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Streszczenia

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EXPENSES AND REVENUE TRACKING IN THE CZECH REPUBLIC MANAGEMENT ACCOUNTING SYSTEMS

Summary: Management accounting is a bookkeeping subsystem used by managers and owners to obtain information about expenses actually spent, revenue realized in connection with individual performances, processes, activities or departments. The sphere of the management accounting covers, besides various calculations associated with intra-plant cost management and other related activities, the actual posting of expenses and the revenue of individual intra-plant departments. In the Czech environment, intra-plant accounting is either organized as an analytical section of financial accounting within a separate accounting circuit or as a combination of these two options. This article aims to find out how these methods are used in Czech enterprises.

Keywords: single-circuit accounting system, double-circuit accounting system, combination of single and double-circuit accounting systems, expenses and revenue of the individual intra--plant departments

1. Introduction

The tracking of expenses and revenue realized by individual intra-plant departments is one of the basic tasks of intra-plant management. Departments inside the company are mainly established in order to clearly allocate responsibility for expenses spent, no matter that the intra-plant accounting concept is in fact almost completely within the competence of the company itself. For the purposes of intra-plant management, the company may establish its internal management accounting under its full control, showing the economic flows and transactions in a structured way. Intra-plant accounting is not governed by any legislation or special regulations, so almost any procedures and methods may be applied that ensure the collection of a sufficient amount of information for the given purposes and meet the individual needs and requirements of the particular accounting unit. On the other hand, intra-plant accounting must provide at least the following information for the purposes of financial accounting [Král 2010, p. 96]:

- information on balance of/change in the inventory of own production,
- information for the formulation of own production capitalization,
- information for the valuation of the inventory and other outcomes of own production.

On the other hand, management accounting assumes for its purposes the financial accounting information on prices of inputs. The minimum scope of intra-plant accounting is therefore stipulated in the Act on Accounting and the Accounting methods and procedures. In this regard intra-plant accounting is controlled by the government and represents a part of financial accounting [Act No. 563/1991...].

When the company management must select the particular method of organization of the management accounting that will meet the management's requirements, on the one hand, and reflect the differences in the requirements of external and internal users with regard to content, structure and focus of required information on the other hand, it has the following options to choose from [Havelec 1997, p. 98]:

1) single-circuit accounting system,
2) double-circuit accounting system,
3) combination of single- and double-circuit accounting systems.

2. Single-circuit accounting system

Within the framework of the *single-circuit accounting system,* the expenses and revenue of individual intra-plant departments are tracked through the analytical accounts under financial accounting. In this case the financial and management accounting systems represent a single accounting system where expenses and revenue of individual departments are posted on analytical accounts of class 5 − Expenses and class 6 − Revenues. These analytical accounts must be added to the company official accounting scheme.

This kind of record-keeping within the scope of management accounting is mainly used in small companies with simple production and few departments or in the case of minimum or no intra-plant cooperation, in business companies and by service providers. In most cases the implementation of management accounting only makes sense when the internal departments (organizational units) mutually cooperate. Within the scope of such intra-plant cooperation, secondary expenses/revenue are generated in the cooperating departments. For these purposes the system of analytical accounts assigned to the particular synthetic account within the framework of financial accounting is amended by a few more accounts to keep records of the intra-plant cooperation. In the numerical designation of expenses and revenue accounts there is an unoccupied account not included in the financial accounting. Currently these are 599 – internal secondary intra-plant expenses, and 699 − internal secondary intra-plant revenue (in both cases the valuation of expenses/revenue is carried out using intra-plant prices and the posted amounts are included in the actual expenses and revenue of individual departments) [Fibírová, Šoljaková, Wagner 2007, p. 64; Král et al. 1997, p. 158].

Schemes of the single-circuit accounting principles are shown in Figure 1.
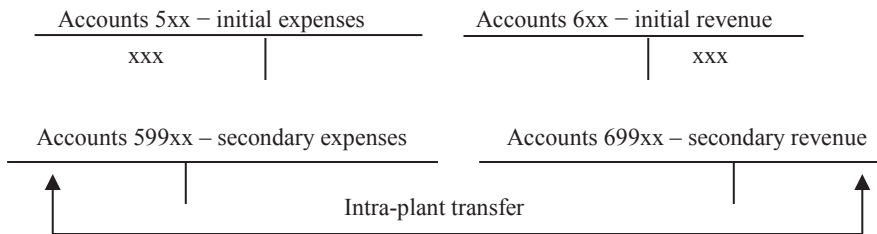
Figure 1. Single-circuit accounting system scheme

Source: author's own elaboration.

For the purposes of individual accounts identification within the single-circuit accounting system, a 3-digit number is used in accordance with the company official accounting scheme. This identification may be changed by the internal standard (amend or extend) as required by individual departments in order to ensure more detailed specification of the relevant expense and revenue transactions [Havelec 1997, p. 99].

3. Double-circuit accounting system

The double-circuit accounting system is usually used in companies with multiple intra-plant departments and more complex structure of performances. Another precondition is a more extensive cooperation amongst individual intra-plant departments. Within the framework of the double-circuit accounting system there are two separate and independent accounting circuits created. The first one is represented by financial accounting, whereas the second is represented by expense and revenue accounts sorted by intra-plant departments, i.e. by individual activities. All accounting transactions are posted by means of double entries on the relevant intra-plant department accounts. These accounts are linked to the expense and revenue accounts in the financial accounting by means of *control accounts* that also serve for the purpose of checking the correctness of the posting of the individual accounting transactions within both accounting circuits [Čechová 2006, p. 35].

In the intra-plant (second) accounting circuit, the free account classes in the chart of accounts are used for entrepreneurs − account class 8 (intra-plant expenses) and account class 9 (intra-plant revenue). Their structure (individual account groups, synthetic accounts and their content) is determined by the accounting unit itself, based on its specific needs and requirements. The established accounts must be included in the official accounting scheme of the organization. For the linkage to the financial accounting system, the above mentioned control accounts are used. In order to check the individual accounting transactions, accounting units usually make use

of *expenses control account* and *revenue control account*. The control accounts are used for the recording of accounting information that is reflected in the financial accounting (for the whole company) but also in the intra-plant accounting of individual departments [Fibírová, Šoljaková, Wagner 2007, p. 60].

Expenses account
in class 5

xxx

Control account
for expenses − class 8

Departmental expenses −
class 8

Departmental revenue −
class 9

Control account
for revenue − class 9

Revenue account
in class 6

xxx

Second. departmental
revenue − class 9

Second. departmental
expenses − class 8

Intra-plant transfer
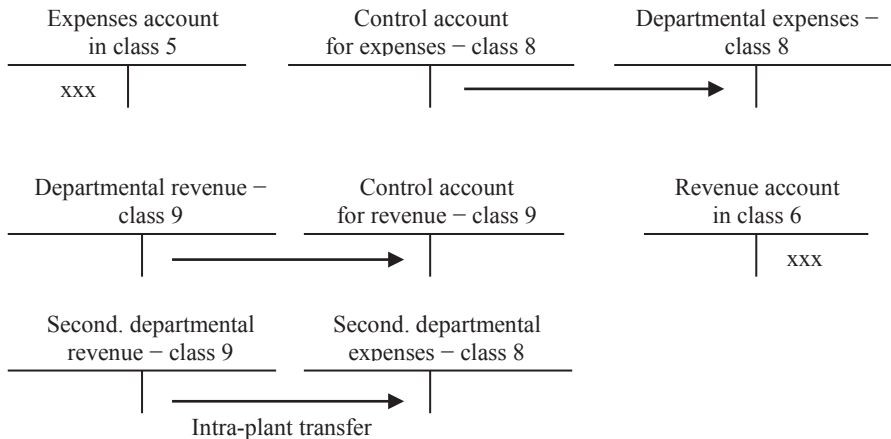
Figure 2. Double-circuit accounting system scheme

Source: author's own elaboration.

As already mentioned above, with regard to the established intra-plant accounting circuit the accounting unit is liable for meeting any statutory obligations. The managers may therefore adapt the scope and structure of this internal accounting circuit as deemed necessary. In this way it is assured that the intra-plant circuit will also reflect the actual state and economy of the relevant accounting unit as truly as possible [Havelec 1997, p. 100]. The scheme of the double-circuit accounting system is shown in Figure 2.

4. Combined method and application of individual forms of company internal accounting in practice

In practice, both accounting systems may be combined and the benefits of both individual approaches utilized. This way of organizing the intra-plant accounting system is however quite rare in Czech companies.

This part of the paper presents an analysis of the current situation in the application of individual methods of company internal accounting in Czech business practice. Various companies were analyzed from a quite broad territory covering the Liberec region, the Ústí nad Labem region, the Hradec Králové region, the Central Bohemian region and Prague. The analyzed information was obtained from students of the

Faculty of Economics of the Technical University of Liberec, particularly from the students of the first year of the follow-up external studies in the field of Business Economics who were asked to fill in a simple questionnaire. In total 56 students (business practice representatives) participated in the survey. The obtained data were sorted and analyzed based on the author's own criteria. The results are presented in tables with illustrative graphs and comments.

At first the analyzed companies were sorted based on the fact of whether they use some internal accounting system or not. The results are summarized in Table 1 below.

Table 1. General application of individual methods of company internal accounting

Accounting system	Companies	%
Single-circuit	21	37.5
Double-circuit	19	33.9
Combined	15	26.8
No internal accounting	1	1.8
Total	56	100.0

Source: author's own elaboration.

As is obvious from Table 1, almost all the analyzed companies implemented some internal company accounting subsystem in order to monitor their revenue and expenses generated by individual intra-plant departments.

Then the analyzed companies were sorted by their size and character into three groups – small, medium-sized and large companies. As is obvious from the results shown in Table 2, small and medium-sized companies most frequently use the single-circuit accounting system as it is suitable and efficient enough in the environment typical for these companies. On the contrary, in large companies the double-circuit accounting system clearly dominates (or a combined system). This confirms the assumption that large companies, where extensive intra-plant cooperation (between individual departments) is expected, need to have a perfect insight into the

Table 2. Application of individual methods of internal company accounting by company size

Accounting system / company size	Small		Medium-sized		Large		Total	
Single-circuit	9	16.07%	10	17.86%	2	3.57%	21	37.50%
Double-circuit	3	5.36%	4	7.14%	12	21.43%	19	33.93%
Combined	0	--	4	7.14%	11	19.64%	15	26.78%
No internal accounting	1	1.79%	0	--	0	--	1	1.79%
Total	13	23.22%	18	32.14%	25	44.64%	56	100.00%

Source: author's own elaboration.

performance (revenue and expenses) of individual departments – therefore these companies prefer the double-circuit or combined accounting subsystems. The final results are also shown in Figure 3.
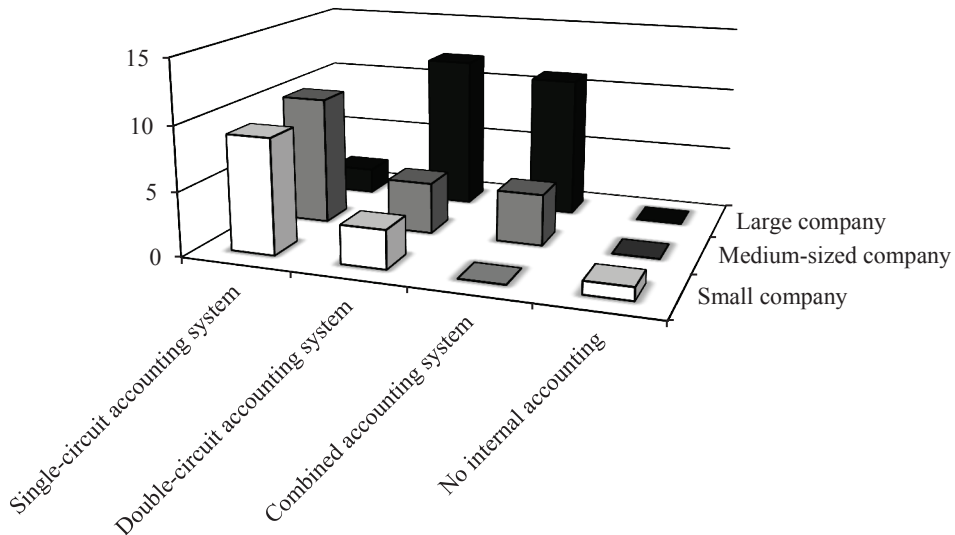
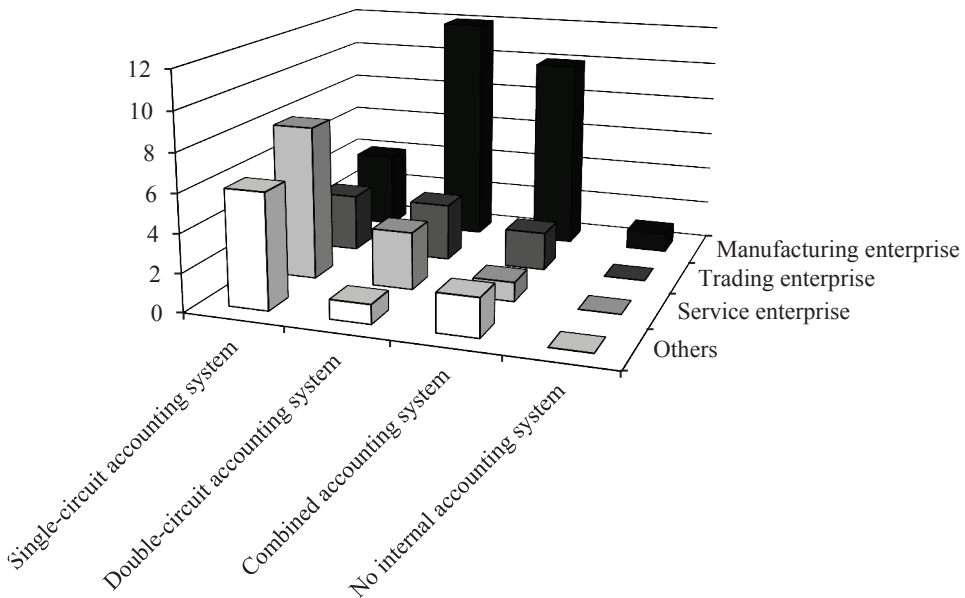**Figure 3.** Internal company accounting application by company size

Source: author's own elaboration.

Also with regard to the analysis of selected companies by the branch of their business, the general assumptions were confirmed. As shown by the values presented in Table 3, in manufacturing enterprises where the most frequent inter-departmental transactions can be expected, the most frequently used are the double-circuit and combined accounting subsystems (as they are the most efficient for this sort of companies). The service and other enterprises (including state administration organizations) mainly use the single-circuit accounting subsystem. The results are also shown in Figure 4.

Table 3. Internal company accounting application by business branch

Accounting system / branch	Manufacturing		Trading		Services		Others		Total	
Single-circuit	4	7.14%	3	5.36%	8	14.29%	6	10.71%	21	37.50%
Double-circuit	12	21.42%	3	5.36%	3	5.36%	1	1.79%	19	33.93%
Combined	10	17.86%	2	3.57%	1	1.79%	2	3.57%	15	26.78%
No internal accounting	1	1.79%	--	--	--	--	--	--	1	1.79%
Total	27	48.21%	8	14.29%	12	21.44%	9	16.07%	56	100%

Source: author's own elaboration.

Figure 4. Internal company accounting application by business branch

Source: author's own elaboration.

5. Conclusion

The implementation and setting of a correctly functioning system of management accounting under the specific conditions of each business entity is an important presumption for the establishment of efficient intra-plant economic management and control of a company. In order to be able to manage the business efficiently, information about the activities of the company as a whole shold definitely be sufficient. According to the results of the conducted investigation, the managers are aware of the necessity of familiarity with the activities of individual departments, they must also know whether they are efficient and strive to meet the company goals. They must for example also clearly identify departments with unreasonable expense [Mizla, Pudło 2012, pp. 44-56]. When creating the company information system, the content differences between both accounting information subsystems as well as the requirement for the optimization of expenses at the processing of initial accounting documents must be taken into consideration. If the requirements of the external and internal users for accounting information are considerably different, it is more appropriate to implement the double-circuit accounting system. However, if the requirements of the management accounting may be fulfilled by more detailed tracking of information for the whole company, then the single-circuit accounting system is good enough [Fibírová, Šoljaková, Wagner 2007, p. 67].

The method for determining and recording the required information is selected at the sole discretion of the company. While making this decision, the company must consider its software capacities, as other than the electronic way of keeping the company accounting books is unlikely nowadays. As soon as the company management chooses the suitable system of intra-plant accounting, it must clearly describe the system in the company standards and make the responsible staff acquainted with it. At the same time it is necessary to check regularly its correct functioning and abiding by the related standards. A well-proven method of checking the correct posting of expenses and revenue of individual departments is to make the staff materially interested in the economic results.

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UJMOWANIE KOSZTÓW I PRZYCHODÓW
W RACHUNKOWOŚCI ZARZĄDCZEJ W REPUBLICE CZESKIEJ

Streszczenie: Rachunkowość zarządcza to podsystem księgowy, służący zarządzającym i właścicielom przedsiębiorstw do pozyskiwania szczegółowych informacji dotyczących faktycznie poniesionych kosztów oraz osiągniętych przychodów w odniesieniu do wykonywanych działań, procesów, czynności i ośrodków. W zakres rachunkowości zarządczej wchodzi, oprócz wyliczania kosztów i innych czynności, także księgowanie kosztów i przychodów dotyczących poszczególnych jednostek wewnątrz przedsiębiorstwa. W czeskich warunkach rachunkowość przedsiębiorstwa prowadzona jest w formie ewidencji analitycznej w ramach rachunkowości finansowej lub odrębnej ewidencji księgowej albo w drodze połączenia tych dwóch możliwości. Artykuł dotyczy wykorzystywania tych sposobów w praktyce czeskich przedsiębiorstw.

Słowa kluczowe: system prowadzenia jednej rachunkowości, system prowadzenia dwóch rachunkowości, system łączony, koszty i przychody ośrodków wewnątrzzakładowych.