of central heating has prompted the community to install temperature controllers in utilized rooms. The community consistently reduced its

Table 3. Budget of residential community for 2013 and its implementation (selected items) in PLN

Costs			Revenues		
specification	Plan Jan.- Dec.	implemen- tation	specification	Plan Jan.- Dec.	implemen- tation
Working costs			Advance payments	158,221.62	158,221.62
1. Electric energy	40,000.00	35,408.73	Repair Fund	183,040.65	183,040.65
2. Water	11,000.00	17,217.37			
2a. Service fee – water	150.00	245.33			
2b. Service fee – sewage	250.00	409.72			
3. Heat center	15,810.00	17,210.80	Other revenues	7,400.00	7,213.95
4. Building’s insurance	5,000.00	4,747.00			
5. Maintenance of cleanliness	52,000.00	46,213.20			
6. Obligatory inspections	14,656.20	9,585.82			
Other costs					
1. Maintenance of greenery	9,623.00	14,381.63			
2. Court fees	5,000.00	7,040.30			
3. Bank charges	600.00	529.25			
Management	50,464.92	49,399.65			
Elevators maintenance	17,500.00	17 210.80			
Arrears on operating costs at the end of the year	0.00	14,900.00			
Repair Fund					
1. Plumbing	14,310.00	14,195.52			
2. Locksmith	800.00	438.45			
3. Emergency works	40,000.00	34,466.39			
4. Facades	20,883.71	14,580.00			
5. Insulation	15,000.00	810.00			
6. Renovation of the adjacent areas	26,500.00	3,348.47			
7. Roofing works	20,000.00	6,519.00			
Arrears on the Repair Fund at the end of the year	0.00	27,483.99			

Source: own study based on the documentation of residential community.

planned expenditure on electricity, and the actual costs appear to be lower and lower; while it keeps at a high level the cost of cold water, which is again related to the care of green areas and an extremely dry and hot summer. Despite higher spending planned for this purpose, the implementation of the budget is still significantly different to the disadvantage of the value planned. Also, other maintenance costs of greenery were higher than planned due to the disease and withered parts of plants, which required the replacement of some plantings.

The community overestimated expenses for the necessary technical inspections and certifications, but it is related to the expected additional cost of “technical acceptance”, which has not occurred in connection with the failure to complete work

on the facade. In connection with the need to carry out work on the roof of a building, associated with the leakage of installed terraces on the roof, and flooding the apartments located below and the walls of the building, spending on roofing and insulation, as well as replacement of tiles, etc. was provided. These costs were also overestimated compared to the actual ones, but noteworthy is planned expenditure on the renovation of the adjacent areas, in connection with the expected necessity of cleaning up the area around the building after the renovation and restoration of the previous state. It bears clear signs of anticipation of future adverse events, causing additional costs for the community and the possible negative variations. This is a manifestation of feed-forward and, therefore, the *ex ante* budgetary control.

Budget plan and its implementation in 2014 are as follows (Table 4).

Table 4. Budget of residential community for 2014 and its implementation (selected items) in PLN

Costs			Revenues		
specification	Plan Jan.- Dec.	implemen- tation	specification	Plan Jan.- Dec.	implemen- tation
Working costs			Advance payments	163,983.21	163,984.30
1. Electric energy	35,000.00	28,274.36	Repair Fund	177,279.12	177,278.37
2. Water	14,000.00	2,301.64			
2a. Service fee – water	300.00	56.09			
2b. Service fee – sewage	459.00	94.63			
3. Heat center	20,000.00	15,812.94	Other revenues	51,415.21	79,598.34
4. Building's insurance	5,000.00	3,260.00			
5. Maintenance of cleanliness	46,213.20	46,443.00			
6. Obligatory inspections	11,563.78	7,973.99			
Other costs					
1. Maintenance of greenery	14,192.28	15,147.75			
2. Court fees	8,000.00	1,163.24			
3. Bank charges	600.00	541.50			
Management	49,624.00	49,623.84			
Elevators maintenance	24,000.00	19,615.30			
Arrears on operating costs at the end of the year	0.00	16,376.12			
Repair Fund					
1. Masonry	213,000.00	150,535.99			
2. Joinery	5,000.00	4,133.00			
3. Emergency works	40,000.00	44,057.22			
4. Appraisals	11,495.59	4,674.00			
Arrears on the Repair Fund at the end of the year	0.00	39,343.85			

Source: own study based on the documentation of residential community.

There is a continued decrease in spending (both planned and actual) for electricity, which proves that the replacement of light bulbs with energy-saving ones and the investment in the intelligent ventilation system gave the expected results and it was possible to reverse the unfavorable trend.

Following the expenditure growth for cold water, its higher cost of consumption was planned in comparison with the previous years. However, actual expenditures for this purpose in 2014 were decreasing abruptly. It was an effect of the previous year's decision – due to the need to replant some greenery – to change the type of plants to those more resilient, especially to drought, but also frost. As a result of this decision, in 2014 only lawns required watering. Also, weather conditions resulted in the lack of need for frequent irrigation of green areas. Other expenses for the maintenance of greenery remain at the level of the previous year, which was correctly anticipated and planned in the budget.

Noteworthy is the downward trend in the cost of management, matching the trend already seen in the previous year, when the manager's remuneration decreased as voted by the community's residents as a penalty. Spending on central heating decreased, which is associated with rather mild winters and the completed work on the facade of the building (and hence thermal insulation), confirming at the same time the accuracy of the decisions on the installation of temperature controllers.

Higher spending on legal fees in connection with the backlog in payments was planned in the budget for 2014, which should be considered a logical move, but the implementation of the budget proved to be an overstatement of the cost items. Increased indebtedness of members of the community was related to arrears in payments to the Repair Fund and maintenance costs; however other incomes of the community increased significantly, which was associated with renting business premises and other space not utilized by the community.

A community in search of savings has also decided to change their insurer this year, which is reflected in the decrease in the cost of the insurance policy of the building. Then the position "appraisals" appear, which are the expenses for the preparation of appraisals in connection with the planned masonry works, the cost of which is also planned.

A significant variation of actual and planned costs in the case of appraisals and masonry, which can be seen in the community budget for this year, is a result of the decision to carry out a limited repair, and thus preparing appraisals for only part of the work of repairing the terraces. The revision of the earlier findings results from the deepening of arrears to the Repair Fund.

Budget plan and its implementation in 2015 (Table 5) are the clearest proof that those responsible for budgeting in the community are trying to apply in practice budgetary control of both *ex post* and *ex ante*. Not only do they draw conclusions based on the analysis of variations in the budgets of previous years, but they can also be seen trying to anticipate adverse variations in the future, by anticipating possible events, and also by carrying out appropriate remedial actions, allowing to avoid

Table 5. Budget of residential community for 2015 and its implementation (selected items) in PLN

Costs			Revenues		
specification	Plan Jan.- Dec.	implemen- tation	specification	Plan Jan.- Dec.	implemen- tation
Working costs			Advance payments	168,415.20	168,335.26
1. Electric energy	90,000.00	35,898.45	Repair Fund	172,847.16	172,823.64
2. Water	30,000.00	1,522.66			
2a. Service fee – water	300.00	169.54			
2b. Service fee – sewage	459.00	286.36			
3. Heat center	50,000.00	15,195.88	Other revenues	154,245.63	78,184.70
4. Building’s insurance	12,000.00	3,388.00			
5. Maintenance of cleanliness	47,000.00	46,864.00			
6. Obligatory inspections	22,000.00	3,908.08			
Other costs					
1. Maintenance of greenery	45,000.00	13,932.51			
2. Court fees	3,300.00	1,722.00			
3. Bank charges	1800.00	624.06			
Management	48,872.00	50,254.65			
Elevators maintenance	72,000.00	23,336.00			
Arrears on operating costs at the end of the year	0.00	17,888.75			
Repair Fund					
1. Masonry					
	300,000.00	161,852.56			
2. Renovation of the adjacent areas	90,000.00	29,865.19			
3. Emergency works	120 000.00	39,536.07			
4. Appraisals	20,000.000	3,690.00			
Arrears on the Repair Fund at the end of the year	0.00	41,914.09			

Source: own study based on the documentation of residential community.

them in the future. Renovations scheduled for this year have not only been included under the “masonry” position in the budget; the associated potential increase in other costs also found its reflection in the planned spending. Included are the costs of appraisal, which provided, among others, the possibility of much higher power consumption, in connection with the use by teams of repair equipment and tools, prolonged/more frequent lighting of stairways and refurbished rooms, as well as the post-heating (a much higher planned cost of has also influence on the anticipated expenditure for the technical inspection). Higher consumption of water, necessary for large-scale works of masonry, renovation of the adjacent areas after the completion of the work (including the new green areas, due to the risk of damage to plantations and destruction of lawns) was also planned, as well as – based on past experience – the intensification of minor breakdowns.

Worthy of a separate discussion is the sharp increase in the planned expenditure on insurance, not having its reflection in reality. It stems from a desire to rationalize the expenditure on lift maintenance. Elevators in community buildings are damaged quite frequently, and the repair costs are a significant item of expenditure of the community, regardless of the relatively high costs of maintenance and inspection. Lifts require repair and replacement of structural elements which has its source in their use. The community decided to deposit the inquiries to insurance companies, desiring to conclude an insurance contract protecting elevators from the risk of failures. At the same time the community predicted that the insurance premium for this type of protection would be high, but due to high costs of repairs and maintenance in the long run – profitable. However, because from the point of view of insurance companies this kind of risk insurance companies is uninsurable [Monkiewicz 2000], in the absence of insurance coverage the community has decided to solve the problem of the cost of elevators operating in a different way. An agreement was signed with a firm servicing the elevators, in which for a fixed fee, crash risk was borne by the service provider. If a failure occurred, a repair was done at the expense of the conservator, whether the damage resulted from normal wear and tear or was the result of vandalism, or an accident. The obligation to repair was independent of the amount of failures reported in the year. This type of agreement resulted in the current year, in the drastic increase in the planned expenditure on the maintenance of lifts, which takes into account possible serious damages or failures resulting from carrying out renovation works in the building. The actual cost of maintenance of elevators accounted for slightly more than 30% of the planned cost.

Since the planned repair works were not completed in 2015, the implementation of the budget in group operating costs associated with these activities significantly deviated from the planned values. In case of water consumption it was also related to a relatively cool spring and equally cool and stormy summer, which significantly reduced the need for watering green spaces. The operating costs of central heating did not increase in 2015, despite persisting relatively low temperatures over a long period of time, but declined slightly, which once again confirms the relevance of investment in thermoregulators.

A worrying phenomenon is the observable decline in revenues compared to the expected ones, while a continuing to increase in the debt of community members.

3. Conclusions

The analysis of the budgets of the examined community and their implementation in 2011-2015, as well as interviews with members of community's board, show that budgeting is successfully used as an instrument of management accounting, to manage its finances – so members of the board, even without professional experience in finances and management, are able to draw proper conclusions, studying prepared budgets and their implementation. The use of budgeting by the community (including

budgetary control) as a method of financial management in the examined period, allowed for a significant reduction of certain categories of costs – primarily the consumption of water or electricity and heating, and maintenance of green areas. In the case of energy costs and central heating, taken remedial action allowed the reversal of negative trends – in the observed period they declined systematically. In the case of the cost of water consumption it was even spectacular, as appearing variations between the planned and actual volumes should not be judged negatively due to the fact that water consumption in the current year (as well as for heating costs) is also influenced by weather, unpredictable, and independent of the community's action. Efforts in community activities aimed at the rationalization of operating costs, as well as efforts to find additional sources of revenue, are rational and mostly result from inference on the basis of the analysis of the observed variations between planned and actual costs, allowing those responsible for the finances to determine the cause of these variations and their place of origin.

An analysis of ventures undertaken by the community shows that, in its activities, manifestations of budgetary control are present, taking into account feedback, i.e. indication of possible corrective actions because of occurring deviations (such as replacing light bulbs with energy-saving ones, installation of temperature controllers, water meters), and postulates corrective actions to eliminate the formation of variations in future (the decision to change the management of green areas). Reflected in the activities of the community are elements of budgetary control *ex ante*, using the feed-forward – the desire to increase revenue by renting un-utilized space, the increase in planned expenditure on legal fees, expenses of debt collectors, due to the rising indebted Repair Fund and maintenance costs can be regarded as an attempt to predict the future state of business activity, and also the effect of the construction “problem scenario”. Similarly planned significant increase in costs in 2015, in connection with the planned for that year a large renovation had its origin in attempts to anticipate potential factors that could lead to significant deviations in the future, and therefore *ex ante*. These activities also fit the signing of a new agreement with the lift conservator, giving the community a chance to avoid future variations in repair costs, due to difficult-to-predict (in terms of volume and value, as well as the causes) failures.

In the activities of the community, elements of the verification of the assumptions can be noticed. They are adopted for the purpose of drawing up the budget and the revision of the arrangements – because of increasing debt of the community departed from carrying out some repair works, or decomposed for subsequent years. However, it is not a verification aiming to update the budget on a regular basis. All adjustments are included primarily in the preparation of the budget for the next year. It can be assumed, that if a specialist of management, accounting, or finances, has been present in a board, the residential community would be even more successful in making use of budgetary control. It has been proven that members of board are able to understand a mechanism of this tool (budgeting, budgetary control) and use it properly.

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