An Analysis of Using Accounting Information for Financial Management in Czech Companies

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***Abstract*—**The paper analyzes the current situation of the implementation of IFRS and IPSAS in Czech accounting both in the business environment as well as in public sector accounting practices. Furthermore, it presents research results from 2008 and 2011. The aim of the research was to analyze an overview of using accounting information for financial management in Czech companies. A comparative analysis was used to evaluate the questionnaire survey. It can be stated that in the Czech environment, there are used methods of financial management and the importance of accounting information for management increases in the public sector as well, especially after the introduction of the accounting reform. In order to maintain competitiveness, it is essential to constantly analyze accounting information, to evaluate financial indicators and compare the results achieved by own company with those of foreign competitors. For these reasons, the importance of international accounting is continually growing even for Czech companies.

***Keywords*—**Accounting information, accounting reform, business enterprise, non-profit organization, financial management.

I. Introduction

FINANCIAL accounting is a process used for reporting on the activities of organizations. The function of accounting is to provide information about the changes in the financial position of an enterprise that is useful to users. Users are also interested in the information contained in the financial statements. Internal users of financial results are all the managers in both financial and non-financial area of organization, who nevertheless need to understand and interpret financial information. Managers need to be able to do the activities that will increase shareholder value. The company's management team prepares a long-term corporate strategy. It is based on inputs from several sources, including consumer research data, production figures market intelligence on the competition, and the latest financial information. The focuses on the relationship between finance and strategy are the important of understanding the financial basis for strategic decision making. Explanation of basics principles of Accounting, its functions and rules, is allowing the managers a smarter use of the accounting figures, and result in a higher level of a corporate management and decision-making.

A useful and effective management accounting should be consistent with the structure of the Management. The financial analysis of performance is assessed in the specialized literature in terms of result, intended to disclose the company's economic and financial reality. The financial performance is seen as a stake in the company's internal and external relations, its partners being affected by their level and quality [14].

In the area of public finance is necessary to constantly seek ways to improve the information on the development of public sector finances. The actual accounting reform in public finance field was initiated in the Czech Republic in 2010, aimed at creating conditions for effective provision of accurate, complete, timely and consolidated information on the economic situation of the state. The purpose of the accounting reform is in the implementation of accounting systems for all accounting entities in the Czech Republic according to recognized and proven international experience. A specific objective consists in approaching the accounting methods and principles in the public sector to accounting rules for business entities and implementing such accounting policies that the accounting information contained in the financial statements would predicate more realistically about property and performance situation of accounting entities.

The consolidated financial statements will be prepared for the Czech Republic. The implementation of state accounting is accompanied by a number of legislative procedures, ranging from amendments to the Accounting Act, through the issuance of new decrees and continuous issuing of new Czech accounting standards which are binding for the selected accounting entities, which includes government departments (ministries and other state authorities), self-governing territorial units (municipalities and regions), and organizations established by them. State accounting does not mean specific accounting for a state; the Czech Republic has not been and will not be an independent accounting entity that would keep individual accounts. State accounting includes the accounting of selected accounting entities, through whose outputs (financial statements) are prepared final consolidated statements for the entire state by means of consolidation methods and procedures. The overall consolidation of the Czech Republic will include approximately 60 000 accounting entities and approximately 5 000 sub-consolidated groups for which the sub-consolidated financial statements will be prepared [15].

The result of the accounting reform should comprise aggregated data for the public sector. Accounting information of public as well as local allowance organizations will enter

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the consolidated groups, which will be the founders and all the organizations established by them. The aim is to provide users (citizens, banks, government and others) qualified information about the financial situation of the relevant group.

II. Accounting in the Czech Republic

The history of Accounting in the Czech Republic is a good baseline for understanding the necessity of comprehending the scope of the changes being experienced in Czech accounting? Before 1990, there was a single system of Czech accounting, a single entry methodology. Beginning in 1990, the Czech Republic began to embrace double entry accounting. After 2003, accounting began to be widely used as a chronological and systematic system with an accompanying complete recording of company activities (usually recorded in monetary units).

Today, accounting in the Czech Republic is organized into two forms: recording of events and activities for tax purposes (formerly single-entry bookkeeping) and bookkeeping. Recording for tax purposes accounts for ordered income and expenses and quantifies the difference. Bookkeeping records each item in two accounts (debit and credit). Bookkeeping results in the simultaneous production of both a Profit and Loss statement and a Balance Sheet.

Czech National Standards, can be considered an accounting system and, to a limited extent, follow the International Financial Reporting Standards (IFRS). Currently, Czech National Reporting Standards are comprised only of minimally required basic account classification and financial statements organization. These standards may expand into accounting procedures which can be adapted to meet Czech Accounting Legislation (CAL).

IFRS, financial reporting standards published by the International Accounting Standards Board (IASB), are becoming the most important financial reporting standards in the world. The Standards do not take the form of legal documents, but instead act as a principle-based accounting system, primarily aimed at publicly traded companies and large enterprises. Application of IFRS requires a high level of professional knowledge by the accounting staff of any entity trying to apply these standards [20].

The scope and importance of IFRS is fundamentally expanding. After 2005, all publicly traded companies in the European Union are required to prepare consolidated financial statements in accordance with IFRS. Therefore, as the Czech Republic is now a member of the EU, this requirement has impacted all Czech companies listed as the subsidiaries of publicly traded European multi-nationals [8], [22].

Unlike IFRS, CAL is a national, rule-based accounting system, which is not subject to the requirements of the regulations of the EU. Entities in the Czech Republic were and are faced with obstacles in implementing these regulations into Czech legislation. The Act on Accounting, which is the cornerstone of CAL, provides the legal rules for all country-wide entities and therefore determines the accounting methods and financial reporting for all the accounting entities located in the country. Such entities, including small, large and multinational companies, regardless of different activities and purposes must use CAL [6], [31].

Form and content are given not only by requirements of European legislation but also by the Czech legislative rules and requirements for full compliance – in subject and terminology – with other rules of Czech legislation. Due to its validity even for very small entities (sole proprietorships, non-profit entities), in which wide theoretical accounting and related knowledge cannot be assumed, it is necessary for the text of the Act to be as clear and unambiguous as possible. Due to the different principles and priorities on which both of the systems, CAL and IFRS, are based, there is a range of conceptual and specific differences [10], [20], [31]. Factors that influence the current differences are:

1) CAL is rules based while IFRS is principle based.
2) Czech taxes base remain based on CAL. Consequently, many decisions and assumptions made by management during the preparation of financial statements are made after considering the potential tax consequences of potential accounting treatments. This often results tax-driven decision making in accounting. This thinking is not always consistent with what would be considered an accurate view under IFRS.
3) CAL is based upon the premise that standalone financial statements are primary statements of accounting. The goal of IFRS as a general accounting mechanism directed at listed companies is based on the assumption that consolidated financial statements are the primary source of information about the economic entity/group, while a standalone financial statement of the parent or the subsidiary may be appended if necessary.
4) CAL, due to its nature, does not have a thorough conceptual framework to describe the following: The individual elements of the financial statement and their definitions. The fundamental accounting concepts and methods on which the financial statements should be based Assumptions behind the quality of information that the financial statements should provide. A hierarchy referring to other legislations or accounting literature in cases where relevant CAL rules do not exist.

The impact of international accounting on Czech companies can only continue to increase. The requirement of the implementation of financial statements according to the IFRS on Czech companies is very important. There are some accounting specialties in reporting and budgeting within the public sector in the Czech Republic.

The public sector has not highlighted the need for public entities and governments to present financial statements under IFRS. They have not highlighted the need for financial statements that are audited and certified by external, independent sources. Transparency and accountability of the public sector is necessary for the citizens of the Czech Republic.

During the current legislative process, the Czech Republic pursues maximum compliance with the Fourth and Seventh EU directive, so that the new national standards would accept the international rules of the IFRS, the IPSAS and the

European System of Accounts. The IFAC has published numerous studies dealing with the public sector and government sector accounting in various countries around the world; e.g. France, Argentina, the United Kingdom and New Zealand. Various studies have been also published on financial reporting of central governments, reporting the performance of public administration, transition to accrual accounting [13], [20]. A similar situation is currently addressed in the Czech Republic.

Institutions in the public sector have not been required to be in compliance with the IFRS. However, the IFRS are still of great importance. To respond to this need, a strong international reference with standards that encompass public sector has been developed. This occurred in a similar manner to that of the private sector in relation to the IFRS. Since 1996, the IPSAS (International Public Sector Accounting Standards) has built a core set of 21 standards based on the same accrual approach as the IFRS, with the necessary adaptations to public sector specificities being made. There remain some problems regarding the accrual basis of accounting and the cash basis of budgeting in the public sector in the Czech Republic. Adoption of the accrual basis of accounting would enhance the accountability and transparency of the financial statements of governments and government agencies, and would provide better information for planning and management purposes.

The task for the IASB is to develop rules and principles for the unique concerns of the public sector, such as non-exchange revenues (i.e. taxes, transfers, etc), relations between financial accounts and budgets, or social policies, obligations, and pensions in order to ensure convergence with the IFRS and the statistical basis used by the IMF, the United Nations and the European Union [6], [8], [22]. Existing standards have been currently adopted or accepted on a worldwide basis by a number of international organizations including OECD, IFAC, the European Union and several nations. In order to be effective, the new standards must be completely understood and therefore, translated into the national language of the Czech Republic. The Czech translation of the 21 IPSAS was released in 2005. The Czech Republic is one of many countries fighting for additional transparency, accountability, and management efficiency.

The biggest obstacle in implementing the IPSAS among individual European Union countries is that the IPSAS do not have either a background or deep experience in international law. The standards are determined through the mediation of the corresponding national legal regulations of a member country. Thus, the specifics of individual member countries are reflected in financial accounting, which result from their different economic and legal environments. While the IPSAS has entered the international environment, it is not fully ready for complete adoption. This is also the case in the Czech accounting environment. The challenges for those moving to an accrual basis form of accounting of Czech entities needs to include the establishment of institutional arrangements and mechanisms to manage and assist the movement. The impact of international accounting on Czech companies will continue to increase and a timely solution to the problems will offer a competitive advantage to companies in the future. The introduction of IPSAS and the IFRS to Czech accounting should be a turning point in financial reporting [6], [10].

The financial statements according to IPSAS or the IFRS differ from the Czech financial statement in its purpose. The statements also differ in the way of they are prepared. In order to comply with the IFRS, statement preparation cannot do without professional estimates and references in an effort to respect fundamental accounting principles. It also requires consistent recording of transactions according to their economics and the compliance with the rule of law, if different. The difference in accounting procedures and the reporting of some items according to the CAS, IPSAS, and the IFRS results is different in accounting reporting. According to one reporting framework, a company can reach a profit, while according to the other, it can show a loss. Another difference can be found in total balance sums, asset values, and the value of other items of property or liability. The IFRS and IPSAS applications influence the way assets and liabilities are reported and priced and also how the trading income is reported [33]

Research in the usage of accounting information in non-profit organizations show that improving transparency, and therefore accountability, requires financial information that is more comparable, understandable and accessible [2], [3]. We can find similar experience with accounting reform in other countries, e.g. Australia [1] or New Zealand [36].

The basic objective of the accounting reform is to create conditions for information searching for the whole CR and to improve information for each selected accounting entity, which includes government departments (ministries and other state authorities), self-governing territorial units (municipalities and regions), and organizations established by them. The ongoing reform of state accounting in the Czech Republic thus includes a large number of organizations within the public budgets. The transform to the application of state accounting on the accrual principle to the full extent will also require a change in national strategy promoting further reduction of the impact of tax system on accounting.

The challenges for those moving to an accrual basis form of accounting of Czech entities needs to include the establishment of institutional arrangements and mechanisms to manage and assist the movement. The impact of international accounting on Czech companies will continue to increase and a timely solution to the problems will offer a competitive advantage to companies in the future. The introduction of the IPSAS and the IFRS to Czech accounting should be a turning point in financial reporting. It calls for the collection and classification of financial data in several different dimensions.

The term consolidated financial statements has been used for business entities only and consists of the financial statements prepared on behalf of a group of accounting entities as if this group was a single organization. The state accounting involves consolidation of financial statements of public sector and municipalities. The subject of consolidation will include property participation of the state or local governments in business entities, including banks. The consolidated financial statements will be prepared on the basis of the accounting of included individual entities and their financial statements. Some consolidation methods and procedures known from the business sector will be applied just for this preparation. In some cases, however, certain simplification will be used, particularly because of the complexity of consolidation with regard to the importance of information. The preparation of consolidated financial statements plays an important role in elimination of mutual relations between different entities, especially in the relation between the founder and organizations established by him, banks and business entities.

The result of the accounting reform should comprise aggregated data for the public sector. Accounting information of public as well as local allowance organizations will enter the consolidated groups, which will be the founders and all the organizations established by them. The aim is to provide users (councilors, citizens, banks, government and others) qualified information about the financial situation of the relevant group [10], [20].

The application of international principles is determined in each EU country through a wide range of political, historical and cultural barriers. In terms of introduction of the state accounting in the CR, the IPSAS recommendations should be applied with regard to the historical and legal environment, technologies, methodical and control components, and the cost of the entire system with particular emphasis on user's environment. As apparent from the above, one of the objectives of the reform is the effective gathering of relevant information for the needs of the state in the central system of state accounting information to prepare consolidated financial statements for the CR. In the case of consolidation of public sector accounting entities, the creation of consolidated groups will not take place on the basis of shares and the typical control as in the business sector, but mainly on the basis of other links. In the case of consolidation of public sector accounting entities, the creation of consolidated groups will not take place on the basis of shares and the typical control as in the business sector, but mainly on the basis of other links. The consolidation decree shall include process including accounting entities in the consolidated group and methods of consolidation of financial statements and definition of the consolidated group and sub-consolidated groups of the state.

A. Financial Accounting

The basic function of accounting is to provide all of its users with reliable information about just how a given company is economically capable and efficient. Accounting is required to provide information especially about the financial situation (statements in the form of balance sheets) and financial efficiency and performance (in the form of profit and loss accounts) for a given period. Accounting information is intended not only for managers, but also for a variety of external users who are interested in the enterprise for a wide number of reasons [22].

When recording financial accounting, one must not forget to uphold the general accounting principles (e.g. the assumption of accounting units, the duration of the enterprise, the accrual principle) as well as valid legislation. Among the basic legal framework of Czech Accounting practices is the Law on Accounting, the accompanying proclamations to that law and Czech Accounting Standards. In Europe as well as here, the financial and taxation accounting systems are mutually interlinked and intermingled; in addition, the tax rules and laws have a significant impact upon the accounting procedures of financial accounting – which under certain circumstances are significantly impacted [17], [30].

B. Managerial Accounting

The depiction of economic phenomena is, in Managerial Accounting, subordinated a priori to the requirements of the top management of the enterprise. Especially problematical evaluations are, within the overall framework of this type of accounting, resolved rather on the basis of a view to the future rather than on the basis of historical prices, which are given preference by Financial Accounting. Managerial Accounting makes use of valuations on the basis of pre-set quantities, at the level of Opportunity Costs and Benefits (expressing "lost" benefits or saved costs) or else on the basis of a wider understanding of reproduction prices. This enables one to track the results from the sale of individual products or services for instance. The most frequently cited components of Managerial Accounting are calculations, in-house accounting, budgeting and decision-making roles [12], [23], [24].

The managerial accounting system allows acquiring information regarding the production cost of obtained products, and implicitly, of the sold products, hence within financial accounting one can dimension and register the value of acknowledged expenses along with the production achieved at the moment of sale [14].

Operations within accounting units are the domain of In-house Accounting, which usually tracks operations according to the individual internal departments and within their framework, also according to the individual performance and operations of the enterprise. The forms, organization and orientation of this in-house accounting process are determined by the Accounts department itself in line with internal rules and regulations. Czech legislature only states that in-house accounting must ensure verifiable supporting materials for the financial accounting process on the following:

1) About the state and changes to the state of inventory created by one's own activities;
2) In order to express the activation of one's own performance;
3) For the valuation of inventory and other performances created by one's own activities.

In-house accounting may be organized within the framework of analytical accounts for financial accounting purposes or in independent accounting spheres, or as the case may be, a combination of both approaches [24].

According to J. Vysušil, choice between one's own production and purchasing, the optimalization of costs, the analysis of critical points, valuations of investments, pricing decisions and other such are all decision-making roles. In addition, investment calculations and budgeting are an independent component of decision-making roles. These should show whether or not the planned investment makes sense. Here, well-known methods like Rate of Return, NPV (Net Present Value) or IRR (Internal Rate of Return) are all used. If the Managerial Accounting is to be of good quality, it must confront differing variants of the decision-making problems and must know how to select the best possible variant [21], [23], [34], [35].

The usage of some type of financial analysis software by financial planners in the planning process undertaken with clients who own their own business can greatly enhance the value provided by the financial planner. It enables the planner to become more intimately involved in succession planning and in helping business owners' position their companies for sale or business loans [11].

The other authors are exploring an important relationship between financial and managerial accounting too [4], [16].

C. Controlling

While financial accounting is usually managed by the Chief Accountant, the function of Controller has specially been created for the management of Managerial Accounting. All this was developed and applied in Anglo-Saxon countries. European countries reacted to the origin of Managerial Accounting in two ways. Some adopted it, adapted it and further developed it in line with their own needs, while others changed the designation of Controller into Controlling to describe the duties and functions of this work, and in the end, even a whole new discipline of the theory of management. This conception has been furthest developed in Germany [18], [34] and Austria [9]. The duties and functions of Controlling are richer than those of Managerial Accounting, and this is mainly because a strong emphasis is placed not only on Operative, but above all on Strategic Controlling [35].

Controlling has continued to develop in business praxis and has become an indivisible part of every modern enterprise. In spite of this, there are significant differences of opinion between theory and practice about the term Controlling. It is not possible to find an unambiguous one word equivalent for this term in the Czech language, which is why it is never translated.

However, the following main functions are often allocated to Controlling [9], [18], [37]:

1) Planning (the creation of a wide variety of differing plans);
2) Provision and documentary needs (ensuring requisite high-quality information);
3) Controlling and analytical (controlling the enterprise's processes, their analysis and establishing eventual deviations); and
4) Reporting (a complex system of indices and information, often in the form of concrete statements and reports).

Realization of the controlling system supposes the integration of principles, instruments, organization and the controlling process in the structure of organization, in order to coordinate the information and planning system [19].

III. Accounting Information for Financial Management

It is widely recognized that efficient management is not possible without accurate financial information. Information is an important tool and represents one of the most important parts of economic life. A useful part of economic information is that which is provided by accurate financial reporting.

Knowledge of the predictive ability of financial statements is a necessity for useful communication among accounting information users. As accounting is undergoing continuous development both in Europe and on a worldwide scale, it must react to the development of national as well as multinational economic environments and to stimuli based on modern tendencies. Financial management cannot function without high-quality input data, which is subsequently presented in financial statements. Information and its respective processing is a valuable tool for each enterprise. Information is obtained based on costs, revenues, earnings, production, the amounts sold, turnover, plans, and movements of property [5], [7].

A. The Research

The research investigation itself was realized in the following way: (1) The questionnaires were sent out to appropriate organizations (i.e. business and non-profit enterprises); (2) Comparison of using financial management in these organizations was done.

The aim of the research was to analyze an overview of using accounting information for financial management in Czech companies (i.e. calculations, budgeting, controlling, cash flow and financial analysis). The first research was realized in the year 2008 and the next in 2011. There were collected sources of 220 questionnaires (business enterprises) and 45 questionnaires (non-profit organizations) in 2008 [27], [28] and 207 questionnaires (business enterprises) and 113 questionnaires (non-profit organizations) in 2011.

B. Results of the Research

What type of accounting is used in your company? That was one of our questions in both researches. The majority of enterprises (about 90%) in the Czech Republic use bookkeeping. Recording for tax purposes records ordered incomes and expenses and quantifies the difference. The economic result is checked simultaneously in a Profit and Loss Statement and on a Balance Sheet.

Budgeting is an important part of economic process inside each enterprise. The budgeting means the process of the annual planning of the result expressed in financial terms, especially planning costs and revenues (outputs). In 2011 business enterprises (about 74%) prepared the budgeting less than the non-profit enterprises (about 82%). In 2008 was the difference even bigger (56% business and 80% non-profit enterprises).

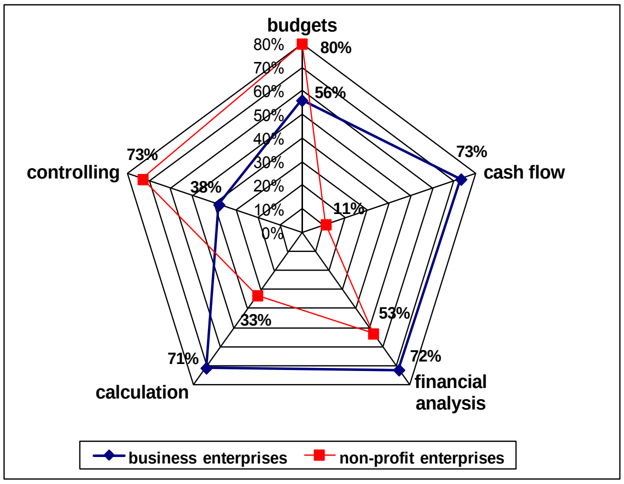

Fig. 1 – Financial tools used in business and non-profit enterprises in 2008 [own processing].

Operative planning arises from strategic planning and should demonstrate in budgeted values how the objectives have been apportioned and how they are to be achieved. Annual planning also serves as a basis for the comparison of budgeted and actual figures. Good planning quality is obtained, when the procedure is twofold, top down and bottom up. Approximately half of enterprises prepared operative planning, but only about 30% made the strategic planning. These results were achieved in both years. Cash flow is a turnover surplus over the liquidity – related expenses incurred by company business activity and it is therefore also an indicator for a company's profit situation as well as its self-financing strength. The research illustrates the enterprises increasingly follow up the cash flow. In 2011 about 93% business enterprises prepare the cash flow. In non-profit enterprises is reverse situation. Only 36% non-profit organizations use the cash flow for financial management.

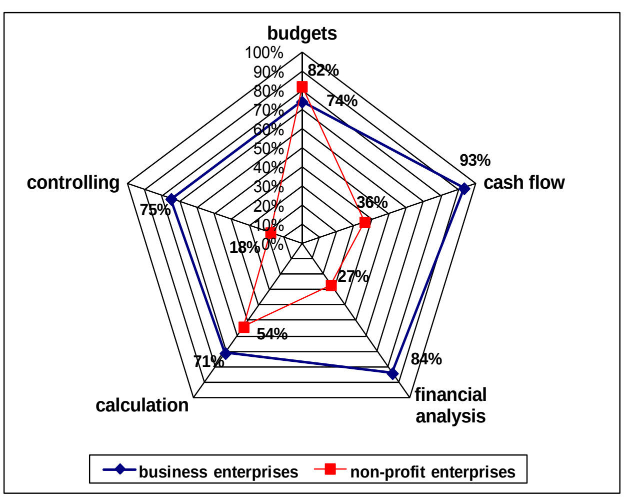

Fig. 2 – Financial tools used in business and non-profit enterprises in 2011 [own processing].

The financial analysis prepared 72% (2008) and 84% (2011) business enterprises in the Czech Republic. This analysis is very important to managers and controllers. It often shows the first indicator of enterprise financial position and productivity. Only 53% (2008) and 27% (2011) non-profit organizations use this financial analysis for their management.

For managerial accounting is important to classify costs into fixed and variable. Fixed costs are incurred in order to ensure that the company can produce and sell. Variable costs grow up because a product is manufactured or a service delivered. About 71% business and 54% non-profit organizations (2011) make this classification.

Controlling can be characterized as a specific concept of enterprise management based on complex and organizational interconnection of planning and control processes. Science and practice have the same opinion that controlling is an important and specific part of modern concept of financial management. Controlling is the whole process of setting objectives, of planning and controlling, in the sense of steering and regulating, where money and activities are important. Controlling embraces such activities as decision-making, defining and determining. A well-operating controlling can't do without high-quality input data, which are presented in financial reporting statements.

In 2008 almost 73% of non-profit organizations claimed that they have implemented a comprehensive controlling system. Closer questioning in specific organizations, however, revealed that it involves the application of the Act on Financial Control, other laws and regulations and, last but not least, it concerns mostly various economic analyzes required by the founder and other donators. These outputs can be compared with the findings of a new survey conducted in 2011, when randomly selected non-profit organizations were asked whether they have established a comprehensive controlling system. At this time it was confirmed that only 18% of organizations in question have established a comprehensive controlling system. This confirms the assumption that during the accounting reform the awareness of non-profit organizations about methods of financial management is increasing and controlling methods are no longer to be confused with the implementation of the Act on Financial Control. Entrepreneurs experience a reverse situation. Here can be seen an increasing importance of controlling for company financial management. In 2011 almost 75% of entrepreneurs used some controlling tools in their management.

IV. Discussion

One of the ways how can a company stay in touch with competitors is improving internal and external processes. Within the field of financial management concerns about the system of powerful usage of available accounting information. The base is to use appropriately obtained information and consequently to make a decisions. For such process is necessary to have a support in the quick information search form, suitable communication channels, and right system of work and proper data flow order. The following figure deals with interchange of accounting information among particular participants inside the company's system of financial management; from the inputs to the system to efficient usage of outputs.

From the above, we can assume the point-of-view that the management of economic processes within the enterprise must have well-mastered financial and managerial accounting sub-processes. The information from these areas is then used by the controller. Financial reporting and financial statements (balance sheets, profit/loss statements and cash flow statements) provide input information for financial analysis. For financial analysis, it is important is to guarantee the comparability of data included in financial statements.

In the current economic situation, the basic criterion for the success of businesses consists in applying new adequate methods, which are the basis of decision-making processes of financial management aimed to achieve competitiveness. Among the interests of owners and managers is a focus on business performance. Should we want to assess competitiveness through performance measures, at first, it is necessary to define the term performance. Definition of performance has not been clearly specified in the literature. What does performance mean? Although, there are many definitions by various authors, they differ from each other.

While in the natural and technical sciences, the system performance is quite accurately defined by variable power (the amount of work done per unit of time), there is not a similar and long-term definition or variable in the area of business economics and finance which would be respected by all authorities. This is primarily due to the fact that this area has been evolving and dynamically changing in recent years and that a company is quite a complex system, whose inputs and outputs are both measurable (e.g., financial data) and non-measurable (e.g., personal nature). In addition, corporate economists aim not only to measure a company's performance, but also to manage it (if possible) through a "simple" indicator, model or approach. The most successful concepts in this area are generally based on the principle which says that what cannot be measured cannot be managed; therefore all variables affecting a company's performance must be made as measurable as possible. If we consider that the benefit of a company to a particular stakeholder is given by what is invested into the company (inputs) and what is received (outputs), we can define a company's performance from the perspective of each stakeholder as the ratio of outputs to inputs (or difference between outputs and inputs). This definition is very abstract, however, it can be considered as the essence of the whole measuring and evaluating of company's performance. If we want to assess the financial performance, inputs and outputs are either of direct financial nature (revenues, costs) or are converted into financial character (risk, value).

In order to remain competitive, it is important to constantly evaluate the current situation, analyze financial information, evaluate financial indicators and compare the results achieved by own company with those of both Czech and foreign competitors. Financial statements prepared according to the same rules can greatly facilitate the comparison. However, it should be noted that the implementation of IFRS may result in differences in the value of balance sheet total, assets, profit/loss, equity, sometimes amounting to tens of millions CZK. Compared with Czech accounting standards, the presentation of assets and liabilities under IFRS brings substantial changes in classification, content and particularly valuation, which is reflected in almost all items of financial statements. As can be judged from the experience of enterprises using IFRS for the preparation of financial statements, financial statements prepared in accordance with International Financial Reporting Standards provide a substantially different data set, presenting a different view of the assets and financial situation of the company [25], [26], [29], [32], [33]. This naturally affects the assessment of financial stability and the performance of companies using the methods of analysis of accounting information.

V. Conclusion

At present, significant differences in the preparation of consolidated financial statements under the Czech legislation and in accordance with IFRS still remain. The term Consolidated financial statements has been used for business entities only and consists of the financial statements prepared on behalf of a group of accounting entities as if this group was a single organization. One of the objectives of ongoing reform is to provide conditions for increasing the credibility of financial statements for the Czech Republic, both towards the European Union and international entities, including foreign investors. This reform of state accounting in the Czech Republic thus includes a large number of organizations within the public budgets. The result of the accounting reform should comprise aggregated data for the public sector. Accounting information of public as well as local allowance organizations will enter the consolidated groups, which will be the founders and all the organizations established by them. The subject of consolidation will include property participation of the state, public sector, municipalities or local governments in business entities, including banks.

The preparation of consolidation decree is accompanied by many problems associated with the gradual introduction of the reform, when the accounting entities concerned gradually adopt new methods of accounting and prepare financial statements in the new structure. The Czech Republic is considered a certain pioneer in preparing the consolidated financial statements for the entire state, having almost zero experience from abroad. The new consolidation decree shall include process including accounting entities in the consolidated group and methods of consolidation of financial statements and definition of the consolidated group and sub-consolidated groups of the state. The whole transfer to the accounts of the state is very difficult and lengthy. Not yet enacted legislation which is necessary to complete the consolidation and implementation of reforms at the state of the Czech Republic. It should be legislatively resolved all changes in registration and management of all public administration institutions. The reform should be completed until 2014.

The research has demonstrated that in the Czech Republic the enterprises (business and non-profit) use accounting information for the financial management. The conclusions of the survey from 2011 showed that budgeting are used more in non-profit organizations than in businesses which results from different financing of these organizations. The non-profit sector is characteristic for its non-profit mission; non-profit organizations plan their activities without seeking profit on the principle of balanced economy. A balanced budget is thus the basic economic tool for their financial management. Another aspect is the multi-source financing and therefore necessary budgeting of each activity in relation to various donators. Last but not least, the interconnection of financing with the state budget is applied. The questionnaire survey further showed that the calculation system in non-profit organizations is still not used consistently, which ultimately leads to wasteful and inefficient use of financial resources, or failure to adhere to the basic principles of "3E's". The survey revealed that business entities use more often cash flow, financial analysis and controlling tools as well.

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