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EUROPEAN UNION
European Structural and Investment Funds
Operational Programme Research,
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MINISTRY OF EDUCATION,
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# KFU/AMUC

## Management Accounting in English

Tutorial
no. 4

# Reports performance centers, the specifics of plans and budgets in a market economy

Ing. Marie Černá, Ph.D.

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# Reports performance centers, the specifics of plans and budgets in a market economy

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MLÁDEŽE A TĚLOVÝCHOVY

# Example no. 1:
# Single and double-circuit accounting *(Dvořáková et al., 2017)*

The company Nora Ltd. manufactures one type of Alfa product and, at the beginning of the current accounting period, had the following balances in its opening balance sheet at the beginning of its operations. Selected values of assets (net) and liabilities are stated in thousands CZK.

- Tangible fixed assets … 300
- Cash on hand … 50
- Cash on accounts … 150
- Registered capital … 500

The company observes primarily costs by their nature and at the same time by internal departments, namely Main Production, Boiler Room, Administration and Sales.
In the current accounting period, the following accounting cases were realized and accounted for.

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# Example no. 1:

| No. | Document and text | Thousands CZK | Double-circuit system | | Single circuit system | |
|---|---|---|---|---|---|---|
| | | | Debit | Credit | Debit | Credit |
| 1. | Received invoice for the purchase of material<br>Price without VAT<br>20% VAT | 120<br>…<br>… | | | | |
| 2. | ICR (incoming cash receipt) - transport of material from accounting case 1 from a VAT non-payer | 5 | | | | |
| 3. | Receipt - material for storage | … | | | | |
| 4. | IAD (Internal accounting document) - sum of<br>Long term assets depreciation, including:<br>Main Production<br>Boiler room<br>Management<br>Sales | …<br><br>20<br>8<br>8<br>4 | | | | |
| 5. | Release note - Material, including:<br>Main Production<br>Boiler room | …<br>50<br>10 | | | | |

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# Example no. 1:

| No. | Document and text | Thousands CZK | Double-circuit system | | Single circuit system | |
|---|---|---|---|---|---|---|
| | | | Debit | Credit | Debit | Credit |
| 6. | Recapitulation of gross wages, including:<br>Main Production<br>Boiler room<br>Management<br>Sales | …<br>25<br>10<br>5<br>10 | | | | |
| 7. | Insurance paid by the company, including:<br>Main Production<br>Boiler room<br>Management<br>Sales | 17<br>9<br>3<br>2<br>3 | | | | |
| 8. | Insurance deducted to mployees | 6 | | | | |
| 9. | Tax on dependent activity - advance | 8 | | | | |
| 10. | IR (invoice received) - energy, including:<br>Main Production<br>Boiler room<br>Management<br>Sales<br>20% VAT | …<br>10<br>5<br>3<br>2<br>… | | | | |

# Example no. 1:

| No. | Document and text | Thousands CZK | Double-circuit system | | Single circuit system | |
|---|---|---|---|---|---|---|
| | | | Debit | Credit | Debit | Credit |
| 11. | Accounting for secondary costs and revenues; The Boiler room department charged its services in the calculated internal company price in the amount of 30,000 CZK for:<br>Main production<br>Management<br>Sales | <br><br><br><br><br>20<br>8<br>2 | | | | |
| 12. | Increase of finished products in the Main production and valued at predetermined own production costs | 120 | | | | |
| 13. | Settlement of sales of 60 % of finished products at a price of 300,000 CZK + 20% VAT | 72<br>300 | | | | |
| 14. | Recognition of predetermined costs of Administration and Sales in the costs of selling products<br>Management<br>Sales | <br><br><br>30<br>15 | | | | |

# Example no. 1:

| No. | Document and text | Thousands CZK | Double-circuit system | | Single circuit system | |
|---|---|---|---|---|---|---|
| | | | Debit | Credit | Debit | Credit |
| 15. | IR (Customer invoice) for products<br>Price without VAT<br>20% VAT | 360<br>…<br>… | | | | |
| 16. | Bank account - payment from customers | 360 | | | | |
| 17. | Bank account - payment to all suppliers | … | | | | |
| 18. | Bank account - payment to the tax office and insurance authorities | … | | | | |
| 19. | Closing operations, and profit/loss quantification | | | | | |

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# Example no. 1:

***Tasks and control questions***

1. Record identified accounting cases in the single and dual-circuit accounting system, value the outputs of production activities in financial accounting in the amount of the actual own production costs and in the management accounting area in the predetermined production costs.

2. Find out the company's economic results, find out the economic results of the centers and compile a balance sheet statement and a profit and loss statement in financial accounting.

3. Interpret the impact on assets and profit due to differences in financial accounting and management accounting.

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# Thank you for your attention!

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