A Survey Quality of Management Accounting in the Czech Companies

Miroslava Vlčková

Abstract: The article primarily deals with the analysis of using managerial accounting by companies in the Czech Republic. There are evaluated criteria that negatively affect the quality of management accounting. Based on the investigation is then examined the extent to which this criterion in the business exist, which area of managerial accounting cover and what methods are used. The research is focused on methods of conducting managerial accounting, methods of product costs, budgets, variance analysis methods, the influence of the conditions of production to manage management accounting and segmentation of the production process, value concepts of cost and other tools of management accounting. The survey is conducted on a sample of Czech firms. It is also analyzed the extent to which Czech companies use management accounting and what knowledge have managers of enterprises in this area. The purpose is to determine the level of knowledge of management accounting for business managers or employees of controlling and compare it with the knowledge of students on Economic Faculty, University of South Bohemia in the České Budějovice, branch of study accounting and financial management.

Key words: Managerial Accounting · Criteria Quality of Accounting Data · Costs · T-test

JEL Classification: M41

1 Introduction

Under the previous surveys were determined fundamental criteria that affect data quality of management accounting based on AHP method. The most important criteria that negatively affect managerial accounting were showed (descending by the most important): Use only species classification of costs and revenues; non-use value and economic cost concepts; Compilation methods of calculations; Methods and frequency evaluation of variances; The high degree of subjectivity, incorrect presentation of accounting data; The failure to use performance depreciation; Methods of transmission of information and the time shift; Absence second management circuit; Methods of budgeting; Determination of external information and information relating to the activities, operations and processes; Focusing only on the liability or only on performance; Human resources in management accounting; The influence of the production conditions, segmentation of production process (Vlčková, 2014). This research article follows. The aim is to analyze to what extent each criteria occur in the Czech enterprises and what knowledge of management accounting managers and workers controlling have. It was also determined hypothesis that managers do not have adequate knowledge potential in management accounting.

2 Methods

Managerial accounting is an area of accounting that provides information for managers in the company. It is a process of identification, measurement, collection and analysis of documents. It should help managers fulfill set targets. (Horn-gren, Sundem & Stratton, 2005). Managerial accounting is used for a specific company, either as a financial measure or instrument of control (Duska, Duska & Ragatz, 2011). Managerial accounting is accounting, which is conducted on a voluntary basis for internal needs of company and whose main objective is submission critical information for decision-making with a focus on efficiency. Compared to financial accounting is not limited - its rules and procedures are determined by management (Jiambalvo, 2009). The partial objective is to collect information in relation to the management of costs and revenues for each center, or ongoing processes or activities in the enterprise.

Information of management accounting and financial accounting is therefore different to detail and frequency of data evaluation, and the difference of content and objectives of the concept of assets, costs and revenues and profit. In managerial accounting as opposed to financial accounting can be viewed also facts that are difficult measurable (Fíbírová, Soljaková & Wagner, 2007). Data of management accounting and their analysis are primarily based on cost. To get the quality of accounting data is therefore necessary to divide these costs, depending on what decision tasks will need managers. This classification subsequently affects the whole concept of cost or management accounting. The basis of costs classification are the purposes for which type of cost are. Individual point of view is derived from the needs

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of management, in particular the determination of cost task and its control. According Janout & Schroll (1997), Drury (2012) and Král (2010) the cost can be divided by type or purpose structure, which could be subdivided more in detail.

Calculation is a fundamental tool for cost management with a focus on performance. The importance lies mainly on the fact that shows the unit expressed output and financial characteristics and it allows influence the level and structure of product costs and thus the earnings of the company (Landa, 2006). The aim of the costing system in the narrower sense is the management of economy, primarily unit costs, or other variable costs (Král, 2010). Budgets of internal departments are focused on measurable performance of departments on the one side, and on measurable costs on the other side, on influenced supplies or on bound capital. They require resolution to unit costs and overheads. Budgets of unit costs are taken from the calculations of cost per unit, respectively based on technical standards for cost and performance. The main interest is focused on the budgets of overhead costs (Drury, 2012). In the context of financial management, control of budget occupies an important place. It consists in the comparison of budgeted and actual values achieved It is important for firms to establish control standards and have adequate management of accounting and financial evidence. The essence of control is a quantification of any differences and especially the analysis and interpretation of the incurred variances. The solutions are two basic issues: the cause of the variances and responsibility for the incurred variances.

High quality information is not easily available. Stiglitz (2001) says that asymmetric information can be found in all areas. In the field of management accounting, it can be most often the concealment of information or misinterpretation of results.

3 Research results

On the basis of these criteria was drawn up a questionnaire whose objective was to determine whether the criteria occur in Czech enterprises and to what extent, that Czech companies use managerial accounting for its management and to what extent. The survey focused on companies that have implemented management accounting The operational objective was to demonstrate how are held the accounts, the methods used by companies and how deep is the knowledge base of managers or controlling workers in the field of management accounting.

The questionnaire was addressed to managers and executives workers in controlling, or in accounting department of the company if the company does not have a controlling department. It was purposefully distributed to enterprises, which have special characteristics - Czech enterprises, legal form of business is a limited liability company or joint stock company, number of employees from 10 to 1999, the annual turnover from 10 mil. to 1000 mil. CZK and principal activity by CZ-NACE section C – Manufacturing industry).

The questionnaire was tested in the first part on the pilot research carried out on twelve companies, which purpose was to discover any inaccuracies in the asked questions, their structure or offered answers. Subsequently, the questionnaire was modified about identify deficiencies and distributed to respondents.

3.1 The survey in management accounting

The questionnaire survey was attended by 294 companies from twelve regions of the Czech Republic, and it was contacted 1,123 enterprises. The majority of the companies participated in the survey, is located in the South Bohemian Region and it was almost 59%. Compared to other regions of the South Bohemian Region are businesses represented to a degree that it cannot evaluate the existence of regional differences.

As part of basic characteristics of surveyed enterprises were also detected the number of employees and annual turnover of companies. Figure 1 shows the results.

The graph (figure 1) shows that almost half of respondents said the number of employees to 49 and 33% of respondents have turnover from 10 to 50 mil. CZK Managerial accounting is voluntary for businesses, they have it implemented to their needs and management decision making. It was found that from 294 respondents, keep managerial accounting 76 companies (25.85% of respondents), and all respondents keep it only in a simplified range with the help of analytical accounts in financial accounting. No respondent indicated that managerial accounting keep by dual accounting system.

The most frequently occurring reasons for the absence managerial accounting indicated by businesses who do not have it implemented, were for example:

- it is not necessary for management or bookkeeping,
- excessive requirements on management,
- expensive initial investment for purchase the software,
- additional labor and labor costs and other expenses,
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- lack of knowledge,
- it is not necessary by the legislation …

**Figure 1** The number of employees and annual turnover

![Number of employees and annual turnover](image)

Source: Own processing

Another part of the survey focused only on companies that keep management accounting. The next question was directed to the orientation of management accounting. More than 88% of respondents focused on performance or on performance and responsibility at the same time. Only about 12% of the respondents focused only on responsibility and 35% of respondents only on performance. Other questions concerned to the methodology of reported data in managerial accounting. As regards the type of product costs, no respondent indicated that compiles only preliminary calculations or only the final calculations. Most respondents indicated that compiles preliminary, final and pricing calculations together. Exact values are shown in the following figure.

**Figure 2** Types of calculations

![Types of calculations](image)

Source: Own processing

Further questions related to variances. Weekly evaluate variances 9% of companies, 51% monthly and quarterly 14% of enterprises. No company evaluated variances only once a year. But 26% respondents do not evaluate variances. Types of variances in the companies and their ratios are shown in Figure 2. Deviations are evaluated only at 57 companies.

On the question whether companies use performance depreciation responded “yes” nearly 37% of respondents. Much worse results were found on the question if companies use economic or value costs conception. Here responded positively only more than 14% of respondents.
On the question whether companies divide costs into variable and fixed costs positively responded almost 37% and on the question whether companies divide costs into direct and indirect costs responded positively more than 97% respondents. According to modern technical and scientific literature classification costs into direct and indirect recedes into the background and still more costs divide by other aspects. According to the survey, this theory has not been confirmed and it was found that the vast majority of businesses still prefer classification of costs into direct and indirect. The survey also shows that more than a third of businesses use classification on direct and indirect costs, as well as on classification of fixed and variable costs.

On the question whether on method of keeping management accounting affects the character of the business and diversity of the production process, more than half of the respondents answered "probably yes" (58%). “Yes” answered 10% of respondents “rather not” 29% and “no” 3% of respondents.

### 3.2 Determination of knowledge

The last 10 questions focused on knowledge. The purpose was to determine what level of knowledge regarding the theory of management accounting, have business managers or employees in controlling. It was chosen medium difficult questions that students of the course of managerial accounting at the Faculty of Economics should know. Questions were generated by e-learning test program specially designed for teaching managerial accounting by author of this article. At the same time, this test was given also to 53 students Faculty of Economics, University of South Bohemia in the Czech Budejovice, who attended the course of managerial accounting and subsequently these two groups of respondents were analyzed and evaluated on the basis of statistical methods t test in program STATISTICA 12.

The results were very disturbing. It was found that more than 63% of respondents in the evaluation of the test within examination of managerial accounting would not succeed (success rate is given 70%, so the number of errors should be from 0 to 3). Detailed results are reported in the following table and graph.

### Table 1 Number of mistakes

<table>
<thead>
<tr>
<th>Number of mistakes</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>16</td>
<td>19</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Students</td>
<td>6</td>
<td>7</td>
<td>15</td>
<td>13</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Own processing
The results of t-test were clear - managers and workers in controlling do not have adequate knowledge about the management accounting in comparison with students. The average number of mistakes was 4.11 mistake to one manager and 2.55 mistakes to one student. Other results are shown in the table 2.

By this t-test (table 2) was confirmed hypothesis.

Table 2 Results of T-test

<table>
<thead>
<tr>
<th>Average number of errors - managers</th>
<th>Average number of errors - students</th>
<th>t</th>
<th>Degrees of freedom</th>
<th>Number of managers</th>
<th>Number of students</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1053</td>
<td>2.5472</td>
<td>5.0447</td>
<td>127</td>
<td>76</td>
<td>53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>p</th>
<th>Standard deviation managers</th>
<th>Standard deviation students</th>
<th>F (Range)</th>
<th>p (Range)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.000002</td>
<td>1.7707</td>
<td>1.6591</td>
<td>1.1391</td>
<td>0.6236</td>
</tr>
</tbody>
</table>

Source: Own processing

4 Conclusions

The aim of the present paper was to determine to what extent the criteria affecting the quality of management accounting exist in Czech enterprises and what knowledge managers and executives workers in controlling have in the field of managerial accounting. Questions were focused on a keeping management accounting, the methods and principles in business at its use. It was found that within the analyzed group of companies have introduced management accounting only a quarter of businesses.

In addition, the used methods are in many cases only the basic, the simplest. Many companies have introduced a managerial accounting only according to their needs. At the end, the questionnaire included a knowledge test. The purpose was to determine the level of knowledge of management accounting for business managers or employees in controlling and compare it with the knowledge of students on Faculty of Economics, University of South Bohemia in the České Budejovice. The results of both groups of respondents were statistically analyzed (t-test). It was found that the knowledge level of managers at significantly lower than students levels.
References


