

Financing and economics management

Disclosure of costs and expenses in the state organizational unit (Army of the Czech Republic)



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Educational goal

The aim of the lecture is to explain the essence of economic categories costs and expenses, expenditure and cost management system and its links to accounting. Characterize costs and expenses such as accounting entry as a pointer. Clarify the position of manager in the Army in relation to the possibilities of their decisions directly affect the results of rational economic behavior.

Content

1. Disclosure of costs and expenses in the Army of the Czech Republic (ACR)
2. Costs and expenses as an economic category
3. Costs and expenditures as accounting items in Financial Accounting
4. The relationship between costs and expenses
5. Costs and expenses as economic indicators
6. The practical importance of managing costs through

References

Basic:

- RMO č. 72/2012, *Finanční řízení a finanční zabezpečení*. Věstník Ministerstva obrany, 2012. Praha: Ministerstvo obrany, 2012. 37 s. Čj. 306-17/2012-SE MO.
- KUNC, S. Manažerská ekonomika v podmínkách Armády České republiky. Brno: Univerzita obrany, 2007. 192 s. ISBN 80–7231–168-9.

Recommended:

- SHROLL, R. BÁČA, J., JANOUT, J. *Kontrola nákladů a kalkulace v průmyslu*. 1. vyd. Praha: SNTL, 1990. ISBN 80-03-00382-2

1. Disclosure of costs and expenses in the Army of the Czech Republic



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Disclosure of costs and expenses in the ACR

- Constitute economic system and economic management, as we have already said, it seems to be a difficult task, especially ACR conditions. It is not easy to find among the diverse, unique in its own way cost centers unifying aspect.
- **What is the economic system to function? A system of financial management?**
 - Without distinction all cost centers in the transformation process use rare respectively. scarce resources, which is objectively forced to manage them according to the principles of rational economic behavior
 - When erroneously set of system rules can be seriously impaired stability and thus higher system goals.

Disclosure of costs and expenses in the ACR

- If we want to in the ACR permanently provide economic rationality, we cannot overlook the fact that saving and recovery in the event of **economy**, effect in the case of **efficiency**, but also the **effectiveness** of the simplest activities is necessary to express the consumption value of public resources and live work.
- Their amount can be expressed only and only using **for this purpose disaggregated costs**.
- It is absurd to believe that supplementation may be spending inherently financial flows with a completely different economic content.
- **Costs** will be seen as an: **economic category,**
accounting entry,
economic indicator.

2. Costs and expenditures an economic category



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Costs and expenditures an economic category

Costs:

- can be defined as **purposeful and effective use of resources and labor, expressed in monetary form.**
- As a result of costs incurred must always be some performance specific utility - purposefulness.
- The whole process of spending costs and making power must be carried out with appropriate economic rationality - efficiency.

Costs and expenditures an economic category

Costs:

- are generally defined as expressed in money spent (sacrifice) economic resources made for certain pre-defined useful purpose.
- Costs always have their specific object to which the causal link.
- It can be eg. A manufactured product, service provided, performed cutting operation, but also specific activities implemented in terms of the cost center.

Costs and expenditures an economic category

Costs:

- sensibly **connected with a certain activity and its results.**
- It is important to determine the optimal structure and amount before commencing work, because in the course of its implementation, the consumption of resources already irreversible.
- **There are no costs without activity, the activity is unthinkable without the expense.**
- The organization's activities are degradable to a large number of diverse activities, which it is useful to monitor, assess And evaluate different sites.

Costs and expenditures an economic category

Costs:

- It is true that only costs may characterize the structure and the actual amount of consumed resources on activities funded organizations (government departments, ed. Author) and only costs can be used to assess your own financial management of the organization as a whole and their organizational units.
- The cost is considered an essential indicator of OUS operation.

Costs and expenditures an economic category

Expenditures:

- **are in the broadest sense any exerting property organization regardless of the purpose of use.**
- According to prof. Schroll it is called. 'Removal from the state. "
- Does this mean all costs to ensure the production process (combining the manufacturing process with the state of readiness of each species and resources).

Costs and expenditures an economic category

Expenditures:

- **Most often they are seen as reducing the financial (monetary) resources.**
- Expenditure for the purpose of budget structure MoD are all irrevocably granted funds, especially the character of payment:
 - for purchased goods and services,
 - including salaries
 - and payments related to their employment of staff
 - and transfers of funds.

3. Costs and expenditures as accounting items in financial accounting

Costs and expenditures as accounting items

- Cost accounts was Moore role Registry data Generic resource consumption (what, where and how much was consumed).
- To the question, for what purpose, ie to what (on what action, activity) resources were consumed, there is currently in the MoD substantive reply.
- As for consumption, not only financial, but all public funds, which include things, property rights and other assets.
- If we do not answer this, of course, we can not even say whether resources have been consumed with the appropriate level of rationality.

Costs and expenditures as accounting items

- Chart of accounts and accounting procedures (general) serves as a tool to standardize accounting uniformly determining the economic content of individual accounts.
- The generic definition of costs is their interpretation of Account Class 4 - Cost of OSS is geared specifically to this fact (represents the expenditure of economic resources in various forms).
- The real mission of financial accounting and corresponding methodology does not allow assign to performance or other richly exploited resources (external costs, overhead costs, other necessary expenses ...).

Costs and expenditures as accounting items

- Cost kind does not provide information about what the purpose was to costs incurred.
- Merely finding the type of cargo goes and what is its actual level, makes it impossible to conclude how efficiently or inefficiently the costs incurred.
- Only when establishing the purpose for which the costs were incurred, it is possible to measure efficiency, because the scale efficiency can be determined only responsibly in relation to the purpose of the costs incurred.
- The requirement for the purpose of determining the cost and cost-effectiveness assessment can provide management accounting.

Costs and expenditures as accounting items

Budget composition of the Ministry of Defence :

- regulates the uniform classification of income and expenditure, which is applied in the planning and implementation of monetary operations of the MoD budget, funds set up MO and funds established by an organizational units of the state.
- Sorts cash transactions in terms of:
 - liability (Section 307-Ministry of Defence)
 - species (various types of income and expenditure)
 - sectoral (type of activity to which the expenses spent)
 - consolidation (expenditures and revenues generated within the system of public budgets).

Costs and expenditures as accounting items

Writing in Accounting :

- Records indication that there is a movement of financial resources (bank accounts or treasury) represented a particular kind of expenditure (budget subheading).
- By carrying sentences can even embed and coded information About the activity on which the expenditure takes place.
- Costs charged with the same expense may be charged on the activity in coincidence, but just do not have.
- In addition, the activity uses other than just financial resources, which has nothing to do with the originally planned expenditure on it.

4. The relationship between costs and expenses

The relationship between costs and expenses

- Costs and expenditures represent two complementary concepts:
 - expenses are cost assumptions,
 - costs determine the sense of expenditure incurred.
- Expenditure will focus on issues providing the necessary generic, quantitative and temporal proportions during the making of the final performance, at its own expense, then the rationality of the process.
- **Cost circuit purposefully divided by the cost but unfortunately not in the Army introduced.**

The relationship between costs and expenses

- Some cases accounting for operating funds that we can clarify the relationship between expenditure and costs, but just as i disproportion between intentions implementation of the budget department And accounting declared facts:
- **faster expenditure growth is accompanied by a relative decline in costs,**
- rapid cost growth is accompanied by a relative decline in spending,
- **expenditure** may be aligned with costs, and this seemingly positive phenomenon caused by growth in spending without cost, other accounting transactions rising costs not associated with the emergence of expenditure,
- **costs to the economy of cost center accounting ACR not reflected.**

The relationship between costs and expenses

- What is important for us, whether it control with costs or expenses?
- Is it really necessary costs constantly emphasize?
- Insufficient management system assessed only through spending?
- That is the wrong question to question.
- Both of these categories have their importance, each of them has a different economic content and thus fulfills a completely different function.

5. Costs and expenditures as economic indicators

Costs and expenditures as economic indicators

- The starting material every-analytical activity of analysis, information on the subject of study.
- This information will mediate in most cases indicators.
- The indicator is not immediate, but mediated reflection of reality.
- Between objective economic process and may be indicated by intermediate steps that determine their relationship.
- Need to differentiate between economic processes And indicator which reflects the process.

Costs and expenditures as economic indicators

Need to differentiate between economic processes And indicator which reflects the process:

- There may be cases where the pointer developing differently than the objective process of the same name.

This discrepancy could result from:

- inaccuracies survey
- lack of suitable substrates,
- improper methodology of the survey,
- their incorrect evaluation in the subsequent analysis, etc.

The indicators are needed very sensitively because even the relatively the most synthetic reflect only a certain aspect of economic reality.

Costs and expenditures As economic indicators

- Each organization should develop its own comprehensive system of indicators, derived from economic science and practice, suitable to complement, combine and evaluate in order to fully and faithfully reflect the economic reality of the organization.
- I run in ACR objectively real economic processes, whose reflection is at present categorization indicators mediated poorly, and as already noted, content-conception of economic rationality, expressed economy, efficiency and effectiveness, have little in common.

6. The practical significance of management using cost

The practical significance of management using cost

- The expenditure management system allows the resort to assess the level of management **only in relation to equalize performance indicators (limits of budgetary expenditure) of the financial year.**
- Management by cost enables parallel in real time to assess the level of management in relation to
 - planned,
 - unfinished
 - and discontinued activities (activities)
- based on economic rationality

In relation to the economy and efficiency of task performance material which meets the objectives of economic management.

The practical significance of management using cost

Hypothetical example using cost management:

- What would be interesting effect in the case of control by means of the cost of a particular activity may come
- At the end of the accounting period normally would not be spending the rest of the funds to the limits.
- Assuming fact that at the end of the year could be calculated tasks largely fulfilled and even lower than planned costs, we can not expect the person responsible for the task (and hence for costs) will continue in resource consumption.
- Would in fact increase the volume of cargo (ex post) in the final calculations (the task is completed), and this would adversely affect the results of the evaluation of economic rationality.
- For the same reasons would not even **irrational stock draw or an external supply of increasing consumption.**

The practical significance of management using cost

Hypothetical example using cost management: (continued)

- If the responsible person intended to deaden the remaining funds purposeless buying into stocks (we know that it would take place not associated expenditure costs) should come into conflict with a threshold of safety stocks (not determined).
- The limit of insurance stocks would fall into the "cross" even if the external supply of material to store or transfer between departments.

The practical significance of management using cost

- Problems associated with management controls through cost
Which we talked about, not only the problems of our resort, but the entire public sector and the Czech Republic noted that unlike other OSS resort is in favor of the adoption of new ideas and constantly looking for more efficient forms of management.
- The problems of using cost economics is far from new, but have become naturalized in a market sector and the public sector so far only set mirror.

The practical significance of management using cost

- One of permanently valid conclusions that particularly underline is the importance of the costs and their place in economic management.
- **Costs are:**
- **natural gravity,**
 - basis for decision-making,
 - constantly under scrutiny
 - source of infinite opinions, recommendations.

Its central location is just highlighting in terms of controlling, outsourcing, process management, Total Quality Management, Balanced Scorecard, Value Management, etc. Just in Time.

Questions?

Thank you for your attention



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