



Course Name: Financing and economics management

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Course Objectives:

The aim of this theme is to clarify the system of economic management cost unit ACR. Therefore first define the concept of CU ACR further economic system CU ACR and a structure and characteristics of this system.

Content:

Introduction

0. Cost Center as a real economic object
1. Defining economic system cost unit ACR
2. Cost unit ACR and its general characteristics
3. Defining economic system cost unit and its basic characteristics
4. Objective, structure and characteristics of the economic system cost unit
5. Definition of external and internal links and functions of the economic system cost unit
6. Defining economic information system cost unit

Conclusion

Introduction

Driving is one of the basic categories of system concept organization. We could say that is a major contributor to the successful management of the organization. For this reason, it is essential that managers were able to navigate in terms of economic and financial management of the company as the management part of their primary activity.

Cost Center as an object of research is a relatively complex system and cannot be examined simultaneously in all its completeness, of all the aspects that come into consideration for the purposes of this topic to be economic aspect. When we talk about cost center and de facto talking about a military department, with our means of expression used "economic language".

0. Cost Center as a real economic object ¹

From the system perspective **real object** may be a stone cell, person, company, or national economy. It can be deduced that even cost center is a real object. It is also clear that the real object can define large, yet finite number of different systems that correspond to different aspects of the investigation.²

The economist will define the corresponding object probably different system than e.g. a lawyer, sociologist or a soldier, whether as commander, logistics and personnel. Systems that would cost centers define these specialists should mutually differed significantly, despite all examine the same object - in this case the cost center (see Figure 0). It is a fact that almost everyone surveyed real object from a different point of view and their observations can be carried out at different levels of differentiation. When an economist will cost center to define the economic system, we can conclude that defines only one plane of its real existence. It is very likely, this delimited system comprise the same elements as the other system, only endpoint element will vary. To meet this economic system-level cost center to define prerequisite is that the cost center can be considered as an **economic object**. If we're right, it can be assumed that the economic system can be defined only on the object of an economic nature.

¹ OLEJNÍČEK, Aleš; KUNC, Svatopluk. *Ekonomické řízení v podmínkách Armády ČR*. Uherské Hradiště: L.V.Print, 2012. s. 66-67. ISBN 978-80-260-3277-9.

² ALEX, Július. *Systémová a operačná analýza v riadení podnikov*. Bratislava: Alfa, 1985. s. 26. 63-041-86.

Jaromír Vepřek for economic object considered organizational, functional (process) or the whole problem, pursuing economic goals or studied from an economic perspective. Part of these objects are considered and their management, or information system.³ **Consequently, we can assume that even the cost center is an economic object.** In order to better understand the economic processes that take place at this level, it is necessary to define the cost center (its) economic system. Julius Alexy states that the selection of the appropriate solution procedure defined problem is substantially influenced by the chosen subject and objectives of the investigation. Subsequently, through the analysis of material structure, information and control system, can be achieved by upgrading the existing system, ie. Its improvement and achieve greater efficiency.⁴

Economic system cost center and its subsystems can be modelled. Using modelling, it is possible to simplify the connection and to better understand the objective reality. Roman Horak states that all models in the economy armies have the character of working hypotheses; these models require empirical verification of their applicability.⁵

The concepts of object exploration, economic object and real object of this work cannot be considered synonymous, because here we combined different levels of understanding. The concept of object exploration together with the concept of object exploration is intrinsically linked only to the methodology of this research project. The term real property and economic object is used here in conjunction with a systems approach and is used for the defining economic system cost center ACR.

Using the connection cost center as an economic object represents the expression of the fact that the cost center is viewed as a complete system and observes it from the outside. If, however, mentioned the cost center as an economic entity, there clearly stands out above all the decision-making autonomy of the entity during its interaction with the outside world, and as we watched the action from inside the body.

³ VEPŘEK, Jaromír, NEDOMA, Josef a kol. Metody analýzy struktury systémů v ekonomice. Praha: ACADEMIA, 1986. s. 11.

⁴ Tamtéž, viz ref. 2. s. 39.

⁵ HORÁK, Roman a kol. Východiska pro konstituování ekonomiky armády. Brno: Vojenská akademie v Brně, 2002. s. 31. ISBN 80-85960-2.

1. Defining economic system cost unit ACR⁶

Czech Army is often defined as an economic system, or to talk about the economic system of the Czech Army.^{7,8} In line with this approach, it can cost center ACR label and considered as one of the basic elements of this system. We believe that similarly can be accessed as well as a cost center, and it is possible to define its economic system or can be understood as an economic system. But before we proceed to this definition, we will first general characteristic cost center. In the following text the term cost center to understand only one cook the military or military equipment or any other organizational element of differentiation in the framework of the Ministry of Defence. We do so for simplicity and the possibility comprehensible description of the problem and acknowledge that the real troop practice this identity do not always apply, ie. Cost center \neq a military unit or organizational element.

2. Cost unit ACR and its general characteristics⁹

Cost center has a linearly-staff structure. Management - leadership is also on this level based on an integral command authority and has prescriptive. It allows the master cost center responsible for carrying out the tasks and orders within the scope of his delegation. Commander together with professional functionaries cost center is responsible for all activity cost center, and thus in its economic security. In this area, as commander competent financial and operations principal and chief economic services cost.

Consequently, one **cost center Czech Army at the most general level, characterized** by means of these attributes:¹⁰

- The creation of products used to satisfy the needs of operating on the supply side,

⁶ OLEJNÍČEK, Aleš; KUNC, Svatopluk. *Ekonomické řízení v podmínkách Armády ČR*. Uherské Hradiště: L.V.Print, 2012. s. 68. ISBN 978-80-260-3277-9.

⁷ KUNC, Svatopluk. *Manažerská ekonomika v podmínkách Armády České republiky*. Brno: Univerzita obrany v Brně, 2007. s. 62. ISBN 80-7231-168-9.

⁸ HORÁK, Roman a kol. *Východiska pro konstituování ekonomiky armády*. Brno: Vojenská akademie v Brně, 2002. s. 30. ISBN 80-85960-2.

⁹ OLEJNÍČEK, Aleš; KUNC, Svatopluk. *Ekonomické řízení v podmínkách Armády ČR*. Uherské Hradiště: L.V.Print, 2012. s. 68-71. ISBN 978-80-260-3277-9.

¹⁰ KRAFTOVÁ, Ivana. *Finanční analýza municipální firmy*. Praha: C. H. Beck, 2002. s. 17. ISBN 80-7179-778-2.

- Its nature, it is a system based on the principle of input / output to the target function and its authority structure.

Applying specific characters, which stand out from the others, **be the cost center as an economic entity to make the following conclusions:**

- Figures on the supply side of the public sector, and takes the form of a structured internally relatively open system, whose goal is not profit formation,
- Implements "specific production" whose essence is the transformation of inputs in the production of rare output, having the form of a partial contribution to ensuring national defence and security,
- This output has the character of a pure public good and is intended for final consumption,
- Transformation of rare production inputs is performed specific technology - military training, this technology can be described theoretically using a production function defined as the maximum available volume of one output (in a similar level of training), which is achieved by means of the inputs,¹¹
- The necessary production inputs (especially human capital) cost center acquires through their rent, at prices that forms on the corresponding factor markets,
- The means to pay the price to rent or purchase of factors of production cost center "claims" of public budgets.

3. Defining economic system cost unit and its basic characteristics¹²

Economic system cost center in general terms can be defined as an ordered set of elements interdependences. In the economic system, cost center, and in one of its elements, you can define also **the system of economic management with its economic information system**. We can also say that the individual elements of the economic system blend into other aforementioned systems.

Interpretation of mathematical tools, then can the economic system cost unit (ES_{NS}) by the expression:

¹¹ ŠTANCL, Luboš. K vybraným problémům zkoumání profesionální armády jako ekonomického subjektu veřejného sektoru. In Sborník z mezinárodní konference: „Ekonomické a finanční aspekty transformace veřejných financí“. Brno: Univerzita obrany v Brně, Katedra ekonomie, 2005. s. 57. ISBN 80-85960-88-5.

¹² OLEJNÍČEK, Aleš; KUNC, Svatopluk. *Ekonomické řízení v podmínkách Armády ČR*. Uherské Hradiště: L.V.Print, 2012. s. 72-73. ISBN 978-80-260-3277-9.

$$ES_{NS} = (K, L, f, r)$$

- K - the set of all movable and immovable resources,
- L - the set of all employees (VZP, o.z.),
- f - the set of all flows realistically going to cost units,
- r - the set of all relations arising at a cost unit among employees (formal and informal).

4. Objective, structure and characteristics of the economic system cost unit

The general objectives of cost centers are determined annually in the so-called "Plans departmental activities." The aim of the economic system should then be obtained in a given timeframe required, potentially achievable future state, structure, function or output in the consideration of economic opportunities cost center. The economic system should create economically sustainable conditions for the fulfilment of the military unit to a time horizon of planning. To each factually stated objective has been achieved, must take a number of processes with which it is inextricably linked to the consumption of resources at the cost center available.

For each system, and therefore also in the economic system of a cost center is very significant and important structure. The structure will be considered a set of elements and relationships between them. Approaches to display the structure may be numerous, but not before the economic system and its structure display in general with an emphasis on existing bonding relationships between its various elements, then to use the criterion of organizational and functional.

If you want the structure of the economic system of the military unit show in general, we must first of all realize that every economic object consists of two interrelated information system interface subsystems, which in some sessions may be considered systems. They are:

- a) Management subsystem, respectively. system (body control)
- b) Controlled subsystem respectively system (building management).

Economic system cost centers can also be understood as a tangible system consisting of individual elements (material structure), these elements would no ties apparently showed different behaviour through a system of economic management, then the action moves between these elements dynamics in line with the objective function of the economic system, economic information the system then connects this material system is a system of economic management, so the systems described, however, cannot be conceived separately, because they blend together.

Economic system allows real achievement of the objectives and functions of the military unit. Its structure, which we understand the elements and links between them can be viewed from different perspectives. First, we can talk about the material structure, organizational structure, functional structure or the economic structure. Under the structure of the material, we can imagine the real cost center with people, facilities, equipment and buildings interconnected using a technical infrastructure that must also be included in this structure. Within the organizational structure of the cost center is possible, e.g. to define the headquarters of the military unit - Cost Center and its individual company as its organic units. From a functional point of view, then the cost center structure can contain elements of production, management, control, and more. The economic structure is usually a reflection of the organizational structure. May be organizational structure is the same, but this may not be the rule. Economic structure creates conditions for economic management of the economic system. At present, we can say that at the level of the cost centre's economic structure is created. From accounting perspective, this means that cost center are created internal economic entity (contrary we meet with the opposite effect).

5. Definition of external and internal links and functions of the economic system cost unit

If we understand the cost center as a system with a finite number of elements, which aims to achieve a certain goal, we must take into account both on the relationship of this system to its surroundings, both on the relationship between elements within the system.

External links economic system cost center

- Surroundings MU and ES is quite extensive and diverse.
- Interaction between MU and its surroundings is an important factor that affects the operation of the department as a whole while acting on its ES.
- An important role is played
 - Legislation, which is represented by laws and regulations,
 - Regulations, which are based on the MOD environment.
- The neighbourhood is also made up of institutions with which it comes into contact formation: suppliers of services purchased formations, energy suppliers, and furthermore financial institutions, insurance companies, by state and Local Governments, not least make up around military unit environment.

Organizational Structure ES CU

- Organizational leaders look to the military unit provides information on the organization and management of its individual parts.
- It provides us with information about:
 - Arrangement of the individual steps,
 - Breakdown organization in terms of both horizontal and vertical,
 - Breakdown of the components and the connections between them.

Functionally-process structure ES CU

- a) When defining the functional process structure of the military unit will **accentuate features and processes** that are within it fulfilled and implemented.
- b) For the primary function of a cost unit to consider production function, which is directly linked to fulfilling the mission and goals of our economic monitored object.
- c) To simplify for secondary functions we consider the function of management and administrative functions (the functions correctly, then we will have further concretize).
- d) A special place in our concept will feature **economical**.

For primary function MU mark here, that directly meets the mission of the military department, which is implemented through the so-called executive branches. For secondary function MU we consider the function of management, administrative functions and economic function.

- The control function is fulfilled through elements of the first and second stages of the proceedings.
- On the implementation of the administrative functions involved command unit plus individual command rot together with the company logistics.

Specific place VU has an economic function. Making it possible to look at the military department as an organization whose mission is partial, both in the short and long term, management respecting the general principle of rationality.

Internal links ES CU:

Generally, we can at a cost unit to distinguish the following internal links:

- Links between parts department performing the primary function (production elements)

- Ties expressing inputs included in the department performing secondary functions in a part of the department performing primary function,
- Ties expressing inputs from parts department performing the primary function of a body part to filling a secondary function,
- Links between components performing secondary functions.

6. Defining economic information system cost unit

One important element of any economic system is economic information system. It is a connecting node between the system of economic management and the material elements of the economic system. Provides an organization's management information in the required format and quality, in order to adequately implement all the functions which are appropriate (management function). Economic information system through collection, storage and transmission of data and information, creating conditions for feedback, which is essential for economic management, object generally.

Financial information system is defined as a tool for information management support the economy of the military unit, the implementation of financial security planning, execution and control of budgetary management MoD identified him, double-entry bookkeeping and controlling equity flows. Information System about the service and the staff is seen as a system of collection, transfer, processing, including validation, registration, analysis, preparation and output of information on current and past staff of the military unit. The aim is to fulfill the above-mentioned processes and activities of HR, calculations and disposal of monetary liabilities. Information System about the service and staff is an information system that is focused on the automation of personnel processes. Logistics Information System is designed to provide information support for the management of logistics activities. It aims to ensure the collection of information directly from the source (of the places where information is created and where they are also immediately usable), processing and distribution directly to all users and provided for a central logistics management. Distribution of information is carried out in a controlled time mode, including procedures that allow you to control the efficiency of logistics processes. There are retained with the necessary information to support the life cycle of material items, i.e. Since its introduction to the ACR, through its provision of acquisition activities with a subsequent taking of central warehouses (for centrally procured material), storage and their subsequent distribution to the department for their use to protect operation and training to their consumption or disposal

In a way, it can be assumed that due to non-use of management accounting in terms of the Czech Army does not need to create a lower level of economic structure than is currently the case. The

lowest element in the economic structure is currently a cost center. On the existing economic structure is "formatted" economic information system. I.e. is charged to the level of cost centers - below the accounting operations are performed. But the fact remains that if you want a cost center to drive economically, it is necessary to determine the economic structure and its level.

Conclusion

The current state of financial management in the Ministry of Defence, the Army and on the final elements of the economic system - in military units, filling characteristics that allow us to mark it as a typological control of the first order. I.e. direct feedback control. The observed data are evaluated and subsequently implemented flow of information that instructs the controlled object to concrete action e.g. at the end of the detected unused resources - follows an instruction to these funds. The target state, which the successive steps could be achieved, can be described as economic management of second order. If the system has to influence its future development, it must be this type of procedure. The system must be equipped with a second order feedback. This feedback includes feedback to the first order, plus the memory, computing element (or complex transformation device) and the decision element able to determine the desired system behaviour. This assumes disaggregation of economic management at a cost center by creating its internal economic structure, which would have been followed and accounting. In practice, this departmental regulatory element of economic management may be responsible functionary and the system of liability inter-unit (inter-organization) settlement.

Economically manage not only to control the flow of funding organizations, but an informed plan, organize and control the resource consumption in relation to the implementation of the tasks belonging to this organization in our case the military department. However, so far the dominant form of economic management in terms of cost centers is just and only in guiding rate (% utilization) and the size of the flow of funds (Budget Measures), so as not to exceed the limits and not used those funds in violation of the law.

From the formal point can be argued that the economic system in the economic object military unit can be defined. A major problem that needs to be further addressed the content side of this system. In comparison with the private sector of the national economy, it can be demonstrated that this system cannot meet all the expected features. This is primarily about the pitfalls in relation to economic information system (management accounting) connected with this problem creating economic structures and hence fully realized the function of economic management.

References and further reading:

Basic:

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Recommended:

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