

# Financing and economic management

## Financial secure – place, role, development



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ



# Content:

1. Financial security - definition,
2. Organization and management of financial services through managing clerks,
3. Managing clerk system of financial services,
4. Liner-staff management,
5. Deciding on public finances - public choice.

# 1. Financial security - definition

Financial security army Czech Republic consists of:

- subsystem within the overall economic system MoD,
- contributes to support the fulfillment of the tasks and objectives of the Ministry of Defense.

# 1. Financial security - definition

The order of the Ministry of Defense **no. 42/2002, valid until 31. 12. 2012**

- define in detail the concept of financial security as a set of activities and measures that established procedures and practices with participants in the processes within an economic system aimed at obtaining the financial resources for the medium budget outlook for drafting the MoD budget for the financial year and its redistribution to the place of execution of expenditure.



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# 1. Financial security - definition

Newly issued by order of the Minister of Defense (OMoD no. 72/2012), which came into force on January 1, 2013, **defines financial security such as:**

"Is the use of funds in the realization of personal expenditure and financing on the basis of decisions arising from financial management. Part of the funding is keeping a list of measures implemented in accounting and statistics."

# 1. Financial security - definition

Developing a system of financial security - the four basic periods:

- 1) system of financial security since the end of World War II in 1950;
- 2) system of financial security and management in the Czechoslovak People's Army since the early 50s of the last century until 1992, so-called. managing clerk system of financial security;

# 1. Financial security - definition

Developing a system of financial security - the four basic periods:

- 3) transitional period in financial security - since the beginning of 1993, when the division of the Czech and Slovak Federal Republic (l. January 1993) into two separate states, the Czech and Slovak Republics, and when finished managing clerk system of financial security and creating the so-called. territorial system financial security;
- 4) the period from 1994 to the present, when it was throughout the Defense Department established the territorial system of financial security,

## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security:

- ❑ based on the purpose of the Czechoslovak People's Army,
- ❑ purpose was given the doctrine of the Warsaw Pact,
- ❑ Financial service was integrated into the structure of the army and was assigned to the personal staff of Commander.



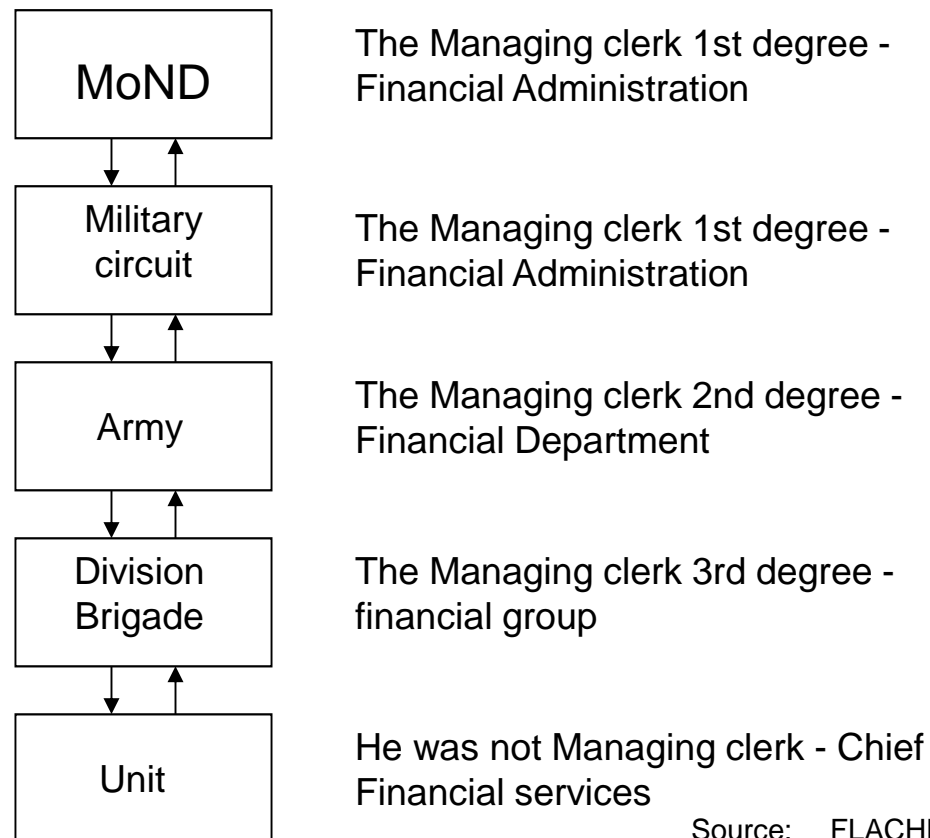
## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security:

- ❑ source of financing units Czechoslovak People's Army consisted of appropriations from the budget of the Ministry of National Defense (MND) and income from operations in the sector MND,
- ❑ with financial resources managed the clerks,
- ❑ financial control clerks.

## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security



Source: FLACHBART, Alojz. Management financování ozbrojených sil AČR. Brno: UO Brno, 2006. P.č. 35.

## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security:

- ☐ Corresponded with purpose of the armed forces.
- ☐ The supreme governing body of the Financial Supervisory Authority.
- ☐ Ministry of National Defense, as a clerk I. Degree.
- ☐ At the command level military districts, clerk 2nd degree, the financial management.
- ☐ On the stage of the army, as a clerk 2a. degree.

## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security:

- ☐ Division or brigade, clerk 3rd degree
- ☐ Financial resources allocated to departments on its accounts with the Czech National Bank, the so-called. Platoon V.
- ☐ The department had set up a bank account or called. short trip to other financial institutions, as a commercial bank or Czech State Savings Bank.

## 2. Organization and management of financial services through managing clerks

### Managing clerk system of financial security:

- ☐ Battalion and regiment was responsible for the financial service unit commander, and Chief Financial services.
- ☐ The main role in the process of financial security was the unit commander as the Managing Authority and chief financial services as an expert body responsible directly to the master.
- ☐ Unit commander directed the financial service department.

## 2. Organization and management of financial services through managing clerks

### Unit commander was especially obliged:

- ☐ maintain financial discipline and tabular discipline,
- ☐ responsible for the efficient, economical and effective of spending public money,
- ☐ tasks to be fulfilled according to plan combat and political preparation as efficiently,
- ☐ to guide and educate members of the department to a socialist economy relative to the entrusted values,
- ☐ etc.

## 2. Organization and management of financial services through managing clerks

### Chief Financial was especially obliged:

- ☐ organize financial and economic activity in accordance with the rules, orders, ordinances and regulations regarding financial and business services;
- ☐ illustrating all members of the department orders, rules and regulations relating to the financial and economic activities;
- ☐ strictly comply financial discipline and ensure economical, efficient and effective spending;
- ☐ keep accounts, prepare financial security plan for fighting and political preparation process accounting;
- ☐ etc.



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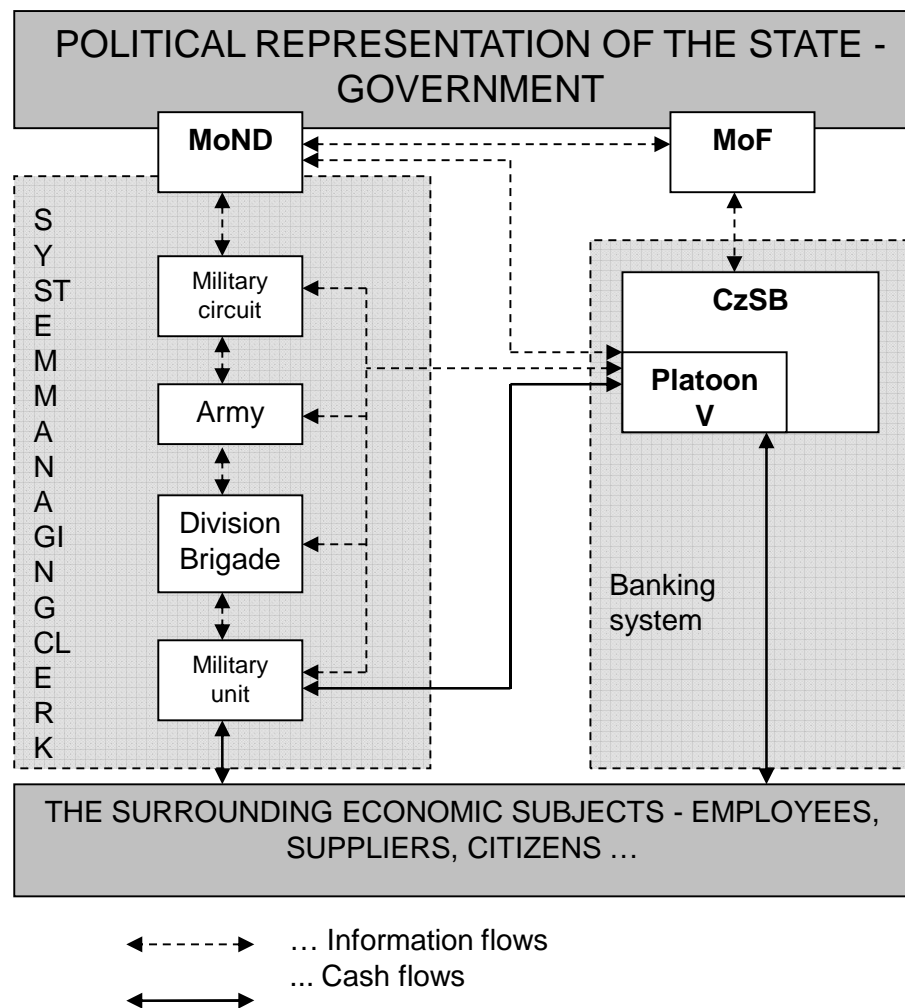


### 3. Managing clerk system of financial services

- ☐ Military unit was assigned to the department supervisor limit financial resources.
- ☐ Coverage limits was ensured by the Ministry of Finance to the accounts of military units through the State Bank of Czechoslovakia (CzSB).
- ☐ Account, you should create each department alone, with the permission of the senior clerk.
- ☐ CzSB had established a special group, called. Platoon V.



### 3. Managing clerk system of financial services



Source: FLACHBART, Alojz. *Management financování ozbrojených sil AČR*. Brno: UO Brno, 2006. P.č. 35.



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### 3. Managing clerk system of financial services

- ☐ Was not complete, closed and internally interconnected whole,
- ☐ It was a record of money management,
- ☐ tracked only individual incomes and expenditures,
- ☐ property records was separated from accounting,
- ☐ there was no coherence between practical and financial planning, the financial and property accounting.

### 3. Managing clerk system of financial services

The main problems in the financial services systém:

- rules laid down by internal normative acts and other internal regulations for the financial management of the Ministry of Defense did not comply with generally binding legal norms;
- level of understanding and knowledge of employees in the economic system of financial services does not create conditions so that they can be some of, currently modern elements of economic management, applied in practice;
- then existing system of financial services was contrary to the interests of efficient, economical and effective management of assets and financial resources.



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### 3. Managing clerk system of financial services

#### *Financial discipline:*

consisted in a strict and exact compliance with laws and other generally applicable regulations, orders, military rules and regulations of the Ministry of Defense, which regulates financial or economic relations, are financially economic impact.

### 3. Managing clerk system of financial services

#### **Financial Standard:**

is a set amount of funds that can be spent on the implementation of a performance, to purchase certain materials or to run an activity.

State budget funds were the "unlimited" - to the MoD.

### 3. Managing clerk system of financial services

The difference compared to the current situation in the field of accounting different approach to accounting of assets:

- for the management of tangible assets was determined that the tangible fixed assets were considered material prepared for the war - one-time consumption,
- transition from peacetime to wartime operations - keep separate financial accounting and material evidence;
- assets had registered only in physical units (pieces kit ...)
- crucial part of the material, such as. AFV, weapon systems, ammunition, equipment and commissary technique has been secured for the entire army central authorities.

### 3. Managing clerk system of financial services

There were those (hand held) basic books:

- Cash book;
- The book cash accounts;
- Evidence of expenditure by type;
- The book invoices;
- Evidence strictly billable forms.

### 3. Managing clerk system of financial services

Changing the then (managing clerk) management system was implemented in three phases, coinciding and therefore some phases and partially intertwined:

1. implementation of the System Planning Programming and Budgeting (SPPR);
2. the emergence of Military financing authorities (MFA) and the introduction of double entry accounting;
3. formation of Economic services (ES).



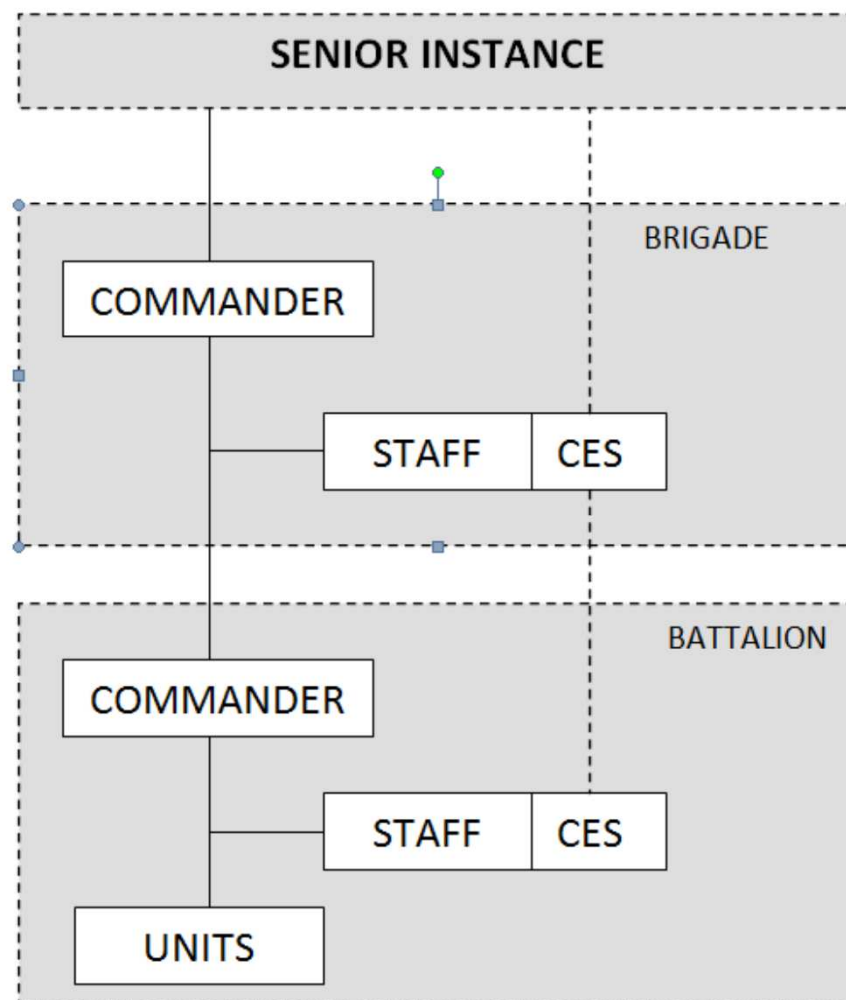
## 4. Liner-staff management

Liner-staff organizational structure - secured two processes:

- normal operation,
- combat operations.

## 4. Liner-staff management

Liner-staff organizational management  
structure



Source: FLACHBART, Alojz. Management financování ozbrojených sil AČR. Brno: UO Brno, 2006. P.č. 35.

## Keywords:

Financial security management system, managing clerk management system, financial services, line-staff management, managing clerk, financial standards, financial discipline, funds, financial resource.

## References and further reading:

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## List of tasks for students:

- 1) Characterize the nature, evolution and basic concepts of financial security.
- 2) Explain managing clerk system of financial security.
- 3) Explain the duties of the subjects managing clerk system of financial security.
- 4) Draw and explain managing clerk system of Financial Services (Financial Security).
- 5) Characterize concepts: financial discipline, financial norm.
- 6) What do you understand by the concept of lineage-staff management - draw, explain.