

Financing and economics management

The place and task of economic management

Educational goal

The aim of the lecture is to establish a system of economic management as part of the economic system cost unit ACR. Further refine this general definition. Clarify the objectives of the economic object, ie. The objectives of the economic system, which is also closely related to the system of economic management.

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References

Basic:

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Recommended:

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1. Economic management cost unit ACR in the context of the budgetary process



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Economic management CU ACR in the context of the budgetary process

- The economic system and economic management of individual departments is determined by the fact that it is a **part of the State**.
- It is a system with **specific properties**, which are reflected both in management and in the economy.
- The structure of this system comes from a **lineage-staff structure with distinct elements of centralization**.

Economic management CU ACR in the context of the budgetary process

- **Military unit** is seen as part of higher unit, which is the Czech Army. We could, however, also speak about the Ministry of Defence.
- The unit can also be seen as an **economic system** that has its **own internal structure and ties** while working as part of a higher, which affects him from the outside.
- **The external environment is an economic system department**, which operates on the basis of the principles and rules which are defined by general laws, decrees and internal normative acts of the Ministry of Defence and its organizational units.

Economic management CU ACR in the context of the budgetary process

- The economic system both at ministerial level and at the level of cost unit should behave in such a way that resources, which among other things has been used effectively, economically and effectively.
- This behavior should contribute to economic management.
- A fundamental step to ensure the fulfillment of the mission and tasks of the department is **budgeting**.
- Military units (cost units) can understand their economic substance as a relatively independent economic organizations that all of its funds for the operations acquired from the state budget.
- This budget can be conceptualized as both a financial plan, which should ensure the adequacy of resources for the department, as well as the balance of revenue and expenditure.

Economic management CU ACR in the context of the budgetary process

The economic aspect of military units is bounded by the basic legislative framework:

- **Act no. 218/2000 Coll.**, on budgetary rules and amending certain related acts (budgetary rules)
- **Act on no. 219/2000 Coll.** on the property of the Czech Republic and its representation in legal relations,
- **State Budget Act** of the Czech Republic, valid for a given fiscal year,
- **Act no. 320/2001 Coll.**, dated August 9, 2001 on financial control in public administration and amending certain laws (Act on Financial Control).

Economic management CU ACR in the context of the budgetary process

- **Professional Regulation for budgeting** in the Ministry of Defence for the relevant year by the SE MO. It defines not only those budgeting but also basic input documents, according to which the budgeting controls: (some)
 - Czech government approved an unbreakable revenue and expenditure framework for the respective years,
 - methodological guidelines MF to compile a draft law on the state budget for the year, which establishes the minimum volume of total revenue, an unbreakable volume of total expenditure,
 - medium-term Development Plan MoD
 - project work plan MoD for the year,
 - acquisition plan central supply (APCS)
 - the budgetary structure of the Ministry of Defense

Economic management CU ACR in the context of the budgetary process

The budgetary process has the following phases

- preparatory phase,
- phase processing of documents,
- elaboration phase workbook and its discussion in the Chamber of Deputies, including the adoption of the Law on State Budget for the year ...
- Phase breakdown binding budget indicators MO for the year
- implementation phase of the budget MO (and change management)
- Phase clearing financial relations.

2. Implementation of the functions of economic management in data processing phase



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Implementation of the functions of economic management in data processing phase

Phase processing of documents at a cost unit :

- phase calculation of budget revenues and expenditures,
- **plans - generic budgeted expenditures,**
- **calculating his own expenses according to the rules applicable to all entities,**
- stages of the budgetary process implementation - **filling jobs training year and their financial coverage,**
- planning stages of data processing for stage budgeting,
- **checks.**

Implementation of the functions of economic management in data processing phase

- In the stage of preparation of documents for a cost unit stage is characterized by calculation of budget revenues and expenditure.
- Management in cost unit compulsorily and by centrally defined methodology **plans - budgeted expenditures species**.
- It should in fact be a matter of course that the initiation of this phase budgeting is accompanied by a perfect idea about jobs training year and subsequently derived knowledge necessary resources for their implementation.

Implementation of the functions of economic management in data processing phase

- Rigidly fixed reality preparation of documents for a cost unit means that there is a **calculating his own expenses according to the rules applicable to all entities, calculating, although management should carry out a calculation of costs relating to the future implementation of the tasks of the training year.**
- For cost unit successive phases of the budgetary process, **implementation**, ACR is understood only as the **fulfillment of the tasks of the training year and their financial coverage.**
- From the perspective of economic management cost unit stage **costing** should be included in the initial implementation management tasks with the functions of planning, organizing, leadership and control.

3. Implementation of the functions of economic management in the implementation phase of the budget



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Implementation of the functions of economic management in the implementation phase of the budget

- Planning for future implementation, therefore, future expenses (income) for CU linked to the **goals of economic management, for specific activities and weaknesses**, in fact, done on the basis of **standardized financial expenditure planning standards**.
- Their material or component value is not at this stage, be applied **to a specific future actions, but provides the same value basic expenses for the same category of consumers**.
- There is a resource that is not created foundation focusing on the purpose and usefulness and certainly not to establish procedures and resources, both in terms of economic activity to ensure criteria.

Implementation of the functions of economic management in the implementation phase of the budget

- Planning performs its function only if the plan provides verifiable criteria for its implementation. It is expected that as a clear definition of objectives of the plan, as well as ways of evaluating to what extent and procedures to achieve them.
- The aim here must be concretized so that they can serve as a measure of the success of certain strategies, but also as a basis for development.
- Emphasis should be placed on the distinction between **practical** and **formal goal**.

Implementation of the functions of economic management in the implementation phase of the budget

- If the economic cost unit management has to pay for the control of performance and set new targets must be ensured by **comparing the plan with reality, must be analyzed deviations and measures taken to remove them**, then you need to think about the feasibility of this idea at least of the military unit in **comparison** with the most widely used method of comparison, applied in the market sector.
- **Then you can come to the conclusion** that this activity is at the cost units either unfeasible or feasible with significant complications.

Implementation of the functions of economic management in the implementation phase of the budget

Used forms of comparison:

- Plan specific activities, performance (standards, pointer) - **reality - creation plan** (standards, indicators)
- **Interservice**, and other comparisons,
- **comparison of the best - average - the worst results** of similar activities, homogenous groups,
- **comparison of trends in time series**, including cyclical trend, seasonal and random variation.

Implementation of the functions of economic management in the implementation phase of the budget

- Monitor and evaluate the economic aspect of CU is only possible based on a set of selected indicators, and in all cases the individual to realize what the indicators that we can expect what is his explanatory power.

Implementation of the functions of economic management in the implementation phase of the budget

If we want a **military formation economically manage**, evaluate it from an economic point of view is therefore an essential prerequisite knowledge:

- the goals and targets,
- the size and structure of human resources,
- the size, structure and structure of the property, which is available to perform tasks,
- allocation of financial resources,
- organizational structures and relationships that determine its functioning (**critical to creating economic structures**).

4. Definition of the system of economic management cost unit

Definition of the system of economic management cost unit

- Necessary to clarify the problem, which binds to **define the goals of economic object** (ie the objective of the **economic system**) and is closely related with the **system of economic management**.
- The concept of **the goal of economic object** is inherently wrong, but it is ingrained practice. We often talk about the **organization's goals, resort objectives**, etc. . At the same time, these economic subjects (economic systems) themselves have no goals and have not (de facto there is the personification of these economic objects).

Definition of the system of economic management cost unit

- Category „goals" are inextricably connected to the subject that formulates specific goal and achieve it directed its activities. The subject is therefore a system of economic management.
- **In the case of the analyzed economic object such entity command cost unit.**
- Economic goals of the economic system defined object cost unit are identical with the objectives of the system of economic management.

5. Features and links in the system of economic management cost unit



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Features and links in the system of economic management cost unit

- For **elements of the system of economic management** can be seen primarily as an individual **employee** (or group of employees), but also their **technical equipment**.
- The system of economic management in itself combines economic function (complex management) function control.
- příslušelo. **key elements in the system of economic management of the military unit** is the **chief economic services and its subordinate department** of economic and financial Management Agency, under whose scope would be considered a cost unit incumbent.

Features and links in the system of economic management cost unit

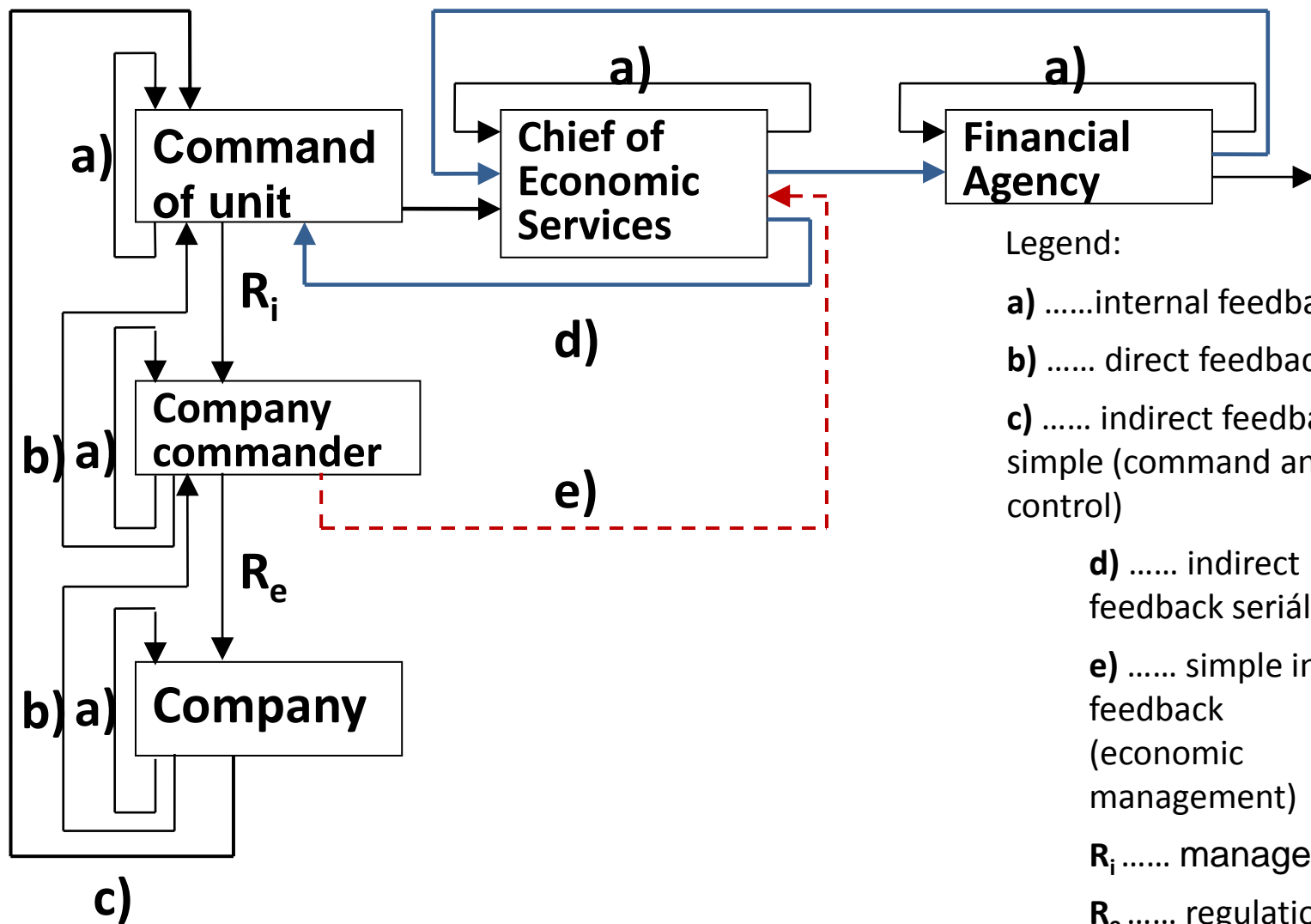
- All economic management with no difference in transformation-production process they use **scarce resources**.
- This leads us to the finding that both types of businesses (private businesses and military units) should be forced to consume resources according to the **principles of economic rationality**.
- Realita ekonomických systémů nákladových středisek musí vést k pochybnostem, že se tomu tak děje.

Features and links in the system of economic management cost unit

Reasons doubt that CU consume resources according to the principles of economic rationality:

- the nature of the expenditure on management cost unit
- absence management tool allowing real economic system cost units (management accounting)
- character control and regulation within the system of economic management.

Links in the system of economic management cost unit



6. Function system of economic management cost unit

Function system of economic management cost unit

- **The system of economic management** is directly involved in fulfilling the economic function of a cost unit, through the management **of internal and external economic relations.**
- Within the system of economic management must be identified these relationships, financially and value terms, and managed so that there was a fulfillment of basic parameter existence of the military unit in terms of economic functions.

Function system of economic management cost unit

- Management of **external** economic relations from the perspective of CU should include:
 - activities and processes that are associated with defining the objectives and tasks of the military unit,
 - the creation of long-term and short-term financial plans,
 - carrying out analyzes and monitoring of financial objectives,
 - planning, asset structure,
 - analysis of investment projects
 - deciding on ways of securing essential services, etc.

Function system of economic management cost unit

- In the environment of the military unit, there are many sub-functions and processes, which are also economic in nature, but their results are not directly cash flow - these processes are known as **internal economic relations**.
- These relationships are of considerable importance for the realization of economic functions CU - **especially economic relations** between departments CU and economic tools for their management.

7. The economic structure of the cost unit as a precondition for the constitution of a system of economic management

The economic structure of CU prerequisite for economic management

Economic structure:

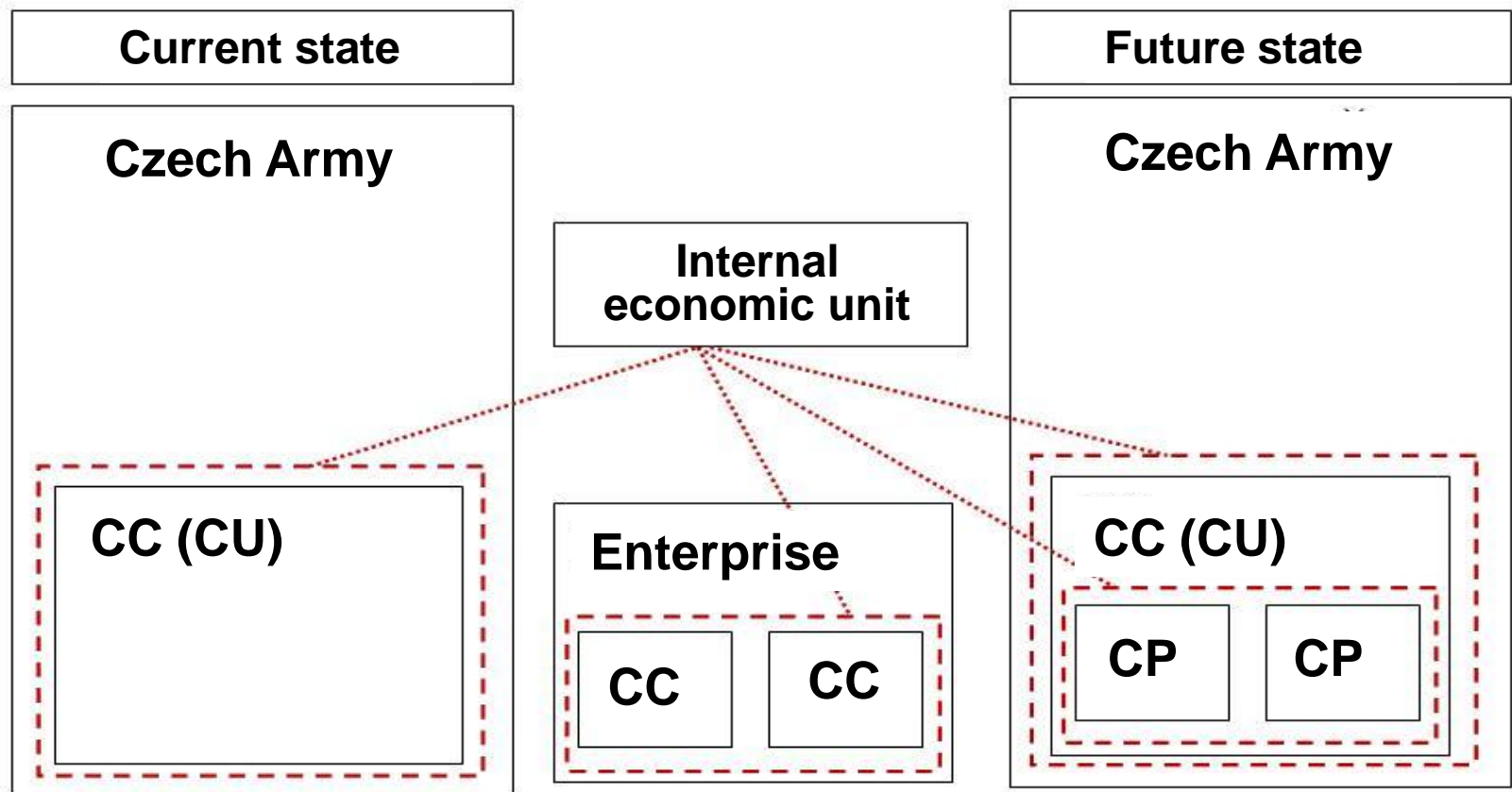
- reflects the organizational structure of economic object and usually comes out of it.
- **Economic structure economic object is formed by internal economic units such elementary elements of this structure.**
- **Internal economic entity known as economic or responsibility centers.** When creating economic structure is then used according to the typology we encounter these kinds of centers: cost, revenue, profit, and cost-effective investment. The most common type of these internal economic units **cost unit**.

The economic structure of CU prerequisite for economic management

Economic structure:

- **Internal economic entity known as cost units:**
 - The concept of business practice and theory of business economics, this term denotes an element of which is made up of the economic structure of the company and to which they have the attention of the system of economic management. cost unit is the lowest corporate departments for which costs are determined in terms of responsibility; basic tool of economic processes is controllable budget costs, which are subject to control (example might be a department business administration).

Cost centre (unit) in ACR



Legend:

CC ... Cost centre (CU ... Cost unit)

CP ... Cost place

The economic structure of CU prerequisite for economic management

Economic structure

- **cost unit is than characterized by the following features:**
 - **cost homogeneity** (features / technology, a group of employees)
 - **responsibility** (shall constitute a separate area of responsibility and each of them must be a responsible person, leader, commander,
 - **Borders** (everyone must be clearly assigned space, tangible fixed assets and personnel, while there must be the possibility of posting here costs incurred,
 - **reference value** (ie. the scale of the costs incurred at the same time determining the relationship cost place to another place or to the cost bearers costs).

The economic structure of CU prerequisite for economic management

Economic structure:

- **On the cost sites would then be charged indirect costs**, while direct costs would be allocated directly to cost carriers (eg. On the basis of standards, processes, implementing directives, etc.).
- Determine the degree of variability of indirect costs would be made according to the type of costs at the level of individual cost jobs.
- Cost sites would be economically managed to help plan costs.

Questions?

Thank you for your attention



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