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THE IMPORTANCE OF MAKING A RATIONAL BUSINESS DECISION OF TOP MANAGEMENT IN AGRICULTURAL COMPANIES IN THE REPUBLIC OF SERBIA

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Summary: The importance of making a rational business decision by top management in agricultural enterprises should be viewed as an ongoing process. The process of rational business decision-making is of special importance for the business of companies that carry out most of their business in activities that do not have a high degree of capital turnover, i.e. in activities that depend on the great influence of natural factors on production such as agriculture. The authors point out that the process of making a rational business decision begins with making a valid management decision by top management. The implementation of a valid business decision in all parts of the company is of great importance to be implemented immediately because any delay in its implementation costs the company. The IT sector of the company can help speed up the implementation of the business decision of the top management, because it has the technical conditions to immediately include innovative business decisions in the business system in all sectors in the agricultural company. As a special support for the implementation of business decision-making is the previous adoption of a valid organizational scheme in the company.

Key words: *business decision making, IT, sector, enterprise.*

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INTRODUCTION

Top management in agricultural companies should have determination in terms of applying new business principles and innovative approaches in the business decision-making process [1], [2], [3]. Management processes by the top management should be based on the application of realistic and rational business decision making [4], [5] in all parts of the company.

This is of great importance when functionally connecting the sectors of enterprises that essentially have to function as one whole that will achieve an increase in production, turnover or services.

Functional improvement of business decision-making by top management has to link real control primarily in the processes of real agricultural production.

In addition, as part of the performance of other functions such as trade or when performing some kind of service by an agricultural company, the importance of making valid business decisions is noticed, because it achieves the end result on the market. In addition to making valid business decisions by top management, he can use and apply in his business a whole range of new methods by which he will be able to enable future business decision-making. Business decision-making is very much related to the application of numerous international standards [6], [7], [8].

Business decision-making is closely related to the establishment of online controls and internal audit in regular business processes [9], [10].

In addition, top management should adopt a general management plan in the company, i.e. business decision-making is followed by business management in an agricultural enterprise [11], [12], [13].

The goal of real and business decision-making based on valid decision-making is based on making valid business decisions that will enable better business results in the business of an agricultural company. Business decision-making affects the increase of business security within the regular business of agricultural companies.

In this paper, the authors draw attention to the importance of real decision-making and making real business decisions, which is of great importance for achieving the final results of business activities.

ESTABLISHMENT OF INTERNAL CONTROL IN AGRICULTURAL ENTERPRISES

The system of making business decisions by which the management of companies will be performed in a safe way inevitably leads to the implementation of internal control and internal audit in the regular operations of the company.

In order to establish systems to improve business decision-making in business, it is necessary to establish a system of internal controls and internal audits at all levels of management in the agricultural enterprise.

In the presentation in Figure 1, the authors presented some of the possible established control mechanisms by which it is realistically possible to improve the business of an agricultural enterprise.

The application of these solutions is possible in transition economies, which is of great importance, especially for countries moving towards accelerated development, such as the Republic of Serbia.

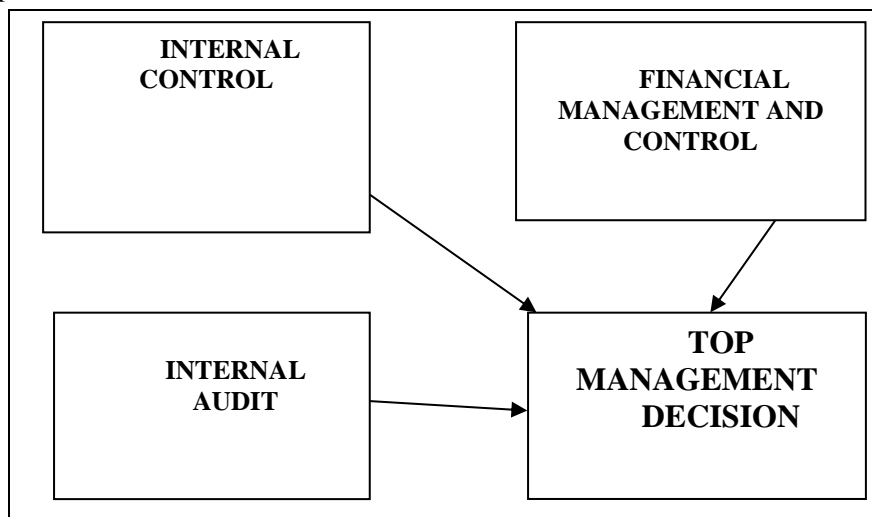


Figure 1. Development of software solutions in the system of "good practice" in agricultural enterprises

1. Review of the formation of one of the forms of control in the decision-making of an agricultural company in the Republic of Serbia

The formation of one of the forms of control in agricultural companies can also be shown through the influence on the decisions of the top management of the company through the formulas:

Formed Internal Audit + Impact of the work of internal audit = Decision of top management

$$\mathbf{FIA + IIA = TME} \quad (1)$$

Internal control formed + Influence of **internal control work** = **Decision of top management**

$$\mathbf{FIC + IIC = TME} \quad (2)$$

Formed financial management and control + Impact of work financial management and control = Decision of top management

$$\mathbf{FFMC + IFFMC = TME} \quad (3)$$

(where the symbols represent: (FIA = formed internal audit; FIC = formed internal control, FFMC = formed financial management and control).

2. Review of the formation of one of the forms of control in the decision-making of an agricultural company in the Republic of Serbia

The authors point out that based on the gradation, the introduction of 3 forms of internal control mechanisms can be observed, and therefore the gradation of the introduced forms can be performed.

1. **TME = IC** (initial level = implementation of internal control mechanisms in the company's business),

2. **TME = IA** (Intermediate level = implementation of internal control mechanisms in the company's operations with the work of the formed internal audit in the company)

3. **TME = IC + IA + FFMC** (High level = fully implemented internal control mechanism in the company's operations in the system of financial management and control).

The authors point out that the safest business in agricultural companies is realized in the case when the decisions of top management are based on the formed financial management and control in companies.

3. Establishment of Control in financial reporting in agricultural enterprises in the Republic of Serbia

Controls and financial statements in agricultural enterprises should ensure that:

- show users whether the overall financial activities of that fiscal year were conducted in accordance with regulations;
- help users to better understand the nature, size and scope of the company's activities, as well as its financial condition;
- help customers understand and assess how the company finances its activities;
- help users to understand and evaluate the effects of the company's activities;
- help customers determine whether the company has achieved its goals,
- whether the costs have been correctly identified;
- provide users with information on the quantitative aspects of the company's income statement.

Users of financial statements include:

- employees in companies;
 - external business partners such as creditors, suppliers and customers;
 - economists, analysts and special interest groups;
 - the media.
- financial statements include work that should be: understandable, relevant, reliable, material (significant), timely, consistent, comparable,
- balance sheet, including assets, liabilities and reserves;
 - cash flow, which documents the sources and use of funds;
 - notes to the financial statements that include a description of the accounting principles and methods used,
 - other explanations as appropriate, which may include performance indicators.

THE IMPORTANCE OF ESTABLISHING AN INTERNAL AUDITOR IN AGRICULTURAL COMPANIES

The importance of establishing an internal auditor in agricultural companies is reflected in the fact that top management wants to establish less business risk for the company itself in its regular operations.

The authors gave a presentation of possible reports of internal auditors with the most characteristic advantages and disadvantages that arise on that occasion. The authors pointed out the main advantages and disadvantages of the reports submitted to the top management, and the presentation itself is given in Table 1.

Table 1. Methods of presenting the internal auditor's report

Method of submitting financial reports	Advantages	Deficiency
Presentation	<ul style="list-style-type: none"> • Interactive • Flexible • Easier acceptance • Helps to consider more difficult issues and solutions • May increase the chance of implementing measures • Contributes to focusing on priority issues Internal audit can affect the way measures are taken 	<ul style="list-style-type: none"> • Not all evidence can be presented • It can lead to difficulties in presenting complex data which can lead to misunderstandings • Presentation skills and active participation of two people are required • Good preparation is required • The possibility of domination of one person or a particular problem • The user can still request a report
Standard report	<ul style="list-style-type: none"> • Good for detailed reporting and complex data • Can provide general information and context • Evidence is immediately available to the reader Some users find reports more "authoritative" 	<ul style="list-style-type: none"> • Require more preparation time • Long reports may remain unread and sometimes difficult to accept • They may be presented late due to delays in preparation

In addition to the internal auditor's reporting methods to the top management, they should take into account the sampling frequency so that the financial and other reports are close to the optimum reporting to the required audits performed by internal auditors for the top management of the agricultural enterprise.

In the following, the authors in Table 2 give an overview of the sampling frequency as a basis for obtaining a valid internal audit opinion, which they submit to the top management.

Table 2. Sample size observed through different lengths of time

Frequency	Sample size	
	Systems that are of key (material) importance for financial statements	Systems that are subject to cyclical checks
Daily reporting	30	18
Sunday	5	5
Monthly	2	4

DISCUSSIONS

Management in agricultural enterprises is performed in the conditions of continuous existence of weaknesses and risks for the general business of the agricultural enterprise. For that reason, it is necessary to eliminate the risk to the business of the agricultural company. In order to be able to realistically implement this in the business of the company, top management introduces control mechanisms of business in all parts of the company, i.e., in all sectors of the company.

The importance of the introduction of internal control and internal audit by the top management of the company is provable and can be applied in a large number of primarily medium-sized companies in agriculture.

The establishment of controls can be done and can have an effect only if the top management of the company realistically respects the expert opinion of the internal auditor as well as the person who performs internal control in the company.

CONCLUSION

Agricultural enterprises managed by top management can detect more system weaknesses (enterprises) only if they introduce control mechanisms in all parts of the enterprise. In this paper, the authors emphasized the importance of introducing internal control and internal audit by top management of companies, and presented the results in the form of Table 1-2, which can serve as a realistic basis for financial and other reporting in a large number of medium-sized companies areas of agriculture in the Republic of Serbia. The control can be carried out, first of all, taking into account the expert opinion of the internal auditor, who should perform essential sampling on all parts of the enterprise in order to establish even control of the business functions of the agricultural enterprise.

Finally, it is important to point out that there is no such system of internal control and internal audit that would provide perfect results every time, in the presentation of Figure 1 the authors gave an overview that it is possible to introduce financial management and control, but it should be noted that this type of control used in large systems, ie more used in large agricultural enterprises. Finally, the authors point out that any control that is carried out results in the creation of certain costs that must be taken into account by the top management in the projections in order not to burden the overall business with unnecessary costs.

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**ZNAČAJ DONOŠENJA RACIONALNE POSLOVNE ODLUKE
TOP MENADŽMENTA U POLJOPRIVREDNIM PREDUZEĆIMA
U REPUBLICI SRBIJI**

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Sažetak: Značaj donošenja racionalne poslovne odluke od strane top menadžmenta u poljoprivrednim preduzećima treba posmatrati kao trajni proces. Proces racionalnog poslovnog odlučivanja je od posebnog značaja za poslovanje preduzeća koje svoj pretežni deo poslovanja ostvaruju u delatnosti koja nema visok stepen obrta kapitala odnosno u delatnostima koje zavise od velikog uticaja prirodnih faktora na proizvodnju poput poljoprivrede. Autori ističu da proces donošenja racionalne poslovne odluke započinje donošenjem važeće upravljačke odluke od strane top menadžmenta. Implementacija validne poslovne odluke u svim delovima preduzeća je od velike važnosti da se primeni odmah jer svako odugovlačenje sa njenom primenom košta preduzeće. „IT“ sektor preduzeća može da pomogne bržoj implementaciji poslovne odluke top menadžmenta, jer isti raspolaže tehničkim uslovima da odmah može da uključi inovativne poslovne odluke u sistem poslovanja u svim sektorima u poljoprivrednom preduzeću. Kao posebna podrška implementacije primene poslovnog odlučivanja je prethodno donošenje validne organizacione šeme u preduzeću.

Ključne reči: *poslovno odlučivanje, „IT“, sektor, preduzeće.*

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