

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Trade and Accounting**



**Diploma Thesis**

**Comparison of the Accounting systems in the Czech  
Republic and Kazakhstan**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Gaziza Gabidenova

Economics and Management

Thesis title

Comparison of the Accounting Systems in the Czech Republic and Kazakhstan

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### Objectives of thesis

The aim of this diploma thesis is to compare the legal framework of Czech and Kazakh accounting systems, the presentation, form and content of Financial statements, analyze the similarities and differences with international accounting standards IAS/IFRS and apply theoretical knowledge on case studies.

### Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusions of the thesis.

The proposed extent of the thesis

60 – 80

Keywords

Accounting system, Financial Statements, legal frame, Balance sheet, Income Statement, Notes, Cash-flow statement, International Financial Reporting Standards, Income tax

Recommended information sources

- ERNST & YOUNG. Overview of Differences between International Financial Reporting Standards and Czech Accounting Legislation 2013, 46 p., online
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- WORLD BANK. Report on the observance of standards and codes (ROSC) Republic of Kazakhstan: Accounting and Auditing, 2007, Executive Summary, 43 p., online

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**Declaration**

I declare that I have worked on my diploma thesis titled "Comparison of the Accounting systems in the Czech Republic and Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 31.03.2018

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**Gabidenova Gaziza**

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# Porovnání účetních systémů v České republice a Kazachstánu

## Abstrakt

V souladu s novým zákonem musí Kazachstán velkým podnikatelským subjektům a organizacím veřejných zájmů sestavit finanční zprávy v souladu s IFRS. Ostatní právnické osoby a jednotliví podnikatelé mohou dle vlastního uvážení sestavit účetní závěrky buď v souladu s IFRS, nebo s národními účetními standardy, které obecně odkazují na IFRS.

V České republice zákon o účetnictví rovněž definuje základní požadavky na přípravu a zveřejňování výročních zpráv a podmínky, které vyvolávají potřebu povinného statutárního auditu účetní závěrky. Společnosti, jejichž cenné papíry jsou veřejně obchodovány, podléhají přísnějším pravidlům pro zveřejňování finančních informací, zejména informací, které musí být zahrnuty do výročních zpráv, a povinnost průběžně předkládat finanční informace České národní bance, která působí jako společný regulátor finančních trhů. Ještě rozsáhlejší požadavky na tyto organizace jsou stanoveny Zákonem o podnikání na kapitálových trzích.

Hlavním orgánem upravujícím účetnictví a audit je i nadále stát, ale vývoj v této oblasti sdílí řada profesních organizací: Komora auditorů České republiky, Svazek účetních a zejména celá Národní účetní rada . Ten nejprve komentuje účty a interpretace účetních předpisů. Přestože interpretace Národní účetní rady nejsou součástí účetní legislativy a následně nejsou závazné, jejich vliv na praxi se zvyšuje.

**Klíčová slova:** účetní systém, účetní závěrka, právní rámec, rozvaha, výkaz zisku a ztráty, výkazy, přehled o peněžních tocích, mezinárodní standardy účetního výkaznictví, daň z příjmů

## **Comparison of the Accounting systems in the Czech Republic and Kazakhstan**

### **Abstract**

In Kazakhstan according to the new Law, large business entities and organizations of public interests must prepare financial reports in accordance with IFRS. Other legal entities and individual entrepreneurs, at their discretion, may prepare financial reports in accordance with either IFRS or the National Accounting Standards, which generally refer to IFRS.

In the Czech republic the Accounting Act also defines the basic requirements for preparing and publishing annual reports and the conditions that trigger the need for a mandatory statutory audit of financial statements. Companies whose securities are traded publicly are subject to stricter rules for publication of financial information, especially information that must be included within annual reports and the obligation to present financial information on an ongoing basis to the Czech National Bank, which acts as the common regulator of the financial markets. Yet more extensive requirements on these organisations are stipulated by the Act on Undertaking on the Capital Markets.

The main body regulating accounting and audit continues to be the state, but developments in this area are shared by a number of professional organisations: Chamber of Auditors of the Czech Republic, Union of Accountants, and, in particular, the all encompassing National Accounting Council. The latter first and foremost comments on bills and interpretations of accounting regulations. Although the interpretations of the National Accounting

Council are not a component of accounting legislation and subsequently are not binding, their influence on practice is increasing.

**Keywords:** accounting system, financial Statements, legal frame, balance sheet, income statement, notes, cash-flow statement, International Financial Reporting Standards, income tax



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## 1. AN INTRODUCTION

Czech accounting legislation is harmonised to a great extent with EU law. Nevertheless, the tax and accounting legislation differ considerably. The contents of financial statements are prescribed by law and must be drawn up according to Czech generally accepted accounting standards. Czech accounting differs slightly from International Financial Reporting Standards (IFRS). For instance, a leased asset is to be shown in the lessor's balance sheet. Annual financial statements must consist of a balance sheet, income statement and notes to the financial statements. A statement of cash flows and statement of changes in equity are mandatory for companies that have obligatorily audited financial statements. Annual financial statements are published in the Commercial Register, and must be filed together with the company tax return at the relevant local tax office. Under Czech Accounting Directives and the Accounting Act (Zákon o účetnictví) the controlling entity is obliged to prepare consolidated financial statements when the group of companies on a consolidated basis exceeds two of three following criteria: • Net assets CZK 100 million • Turnover CZK 200 million • Average number of employees 50 Small groups are not obliged to prepare consolidated financial statements (with the exception of public-interest entities). Companies traded on the stock exchange have to use IFRS, as modified by EU law. Since 1 January 2016, accounting directives and the Accounting Act newly regulate not only double-entry bookkeeping, but also simplified accounting for certain small entities. Accounting records must be kept in the Czech language and in Czech crowns.

Accounting in Kazakhstan is generally governed by the provisions of the Law on Accounting and Financial Reporting of 1995 (the "Accounting Law,"), which has recently been amended. Prior to the recent amendments, according to this Law, IFRS was required to be used in the preparation of financial statements

by financial institutions from January 1, 2003, by joint-stock companies from January 1, 2005 and by all other entities (excluding state-financed entities) from January 1, 2006.

Before these dates, all the entities were required to apply Kazakh Accounting Standards (KAS) as approved by the relevant government organization.

The Accounting Law has just been amended; the amendments were enacted by the Parliament on February 28, 2007. The amendments introduced a three-tiered reporting structure. Under this structure, micro-enterprises would continue to apply simplified tax-based rules; small and medium-sized enterprises (SMEs) would be required to apply KAS; and public interest entities (PIEs) and large companies would be required to apply IFRS. The term 'public interest entities' would be defined to include joint stock companies (excluding non-for profit organizations), financial institutions, companies with state participation and certain extractive industry companies. Such an approach would address the problem of applying IFRS in organizations for which IFRS was not designed or intended.

## **2. OBJECTIVES AND METHODOLOGY**

The purpose of the study is to conduct a comparative analysis of accounting systems in the Czech Republic and Kazakhstan.

The study used general scientific methods of comparative analysis and synthesis, systematization, scientific abstraction, complex, historical and logical approaches. When formulating the basic concepts necessary for the study, the terms adopted in Czech accounting practice and in international financial reporting standards, as well as in the Kazakhstan system of accounting and reporting, were used.

The aim of this diploma thesis is to compare the legal framework of Czech and Kazakh accounting systems, the presentation, form and content of Financial statements, analyze the similarities and differences with international accounting standards IAS/IFRS and apply theoretical knowledge on case studies.

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusions of the thesis.

### **3. CHARACTERISTICS OF ACCOUNTING SYSTEMS IN KAZAKHSTAN AND THE CZECH REPUBLIC: THEORETICAL ASPECTS**

#### **3.1. Accounting in Kazakhstan**

The purpose of accounting and financial reporting shall be ensuring of interested persons by complete and reliable information on financial position, results of activity and changes in the financial position of individual entrepreneurs and organizations<sup>1</sup>.

Principles of maintenance of accounting and preparation of financial reporting shall be accrual and continuity.

Basic qualitative characteristics of financial reporting shall be understandability, relevance, reliability and comparability.

Accounting shall represent an ordered system of collection, registration and generalization of information on transactions and events of individual entrepreneurs and organizations, regulated by the legislation of the Republic of Kazakhstan on accounting and financial reporting, as well as accounting policy.

Accounting policy shall represent specific principles, bases, regulations, rules and practices, accepted for application by individual entrepreneur or organization for maintenance of accounting and preparation of financial reporting in accordance with requirements of the legislation of the Republic of Kazakhstan on accounting and financial reporting, international or national standards, international standards for small and medium business and model chart of accounts of accounting, based on their needs and features of activity.

Transactions and events are recorded in the system of accounting, upon that shall be ensured:

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<sup>1</sup> <https://www.icaew.com/en/technical/by-country/russia-and-eurasia/kazakhstan/accounting-in-kazakhstan>

- 1) adequate reinforcements accounting records by original primary documents and recognition in the accounting records of all transactions and events;
- 2) chronological and timely registration of transactions and events;
- 3) bringing to conformity of synthetic (final) accounting with analytical (detailed).

Transactions and events shall be recorded on the synthetic accounts by method of double record on the basis of model chart of accounts accounting of organizations, conforming to the requirements, established by the authorized body and (or) National Bank of the Republic of Kazakhstan.<sup>2</sup>

Procedure of maintenance of analytical accounting of transactions and events shall be established by individual entrepreneur or civil servants of legal entity (hereinafter – management), which in accordance with the legislative acts of the Republic of Kazakhstan and constitutive documents carry out current management and conducting of cases, based on the needs of the individual entrepreneur or organization.

Individual entrepreneurs and organizations shall ensure maintenance of accounting and preparation of financial reporting on the State and (or) Russian languages.

Accounting documentation shall include primary documents, registers of accounting, financial reporting and accounting policy.

Accounting records shall be made on the basis of primary documents.

Forms and requirements to primary documents, applied for execution of transactions or events shall be approved by the authorized body and (or) National Bank of the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan.

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<sup>2</sup> Law of the Republic of Kazakhstan “On Accounting and Financial Reporting, No 234-III, 28 February 2007, as amended

Individual entrepreneurs and organizations shall develop primary documents both on the paper, and on electronic media, the forms or requirements of which are not approved in accordance with paragraph 2 of this Article, or apply the forms or requirements, approved in accordance with the legislation of the Republic of Kazakhstan independently, which shall contain the following compulsory requisites:

- 1) the name of document (form);
- 2) the date of preparation;
- 3) the name of organization or surname and initials of individual entrepreneur, on behalf of which a document is prepared;
- 4) content of transaction or event;
- 5) unit of measurement of transaction or event (in quantity and value terms);
- 6) the name of posts, surnames, initials and signs of persons, responsible for commission of transaction (approval of event) and correctness of its execution;
- 7) identification number.<sup>3</sup>

Depending on the nature of transaction or event, requirements of regulatory legal acts of the Republic of Kazakhstan and method of processing of accounting information, if it does not contradict to the legislation of the Republic of Kazakhstan, additional requisites may be included to the primary documents.

Primary documents shall be prepared at the moment of commission of transaction or event or immediately after their termination.

Information contained in the primary documents received for accounting shall be collected and systematized in the accounting registers.

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<sup>3</sup> National Accounting Standard. (2013). Almaty: Publishing House "BIKO".

Data of accounting registers in the grouped type shall be transferred to the financial reporting.

Upon preparation of primary documents and registers of accounting on electronic media, individual entrepreneurs and organizations shall make copies of such documents on paper for other participants of transactions, and well as at the request of the state bodies, to which such right in action is provided in accordance with the legislation of the Republic of Kazakhstan.

Corrective action in the cash and bank primary documents shall not be allowed. In other primary documents corrections may be made only by coordination with participants of transactions, that shall be approved by the signatures of the same persons, which are signed the documents with specification of the date of making corrections.

Management or individual entrepreneur shall:

- 1) coordinate and (or) approve accounting policy;
- 2) ensure organization of accounting, as well as existence of approved internal documents, regulating procedure of recognition in the accounting of all committed transactions of organization.

Management or individual entrepreneur depending on the amount of accounting work may:

- 1) establish an accounting service as structural subdivision, headed by the chief accountant;
- 2) introduce position of chief accountant in the staff;
- 3) transfer maintenance of accounting and preparation of financial reporting of accounting or audit organization or professional accountant on the contract basis;
- 4) maintain accounting personally.

Effect shall not be distributed on the Bulletin of the National Bank of the Republic of Kazakhstan.

Effect shall not be distributed on the organization of public interests.



Organization – a member of foreign institute, being a member of International Federation of Accountants shall be equated to the accounting organization.

The head of the accounting service (hereinafter – chief accountant) shall be the chief accountant or other civil servant, ensuring maintenance of accounting, preparation and presentation of financial reporting, formation of accounting policy.

Professional accountant shall be assigned to position of chief accountant of organization of public interest.

Management or individual entrepreneur shall determine persons, having the right to sign the accounting documents. Upon that hierarchy of the right to sign may be established depending on position held, sums of money, scope and nature of transaction.

Individual entrepreneurs or organizations, using electronic signatures shall establish appropriate measures of precautionary and control, concerning the rights of the use and access to the electronic signatures in accordance with the legislation of the Republic of Kazakhstan.

Individual entrepreneurs shall be obliged to store the primary documents, registers of accounting on paper and (or) electronic media, financial reporting, accounting policy, programs of electronic processing of accounting data during period established by the legislation of the Republic of Kazakhstan.

The content of primary documents and registers of accounting shall be information, consisting trade secret, an access of which is provided only to the persons, which have permission of management or individual entrepreneur, as well as civil servants of the state bodies in accordance with the Laws of the Republic of Kazakhstan.

Persons having an access to the specified documents shall be obliged not to disclose information contained in them without the consent of their owner and do not have a right to use it in the personal interests. Persons having an access to

information, consisting trade secret shall bear responsibility for its disclosure in accordance with the Laws of the Republic of Kazakhstan.

Accounting in Kazakhstan is generally governed by the provisions of the Law on Accounting and Financial Reporting of 1995 (the "Accounting Law,"), which has recently been amended. Prior to the recent amendments, according to this Law, IFRS was required to be used in the preparation of financial statements by financial institutions from January 1, 2003, by joint-stock companies from January 1, 2005 and by all other entities (excluding state-financed entities) from January 1, 2006.

Before these dates, all the entities were required to apply Kazakh Accounting Standards (KAS) as approved by the relevant government organization<sup>4</sup>.

The Accounting Law has just been amended; the amendments were enacted by the Parliament on February 28, 2007. The amendments introduced a three-tiered reporting structure. Under this structure, micro-enterprises would continue to apply simplified tax-based rules; small and medium-sized enterprises (SMEs) would be required to apply KAS; and public interest entities (PIEs) and large companies would be required to apply IFRS. The term 'public interest entities' would be defined to include joint stock companies (excluding non-for profit organizations), financial institutions, companies with state participation and certain extractive industry companies. Such an approach would address the problem of applying IFRS in organizations for which IFRS was not designed or intended.

There are specific accounting requirements for banks, insurance companies and some listed companies:

Banks are required to comply with IFRS. Banks with subsidiaries are obliged to prepare consolidated financial statements. Banks are required to publish audited legal entity financial statements, however, they are not required

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<sup>4</sup> <https://openknowledge.worldbank.org/handle/10986/7841>

to publish consolidated financial statements. As a result, depositors and other creditors may face considerable difficulty in getting sufficient information about banks' complete financial condition.

Insurance companies are required to prepare financial statements in compliance with IFRS and are required to publish audited balance sheet and income statements.

Companies listed on the highest listing category of KASE (Category A) are currently required to prepare their financial statements in accordance with IFRS. Companies listed on the lower listing category (Category B) may prepare financial statements in accordance with either IFRS or KAS, if the latter does not contradict legislation. The KASE discloses the information it receives from listed companies on its website, but little detailed checking of the information received is performed. Thus, the financial statements of listed companies are often incomplete and of variable quality.

All other companies, including pension funds (which must be incorporated as a joint-stock company), are required to follow the Accounting Law and any other requirements specific to their company type, such as the Law on Joint-Stock Companies. According to this law, Joint-Stock Companies must publish audited financial statements in the mass media, with the exception of the audit report, which is not required to be published.

Although most public interest entities are required to publish certain parts of their legal entity financial statements in the Kazakh mass media, this requirement does not ensure that the financial statements can be readily located by the public, nor does it allow the public to access the full financial statements. Furthermore, access to, and availability of, consolidated financial statements is limited. The current version of the Accounting Law allows the Government to set up a depository where all PIEs must file their financial statements.<sup>5</sup>

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1. <sup>5</sup> The Law of the Republic of Kazakhstan "On the republican budget for 2012 -2014 years". (2011). Astana.

Currently, there are some 27 KAS, the majority of which are "based on" an IFRS equivalent extant at the date the respective KAS was developed. Additionally, some KAS have no IFRS equivalent and some areas covered by IFRS are not covered by an equivalent KAS.

The significant revisions to the Audit Law enacted in May 2006 state that, from November 2006, audits are to be carried out in compliance with International Standards on Auditing (ISA), if the standards do not contradict national legislation. The ISA must be published in the Kazakh and Russian languages by an organization in receipt of written permission from IFAC's International Auditing and Assurance Standards Board (IAASB) to prepare an official Kazakh translation.

The previous Audit Law required application of Kazakh Standards on Auditing (KSA), which fell short of full (and current) ISA. Under the previous audit regime there was a great deal of confusion among auditors with regard to which standards should be applied: the 11 KSA then approved by the Ministry of Finance only, the full set of 48 KSA issued by the Kazakh Chamber of Auditors (COA), or full current ISA. Thus there is a significant risk that the majority of local auditors are not familiar with full current ISA and will struggle with the proper implementation of the new Audit Law in the near future.

A new instruction providing guidelines for developing the working Chart of Accounts and introducing new forms of financial reports (Balance Sheet, Income Statement, Cash Flow Statement, and Statement of Changes in Owner's Equity) is in power from January 5, 2006. According to this instruction the new Chart of Accounts developed in accordance with IFRS has 4-digit account codes and shows assets in the order of decreasing liquidity<sup>6</sup>:

Under this Chart of Accounts, there are 8 sections:

- Section 1: Short-Term Assets

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<sup>6</sup> <https://www.ifac.org/about-ifac/membership/country/kazakhstan>

- Section 2: Long-Term Assets
- Section 3: Short-Term Liabilities
- Section 4: Long-Term Liabilities
- Section 5: Capital and Reserves (Equity)
- Section 6: Revenues
- Section 7: Expenses
- Section 8: Accounts of Production

Section number gives the first digit of account's code. Each section contains subsections that form the second digit of the code:

- Section 1: Short-Term Assets
  - o Subsection 1000: Money
  - o Subsection 1100: Short-Term Financial Investments
  - o Subsection 1200: Short-Term Accounts Receivable
  - o Subsection 1300: Inventories
  - o Subsection 1400: Current Tax Assets
  - o Subsection 1500: Long-Term Assets for Sale
  - o Subsection 1600: Other Short-Term Assets

The third digit of the code represents account's group:

- Section 1: Short-Term Assets
  - o Subsection 1000: Money
    - Account 1010: Money in Cash Register (in tenge)
    - Account 1020: Money in Cash Register (in foreign currency)
    - Account 1030: Money On the Way
    - Account 1040: Money on Current Bank Accounts (in tenge)
    - Account 1050: Money on Current Bank Accounts (in foreign currency)
    - Account 1060: Money on Deposit Bank Accounts
    - Account 1070: Money on Special Accounts

If accountant needs more details for a particular group (e.g. group 2410 representing Fixed Assets), it can be broken down into individual accounts that

should appear in the order of decreasing liquidity: 2411 - Vehicles, 2412 - Machines and Equipment, etc.)

Short Methodological Recommendations are included into Instruction on developing the Working Chart of Accounts, as well. They denote meanings of individual groups.

This Chart of Accounts does not contain section for off-balance-sheet accounts. It is explained by the fact that according to IFRS companies can introduce new accounts at their wish, complementing existing accounts, and consequently there is no need in off-balance-sheet accounts.

When you start preparing accounting transactions, to avoid mistakes, it's also important to know the following classification of accounts:

Active accounts show increase on debit, decrease on credit and always have debit balance. Examples of Active Accounts include Money, S-T/L-T Financial Investments, S-T/L-T Receivables, Inventories, Fixed/Intangible Assets, Work/Construction in Progress, Current Tax Assets, Other Assets, Outstanding Capital, Expenses, and Accounts of Production.

Passive accounts show increase on credit, decrease on debit and always have credit balance. Examples of Passive Accounts include Depreciation/Amortization, S-T/L-T Financial Obligations, Tax/Deferred Tax & Other Obligations, S-T/L-T Payables, Declared Capital, Reserves, and Revenues.

Examples of transactions involving Active/Passive Accounts are shown below:

1010 (A) - 1040 (A) - money received into Cash Register from Settlement Account  
 1040 (A) - 1010 (A) - transferred money from Cash Register to Settlement Account  
 1250 (A) - 1010 (A) - money given to advance holder

5020 (A) - 5010 (P) - declared authorized capital

1040 (A) - 5020 (A) - received money as contribution to authorized capital

3310 (P) - 1040 (A) - paid to supplier for Fixed Assets 2410 (A) - 3310 (P) - received Fixed Assets

Example of using sub-accounts for one of accounts representing fixed asset is shown below (alternative way is to use subconto 'Fixed Assets'):

2412.1 - machines and equipment in administrative division

2412.2 - machines and equipment in production division

2412.2 - 2412.1 - transferred PC from administrative to production division

You may also save some time for you by remembering frequently used groups of accounts first: Money:

1010 - Cash Register (in tenge)

1020 - Cash Register (in foreign currency)

1030 - Money on a Way

1040 - Settlement Account

1050 - Currency Settlement Account

Fixed Intangible Assets & Depreciation/Amortization & Reserves

2410 - Fixed Assets (can be detailed further by opening additional accounts) 2420 - Depreciation of Fixed Assets (can be detailed further)

2730 - Other Intangible Assets - except Goodwill (2710) 2740 - Amortization of other IA - except Goodwill (2720)

5320 - Reserve on re-evaluation (can include: Additional outstanding capital from re-evaluation of FA)

Inventories

1310-Raw Materials 1320 - Finished Goods 1330-Goods

1340 - Production in Progress 1350 - Other Inventories

Receivables/Payables

1210 - Short-Term A/R (краткосрочная дебиторская задолженность)

2110 - Long-Term Receivables (долгосрочная дебиторская задолженность)

1250 - Short-Term A/R from employees (краткосрочная дебиторская задолженность работников) 2150 - Long-Term Receivables from employees

3310 - Short-Term A/P (краткосрочная кредиторская задолженность)

4110 - Long-Term Payables (долгосрочная кредиторская задолженность)

Revenues/Expenses

6010 - Income from Realization of Goods, Works, and Services 6020 - Return of Goods Sold 7010 - Cost of Goods Sold (COGS)

7210 - General (and Administrative) expenses

7110 - Expenses on Realization of Goods, Works and Services

6210 - Income from retirement of assets (can include: Income from retirement of FA)

6250 - Gain of favorable exchange rate difference 6280 - Other income

6130 - Income from financial leasing

7430 - Expenses on unfavorable exchange rate difference 7470 - Other expenses

Accounts of Production

8010 - Main Production (can include: Materials (in production), Remuneration of labor of Production Workers, Deductions, etc.)

8040 - Overhead Expenses (can include: Repairing of FA, Depreciation of FA/Amortization of IA, Utility Services, Rent Payments, etc.)

Issued Capital

5010 - Declared Capital (учитывается в зависимости от формы организации по группам счетов) 5020 - Outstanding Capital

Advances Given/Received

1610 - Short-Term Advances Given 2910 - Long-Term Advances Given

3510 - Short-Term Advances Received 4410 - Long-Term Advances Received

Loans

3010 - Short-Term Bank Loans 4010 - Long-Term Bank Loans



3360 - Short-Term rent obligations 4150 - Long-Term rent obligations

3380 - Short-Term Interest payable 4160 - Long-Term Interest payable

7310 - Interest expense

Obligations on Remuneration of Labor

3350 - Short-Term obligations on remuneration of labor 4170 - Other

Long-Term Payables

Taxes (Payable) & Obligations on Other Obligatory/Voluntary Payments

3110 - Corporate Income Tax (payable) (NOTE: 7710 - Expenses on Corporate Income Tax)

3120 - Personal Income Tax

3130 - VAT (payable) (NOTE: 1420 - VAT to offset)

3140 - Excise Taxes

3150 - Social Tax

3160 - Land Tax

3170 - Tax on Vehicles

3180 - Property Tax

3210 - Obligations on Social Insurance 3220 - Obligations on Pension Payments

Retained Earnings/Outstanding Loss

5410 - Income/Loss for the current year

Some time will pass unless all Kazakhstan's companies will implement IFRS/IAS. It is explained by the fact that the first financial reports according to new standards for companies making transition in January 2006 are expected to be prepared only by December 31, 2007, as well by the costly procedure of rewriting accounting policy, conducting double-standard accounting for some time, making transformation entries, and delays in availability of accounting software implementing new standards.

That is why we will also briefly consider the Kazakhstan's Chart of Accounts that was accepted in January 2003 and still used by some companies in Kazakhstan:

This Chart of Accounts follows three-digit classification of accounts' codes. Under this Chart of Accounts, there are 10 sections:

- Section 1: Fixed Assets
- Section 2: Inventory
- Section 3: Accounts Receivable and Other Assets
- Section 4: Financial Investments and Money
- Section 5: Owner's Capital
- Section 6: Liabilities
- Section 7: Revenues
- Section 8: Expenses
- Section 9: Accounts of Production
- Section 10: Off-Balance Sheet Accounts

Section number gives the first digit of account's code. Each section has subsections that have 2-digit codes, for example:

- Section 1: Fixed Assets
  - o Subsection 10: Intangible Assets
  - o Subsection 11: Amortization of Intangible Assets
  - o Subsection 12: Fixed Assets
  - o Subsection 13: Depreciation of Fixed Assets
  - o Subsection 14: Investments

Subsection number gives the second digit of account's code. Finally, individual accounts are coded in order within each subsection, for example:

- Section 1: Fixed Assets
  - o Subsection 10: Intangible Assets
    - Account 101: License Agreements
    - Account 102: Software

- Account 103: Patents
- Account 104: Organizational Expenses
- Account 105: Goodwill
- Account 106: Other Intangible Assets

Individual account's order number gives the third digit of account's code. This classification is very convenient and allows quickly identifying and finding necessary accounts within the Chart of Accounts.

The corporate financial reporting framework in the Republic of Kazakhstan is outlined in the Law on Audit Activity of 1998 (with subsequent amendments), the Law on Accounting and Financial Reporting of 1995 (with subsequent amendments), and regulations issued by the National Bank of Kazakhstan (NBK) as well as the Kazakhstan Stock Exchange.

The Law on Accounting and Financial Reporting and the Law on Audit Activity grant authority to the Ministry of Finance to determine state's policy in the area of accounting and auditing, respectively, and to adopt relevant regulatory acts with input from the Consultative Board, which is comprised of members drawn from government agencies, state-owned enterprises, professional accounting and auditing organizations as well as business and academia<sup>7</sup>.

The Law on Accounting and Financial Reporting requires the use of IFRS for the preparation of financial statements of all large entities and listed companies, banks, insurance companies and other non-bank financial institutions. Small- and medium-sized entities must use Kazakhstan National Financial Reporting Standards (KNFRS) 2, while micro entities are required to use KNFRS 1. Regulatory bodies such as the NBK have authority to issue additional accounting requirements that are not provided for in the standards.

The Law on Audit Activity stipulates mandatory audits for all joint stock companies, banks, insurance companies, other financial institutions, and entities

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<sup>7</sup> <https://www.healyconsultants.com/kazakhstan-company-registration/accounting-legal/>

from specific sectors of the economy. The Law requires audits to be conducted in accordance with ISA as issued by the IAASB and published in the Russian and Kazak languages.

The accountancy profession in Kazakhstan is regulated at the state level by the Ministry of Finance and by the profession through professional auditing and accounting organizations accredited by the Ministry of Finance either under the Law on Audit Activity (for auditors and audit firms) or the Law on Accounting and Financial Reporting (for the accounting profession).

#### Regulation of Auditors

The Law on Audit Activity of 1998 authorizes the Ministry to regulate the auditing profession; specifies the types of services that audit firms may offer; requires all auditors and audit firms to be members of a professional auditing organization in order to conduct auditing activities; determines responsibilities of a professional auditing organization; establishes the initial professional development (IPD) and continuous professional development (CPD) requirements as well as auditing, ethical, and other professional standards to be applied by the profession.<sup>8</sup>

Under the Law, the Ministry of Finance is responsible for overseeing the activities of the accredited auditing organizations (two organizations as of 2017) and accrediting them; maintaining a registry of professional auditing and accounting organizations as well as that of auditors and audit firms; establishing licensing requirements as well as licensing auditors; overseeing implementation of the IPD and CPD requirements; and defining through law accounting, auditing, and ethical standards.

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<sup>8</sup> Law of the Republic of Kazakhstan “On Accounting and Financial Reporting, No 234-III, 28 February 2007, as amended

Under Article 21 of the Law on Audit Activity, audit companies are required to be members of an accredited auditing organization that unites auditors and audit organizations and is accredited by the Ministry of Finance.

Accredited auditing organizations—the Chamber of Auditors of the Republic of Kazakhstan (CoA RK) and the Collegium of Auditors of the Republic of Kazakhstan—are responsible for (i) conducting quality assurance reviews of their members; (ii) certification of auditors; (iii) provision of CPD programs for auditors; (iv) adopting a Code of Ethics for their members; and (v) investigating and disciplining their members.

In 2016, the new Law on Self-Regulation came into effect, which defines the principles of self-regulation as well as rights and responsibilities of self-regulatory organizations. The CoA RK reports that as of 2017 professional organizations and the Ministry of Finance are in the process of defining the timeframe and the strategy to transition to self-regulation of audit activity in the Republic of Kazakhstan. As part of the discussion, an establishment of a public oversight body responsible for the implementation of quality assurance of audit firms carrying out audit of public interest companies as well as the establishment of a unified certification authority for auditors is being considered.

Further to the requirements in the Law on Audit Activity, the Order of Minister of Finance on Qualification Requirements to Audit Firms Permitted to Conduct Statutory Audit of Financial Organization as well as regulations prepared by the National Bank of Kazakhstan and the Kazakhstan Stock Exchange lay down additional criteria for firms that are allowed to conduct audits of banks and listed companies.

In accordance with the Law on Accounting and Financial Reporting of 1995, the Ministry of Finance has overall responsibility for the regulation of the accounting profession. The Law establishes basic rules and procedures for financial reporting and the applicable accounting standards; requires all accounting firms, but not individual accountants, to belong to a professional

accounting organization accredited by the Ministry of Finance; and authorizes accredited certification organizations to certify accountants.

Under the Law, the Ministry of Finance is responsible for overseeing the activities of the accredited accounting organizations (five organizations as of 2017) and accredited certification organizations; establishing and overseeing implementation of the IPD and CPD requirements; and defining through law accounting and other professional standards, among other functions.

Accredited accounting organizations must participate in the activities of the Consultative Body of the Ministry of Finance, implement IPD and CPD rules established by the Ministry of Finance, and enforce compliance with the ethical standards.

There is no independent audit oversight arrangement in the Republic of Kazakhstan. The Chamber of Auditors of the Republic of Kazakhstan indicates in its 2017 SMO Action Plan that the establishment of a public oversight body responsible for the implementation of quality assurance (QA) of audit firms carrying out audit of public interest companies as well as the establishment of a unified certification authority for auditors is being considered as part of the implementation of the Law on Self-Regulation that came into effect in 2016.

As of 2017, the Ministry of Finance has overall responsibility for the regulation of the auditing profession under the Law on Audit Activity of 1998. The Law specifies the types of services that audit firms may offer; requires all auditors and audit firms to be members of a professional auditing organization in order to conduct auditing activities; determines responsibilities of a professional auditing organization; establishes the initial professional development (IPD) and continuous professional development (CPD) requirements as well as auditing, ethical, and other professional standards to be applied by the profession.

Under the Law, the Ministry of Finance is responsible for overseeing the activities of the accredited auditing organizations (two organizations as of 2017) and accrediting them; maintaining a registry of the accredited professional

organizations as well as that of auditors and audit firms; overseeing implementation of the IPD and CPD requirements; and defining accounting, auditing, and ethical standards.

Accredited auditing organizations are responsible for (i) conducting QA reviews of their members; (ii) certification of auditors; (iii) provision of CPD programs for auditors; (iv) adopting a Code of Ethics for their members; and (v) investigating and disciplining their members.

In addition, audit firms providing services to the national companies, financial institutions and companies traded on the Kazakhstan Stock Exchange are subject to additional qualification requirements. For example, the Listed Companies' Audit Requirements require auditors to hold international certificates from renowned international institutes.

### **3.2. Accounting in Czech Republic**

The basic rules and regulations are set out in Act No. 563/1991 Coll., on Accounting, as amended (the "Accounting Act"). The Accounting Act refers to<sup>9</sup>:

- Decrees of the Ministry of Finance of the Czech Republic ("MF CR") issued for each type of organisation (banks and financial institutions, private enterprises, insurance companies, state-funded organisations, foundations, not-for-profit organisations, and political parties); and
- Czech accounting standards prepared and promulgated by the MF CR, which describe in detail the accounting procedures for each type of organisation (see previous point).

The Accounting Act also defines the basic requirements for preparing and publishing annual reports and the conditions that trigger the need for a

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<sup>9</sup> <https://www.icaew.com/en/technical/by-country/europe/czech-republic/accounting-in-czech-republic>

mandatory statutory audit of financial statements. Companies whose securities are traded publicly are subject to stricter rules for publication of financial information, especially information that must be included within annual reports and the obligation to present financial information on an ongoing basis to the Czech National Bank, which acts as the common regulator of the financial markets. Yet more extensive requirements on these organisations are stipulated by the Act on Undertaking on the Capital Markets.

The main body regulating accounting and audit continues to be the state, but developments in this area are shared by a number of professional organisations: Chamber of Auditors of the Czech Republic, Union of Accountants, and, in particular, the all encompassing National Accounting Council. The latter first and foremost comments on bills and interpretations of accounting regulations. Although the interpretations of the National Accounting Council are not a component of accounting legislation and subsequently are not binding, their influence on practice is increasing.

A company whose securities are traded on a regulated public markets in the EU Member States has to compile and present both financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union instead of financial statements prepared according to Czech regulations. All other private enterprises in the Czech Republic can use IFRS directly instead of Czech accounting regulations when compiling their consolidated financial statements.<sup>10</sup>

The obligation described above to present financial statements in accordance with IFRS has no effect on the current corporate income tax liability. As tax laws are based on bookkeeping done in accordance with Czech regulations, companies who report in accordance with IFRS must also maintain

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<sup>10</sup> Zarova, M. - Mejzlik, L. (2009): Have IFRS positive impact on the regulatory accounting systems in continental European countries? *European Financial and Accounting Journal*, 2009, vol. 3, no. 1, pp. 5-24



accounting records sufficient to enable them to ascertain their business result in accordance with Czech accounting regulations. In practice, adjustment of the accounting records kept according to IFRS with the accounting records kept according to Czech accounting regulations is done outside the accounting system, with the reconciliation of the business results and equity being performed subsequently. If technically feasible, it is possible to do bookkeeping according to both IFRS and Czech accounting regulations in the accounting system directly.

Companies that are not issuers of public securities must, however, present financial statements prepared in accordance with Czech accounting legislation (thus voluntary transition to IFRS is not permitted).

Financial reporting requirements stem from the fourth and seventh directives of the European Union (EU). Some important terms and principles are taken from IFRS (International Financial Reporting Standards), the most important being the priority that facts be portrayed truly and accurately. Other basic principles – such as the accruals principle, the principle of due care, and the principle of going concern – are also in accordance with internationally recognised financial reporting principles. This applies in particular to banks, financial institutions, and private enterprises. The accounting rules valid for other types of organisation are closer to valid tax regulations and the needs of the state. Despite the fact that Czech accounting principles and IFRS are becoming closer, the financial reporting and accounting system in the Czech Republic is still influenced strongly by tax regulations.

Despite the efforts to harmonise accounting regulations with IFRS in the past couple of years, there exist areas of significant difference between IFRS and Czech financial reporting. Such areas include, for example, financial leasing. Other areas where Czech regulations differ from IFRS are, for example, provisions, reporting of extraordinary items, accounting for revenues including long-term contracts (it is prohibited to use the percentage of completion method

to account for revenues) and accounting for business combinations. Czech regulations also require that information in the financial statements be significantly more succinct than required by IFRS.

#### 4. Publication and disclosure obligations

Each year, all subjects must submit electronically their approved financial statements to the commercial register maintained at the pertinent court. Subjects whose financial statements have to be audited by statutory auditors also have the obligation to present annual reports. These must include the audited financial statements as well as the auditor's report and information about previous and anticipated economic and business developments. Companies controlled by other entities must also include in their annual reports a report on relationships with related parties in accordance with Section 66a of the Commercial Code. This report must also be reviewed by the company's auditor.

Issuers of public securities are also obliged to disclose on an ongoing basis semi-annual reports to the Czech National Bank. The reports must contain the balance sheet and profit and loss account and some other financial information. These reports do not have to be audited however.

#### Czech Accounting System

Czech GAAP (Generally Accepted Accounting Principles) applies.

The Act on Accounting is the primary legislation regulating accounting and financial reporting<sup>11</sup>.

The implementing decrees of the Ministry of Finance of the Czech Republic and the Czech Accounting Standards are also important, as they specify the obligations of the individual accounting units.<sup>12</sup>

Act on Accounting No. 563/1991 Coll., as amended (in Czech language only)

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<sup>11</sup> <http://www.cfe-eutax.org/taxation/accounting/czech-republic>

<sup>12</sup> Starova M. *Assymetries in Accounting Information*. Praha: Powerpoint, 2014

Implementing provisions to the Act on Accounting (in Czech language only)

Other accounting legislation (on the web of the Ministry of Finance of the Czech Republic (in Czech language only)

Listed companies have to apply IAS/IFRS, for their annual (consolidated) financial statements. Companies that are part of the group that uses IAS/IFRS for preparing its consolidated financial statements are allowed but not required to use IAS/IFRS for their financial statements.

#### Accounting Rules

Accounting has to provide true, fair and comparable view of the company's financial situation.

All economic transactions have to be documented.

All economic transactions have to be entered into accounting ledgers and journals.

Company has to prepare and file financial statements and annual report in the Commercial Register.

All accounting documents have to be kept on file.

#### Administrative Procedures

The financial statements consist of the balance sheet, profit and loss statement, and notes. Financial statements can also include cash-flow statement and statement of changes in equity. Financial statements are prepared as at the balance sheet day. The accounting units obliged to carry out audit also have to prepare an annual report. The financial statements and the annual report are filed in the Commercial Register. Accounting units are obliged to archive statements and annual reports for at least 10 years. The duties regarding accounting are specified in the Czech Accounting Standards.

#### Financial Reporting for Various Forms of Business

The implementing decrees and Czech Accounting Standards define for different types of businesses the way how to keep accounts and report

preparation. There exist separate decrees and standards, for example for entrepreneurs, banks and financial institutions, insurance companies and other.

#### Resources

The following governmental and non-governmental institutions and web portals offer more information and useful services.

From the year 2005, IFRS were given as a legal framework for the reporting of listed companies in all E.U. countries (including the Czech Republic). The "target user" of the financial statements in the Czech Republic is still the tax authority, not the investor or owner. Moreover, unlike international standards, the Czech accounting regulations lack a glossary of definitions for basic elements of financial statements, which is why we shall use the definitions applied in IFRS standards, namely in the Framework. Reliable measurement is expected from all entries involved<sup>13</sup>.

Concerning the initial recognition under Czech laws, the Accounting Act (Section 24) identifies the following valuation alternatives:

- historical costs, i.e. the cost of acquisition of the assets concerned, including the costs related to the acquisition itself;
- replacement/reproduction cost, i.e. the cost for which the assets would be obtained at the time of the accounting statement;
- production costs, which include all direct costs expended on the manufacturing or other activity and that part of indirect costs, which is related to the manufacturing or other activity involved;
- nominal value, i.e. the face value.

In the Czech Republic, items are usually measured at historical costs, while donated or gratuitously procured assets are measured by replacement costs, which are the approximate equivalent of the reproduction cost as defined by IFRS. Under certain circumstances, the realizable value and the fair value also may be used as the measurement bases for financial accounting. On the

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<sup>13</sup> <https://www.expats.cz/en/prague/directory/accountants/>

other hand, the Czech regulations virtually ignore measurement methods based on present value, which are required for measurement of long-term receivables, long-term payables and financial assets held to maturity (under IFRS).

Under Section 18 of the Accounting Act, the financial statements comprise: balance sheet, profit and loss statement, and notes. At the same time, Section 18 also contains the following unfortunate sentence "the financial statements may also include a cash-flow statement and the statement of changes in equity". This means that under Czech laws, the cash-flow statement is not an obligatory component of the financial statements, not even for the accounting entities, which are liable to statutory audit. On the other hand, international standards stipulate that the above statements be an integral part of the financial statements. The subsequent text deals mainly with the balance sheet and the P/L Statement.

The Czech regulations do not require the separate reporting of discontinued operations, while IFRS stipulate that discontinued operations be disclosed and presented separately in accordance with IFRS 5. In particular, IFRS 5 stipulates that "the sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) should be presented as a single amount on the face of the income statement. Detailed disclosure of revenue, expenses, pre-tax profit or loss, and related income taxes is required either in the notes or on the face of the income statement in a section distinct from continuing operations".<sup>14</sup>

Pursuant to the Fourth Directive of the E.U., accounting entities should compile the profit and loss statement vertically, allowing for the presentation of

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2. <sup>14</sup> Zarova, M. (2011): Impact of International Financial Reporting Standards on Development of Accounting Regulatory System in the Czech Republic. In: Trends in International Business. Lyon, IAE Lyon, 2011, pp. 253-261

expenses either according to their nature or function. However, if the profit and loss statement is arranged with respect to the function of entries involved, an accounting entity must also include a schedule disclosing the operating costs classified with respect to their nature.

Under IAS 1, an entity should also report the earnings per share ratio (EPS). Unlike US GAAP, international standards do not require that costs be classified as to their function in the profit and loss statement. Instead, they only demand that accounting entities submit an analysis of costs classified as to their nature or function, whichever classification provides more reliable or more relevant information. However, the function-base classification allows for an amount of certain discretion with respect to the assignment of costs to individual functions.

There exist two basic differences between the profit and loss statement compiled in accordance with Czech rules and in compliance with IFRS: IFRS have revoked the obligation to report extraordinary expenses and extraordinary revenues - as of 1 January 2005, accounting entities disclose extraordinary expenses and revenues under their other expenses and revenues; the Czech regulations have included the entries for re-allocation of expenses to inventory and fixed assets and change in inventory of finished goods and work in progress among the revenue entries. However, since IFRS do not recognize the above entries as revenues, they have been included among adjustments to operating expenses.

Firms with international stock exchange listings face additional capital market pressures and stock exchange requirements that may lead them to increase their level of disclosure. Investors demand information about the domestic operating environment and domestic accounting regulations of foreign listed firms. Many stock exchanges around the world allow foreign registrants to prepare their financial statements according to IFRS or US GAAP. Prior studies show that the level of disclosure and the probability of using non-local GAAP

are positively associated with the number of foreign stock exchange listings of a firm. The impact on financial reporting of cultural differences has been well documented. There may be more disclosure by UK and US companies that have a culture of disclosure of information than by companies that have not traditionally aimed to produce especially transparent financial statements (e.g. companies from transitional economies such as the Czech Republic).

Intangible fixed assets are intangible assets, which the accounting entity intends to keep for more than one accounting period (the Income Tax Act also specifies that the input price of intangible fixed assets must exceed the sum of CZK 60 000).

The value of intangible fixed assets is measured by historical cost (acquisition price) for assets purchased, by production costs for internally generated assets and by replacement price for assets obtained gratuitously. Intangible fixed assets are subject to amortization; the amortization period is stipulated by the Income Tax Act. The intangible fixed assets must be accounted for in compliance with the prudence principle as of the balance day, meaning that the accounting entity should disclose either the net book value of the intangible fixed assets, or the lower present market price.

Unlike under the Czech regulations, under IFRS the incorporate expenses as well as research and development (R&D) should be accounted for under expenses. Under certain circumstances, R&D may also be capitalized in the balance sheet. Goodwill pursuant to IFRS 3 should be disclosed only in the event that the goodwill was generated by acquisition. Advance payments may be offset against debts from the same title.

Tangible fixed assets include tangible assets, which the accounting entity intends to keep for more than one accounting period (the Income Tax Act also specifies that the input price of the tangible fixed assets must exceed CZK 40 000).

The value of the tangible fixed assets is measured by historical costs (acquisition price) for assets purchased, by production costs for processed production and by replacement price for assets obtained gratuitously. Tangible fixed assets are subject to depreciation; the accounting books should show the so-called book depreciation. The tangible fixed assets must be accounted for in compliance with the prudence principle as of the balance day, meaning that the accounting entity should disclose either the net book value or the lower present market price of the tangible fixed assets concerned.

Measurement at fair values is preferred by the international companies in the Czech Republic. We think that there is a good information background for the calculation of the fair value of property, plant and equipment (PPE) or investment property. On the other hand, the Czech Ministry of Finance prefers the prudence principle and also, for the Tax Authorities, it is much easier to find out the historical costs rather than to calculate the fair value.

Financial leases are treated totally differently under Czech GAAP. The "form over substance" principle is fully applied, as it is the leasing company, which reports the leased assets, not the lessee! We think that this is the main problem of Czech GAAP nowadays and has great consequences for financial decisions. Also, it should be stated here the unwillingness of the Czech Ministry of Finance to solve the problem with financial leases as under IFRS, where the traditional principle "substance over form" is used.

Inventories are current assets consumed by an entity during one year or within one operating cycle for generating revenues. Usually, we distinguish between inventory purchased and processed production.

At the time of acquisition, the value of inventories is measured by the historical costs (acquisition price for purchased inventories), replacement price (for inventories obtained gratuitously) and production costs (for processed production).



For the measurement of the value of inventory decrement, the same cost formula should be used for all inventories with similar characteristics as to their nature and use to the enterprise. For groups of inventories that have different characteristics, different cost formulas may be justified, including FIFO, the weighted average cost formula, the fixed inventory price with independent disclosure of variations or the actual acquisition price.

Accounting entities are entitled to choose from the continuous inventory system (method A) and the periodic inventory system (method B) for inventory records. In the continuous inventory system, accounting entities record inventories via account groups Materials, Processed Production and Goods and allocate inventory decrement to costs (Raw Materials, Resale of Raw Materials, Consumables and Purchased Finished Goods) or to income adjustments (group Change in Inventory (Stocks)). In the periodic inventory system, accounting entities record the purchased inventories in the relevant costs accounts and during the accounting period do not even use balance-sheet entries such as Inventory of Materials and Consumables or Inventory Purchased for Resale - In Storage. Instead, as of the balance day, the accounting entity transfers the initial status of the balance-sheet entries into costs and based on the stocktaking results transfers from the costs the final status of purchased inventories into the balance sheet.

Inventories must be accounted for in compliance with the prudence principle as of the balance day, meaning that the accounting entity must record the inventories with their book value or with their lower present market value.

The short-term and long-term receivables constitute a part of current assets, while short-term and long-term payables are included among liabilities.

Both receivables and payables should be measured by their nominal value, unless obtained in exchange for consideration, in which case they should be measured by their acquisition price. The impossibility to measure the long-term receivables and long-term payables at their present value (what is also possible

e.g. in Slovakia) is quite surprising. Accounting entities must convert receivables and payables in foreign currencies as of the moment of their measurement to Czech crowns in accordance with the current exchange rate of the Czech National Bank or a fixed exchange rate. As of the balance date, the accounting entities must also convert the sum of pending receivables and payables to Czech crowns in accordance with the current exchange rate of the Czech National Bank. Foreign currency exchange losses and gains should be recognized in the income statement.

The deferred tax assets and liabilities arise from the differences between the accounting and taxation concepts of selected accounting entries. The accounting for the deferred taxes is based on the assumption that the accounting entity will apply the deferred tax in a later period than the due tax. The recognition and the accounting for the deferred tax are mandatory for entities, which form the consolidation units (i.e. enterprises within a group) and the accounting entities, which are obliged to compile the final accounts in their full extent. Other accounting entities may account for the deferred tax at their own discretion. The accounting for the deferred tax does not affect the tax liability. At the same time, it affects the sum of disposable profit, i.e. profit intended for allocation. The calculation of the deferred tax should be based on the balance-sheet approach. The deferred tax should be recognized for all temporary differences arising from the different accounting and tax views of entries included among assets and liabilities. It is also necessary to account for differences between the tax and tax residual price of the deductible tangible and intangible fixed assets as well as for other differences such as the reserves created beyond the scope of statutory duty, recognition of adjustments to inventories or receivables etc.

Credits and financial assistance should be measured at their nominal value.

Short-term financial assets are included among the current assets of an enterprise. We distinguish between cash in hand, cash at bank and short-term securities. Cash items are measured at their nominal value, while short-term securities are measured by the historical costs (acquisition price). Short-term securities are measured at fair values, however it should be stated that it is quite difficult to measure the fair values of shares because of not very transparent stock exchange in the Czech Republic (Prague Stock Exchange).

The Accounting Act stipulates that only the genuine profits should be accounted for in the balance sheet, and that the accounting entity should take into consideration all predictable risks and possible losses affecting its assets and liabilities and known to the accounting entity at the time of balance sheet compilation. Also, it should include all devaluations regardless of the fact whether the accounting entity showed profit or loss in the accounting period. The accounting entity is entitled to use provisions, adjustment entries and write-offs for that purpose. Provisions are aimed to cover future expenses or liabilities, whose purpose is known and which are expected to occur, but whose timing or amount is uncertain. However, provisions may not be used to adjust the value of assets.

Provisions may be used only for the purpose for which they have been originally recognized. Logically, a provision may only be used to the maximum amount in which it was created; and a provision may not have a debit balance. The balance of reserves at the end of the accounting period should be transferred to the subsequent period. Accounting entities are obliged to review provisions entered in the books at the end of the accounting period, and assess their tenability and amount. If it is discovered that the reason for which the provision has been created has lapsed, the provision should be dissolved in its full extent. If it is discovered that the provision is for a different sum than it is due, it should be adjusted. In the balance sheet, provisions should be accounted for under liabilities.

The Accounting Act defines the following types of reserves: provisions for risks and losses, provisions for income tax, provisions for pensions and similar obligations, provision for restructuring, technical provisions or other provisions pursuant to special legal regulations (statutory provisions).

The Provision Act stipulates three types of provisions for enterprises: provision for repairs of tangible assets, provision for cultivation of crops, other provisions (for the removal of mud from a pond, for the redevelopment of plots affected by mining, for the settlement of mine damage or provisions stipulated by special laws as costs required to achieve, ensure or maintain revenues).

Financial reporting and auditing requirements in the Czech Republic are currently in transition from compliance with national standards to compliance with International Accounting Standards (IAS)<sup>15</sup>.

International Standards on Auditing (ISA), and the European Union (EU) Directives.

In law, the Czech Republic seeks to attain maximum compliance with the EU Fourth and Seventh Directives and the EU Regulation on the use of IAS, and to create an environment for implementation of IAS for the financial statements of public interest entities by 2005. Small- and medium-size enterprises prepare their financial statements in accordance with Czech Accounting Standards, which are largely based on the EU Directives and IAS. In practice, compliance with certain complex EU Directives and IAS requirements, including those dealing with consolidation and deferred tax, has been delayed. Compliance with IAS is not effectively enforced at present.

The transition to full IAS compliance for public interest entities will be demanding. It requires extensive education in a different style and philosophy of accounting requirements. The transition to full IAS will require a culture shift to reduce the influence of tax accounting on general-purpose financial statements.

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<sup>15</sup> <https://www.altaxo.cz/en/accounting-czech-republic>

In law, the Czech Republic seeks to attain compliance with the EU Eighth Directive and ISA. There are, however, serious issues because Czech Standards on Auditing remain less robust than ISA, the Chamber of Auditors in the Czech Republic (CACR) has not adopted the International Federation of Accountants Code of Ethics, and certain EU Recommendations on auditor's independence and quality assurance have not yet been endorsed. While the CACR is aware of the challenges it faces, the transition to full ISA audits requires extensive education and strict enforcement of standards.

#### **4. COMPARATIVE ANALYSIS OF THE ORGANIZATION OF ACCOUNTING AT THE ENTERPRISES OF KAZAKHSTAN AND THE CZECH REPUBLIC (ON THE EXAMPLE OF THE KAZAKH ENTERPRISE "PETROPAVLOVSK TRACTOR PLANT" AND THE CZECH ENTERPRISE "ZETOR").**

##### **4.1. Description of the Kazakh enterprise «Petropavlovsk Tractor Plant»**

LLP JV "Petropavlovsk Tractor Plant" is a joint project of the Kazakh-Russian business, whose main task is to organize the production of modern energy-saturated wheeled tractor models K-704-4R "BATYR" 5-7 traction classes for agricultural and industrial purposes.

The Petropavlovsk Tractor Plant will ensure the independence of the consumers of the Republic of Kazakhstan from the conjuncture of world markets of energy-saturated wheeled tractors, from the influence of external unfavorable factors, which is an important condition for ensuring the food and industrial safety of the state.

When designing and constructing the tractor K-704-4P, all the positive qualities of K-700 tractors were taken into account and their shortcomings were eliminated, and a large number of original technical solutions were used that made it possible to create a powerful, modern and economical tractor.

Reliability and quality of products, value for money, high maintainability of equipment and the possibility of its use in any climatic conditions allows BATYR to increase the scope of use, annual employment, and the economic efficiency of the machine. Comfortable working conditions allow to increase labor productivity of the machine operator.

On tractors "BATYR" engines are installed with a power of 330 hp. and the most economical engine with a capacity of 400 hp. The hydraulic system of

the tractor is equipped with an axial-piston pump capable of aggregating sowing complexes of Russian and foreign production. Due to the installation of powerful engines, traction force of the tractor significantly increased, which served as a significant saving of diesel fuel. There was a possibility of using wide-cutting agricultural implements, which led to an increase in the productivity of the machine and a reduction in the cost of agricultural products.

The plant is located on the territory of the Petropavlovsk Heavy Machine Building Plant.

The region is located on the border with three regions of the Russian Federation: Kurgan, Omsk, Tyumen.

LLP "PTZ" occupies a site in the northern industrial zone of Petropavlovsk - the regional center of the North Kazakhstan region, located at the intersection of the Trans-Asian and Trans-Siberian railways.

The equipment produced by the enterprise has a sufficiently high level of Kazakh content, which is confirmed by certificates of origin of the ST-KZ form.

All products are accompanied by quality certificates, a guarantee - a year of trouble-free operation of our equipment, from the beginning of operation, favorable feedback from consumers.

High, shortest terms for fulfilling orders, the possibility of delivering rail transport to any region of Kazakhstan.

The main advantage is the unique price-quality ratio. Having a price is lower compared to foreign analogues, our equipment has higher technical characteristics, thanks to the use of a modern reliable element base and materials from leading manufacturers, the use of high-precision equipment in production, which guarantees the payback of your equipment purchase costs.

Table 4.1. Key economic indicators of the enterprise

Indicators	2016	2017	Absolute deviation	Relative deviation
The volume of realization of products, thousand KZT	145360349,06	156625194,06	11264845	107,75
Revenue from product sales, thousand tenge	145360349,06	156625194,06	11264845	107,75
Profit( loss) from sales, KZT thousand	6254623,36	3484011,16	-2770612,2	55,70
Net profit (loss), thousand tenge	5406531	2565222	-2841309	47,45
Working capital, thousand tenge	72211459,28	73757530,14	1546070,86	102,14
Average annual cost of fixed assets, thousand tenge	67346854	68483646	1136792	101,69
The average annual number of employees, people.	1620	1700	80	104,94
Salary Fund, thousand tenge	350800000	370600500	19800500	105,64
Average salary for 1 worker, tenge	21654,32	21800	145,68	100,67
Cash proceeds from the sale of products, thousand tenge	145360349,06	156625194,06	11264845	107,75
Profitability, %	4,30	2,22	-2,08	51,63
Capital productivity, tenge	4,40	4,77	0,37	108,41
Capital-output ratio, KZT	0,23	0,21	-0,02	91,30
Fondamentalisti, %	1,10	1,18	0,08	107,27

Source: own processing based on the financial statements of the company

Conclusion: from table 4.1 it can be seen that there was an increase in revenues from sales of products by 7.75% in 2017 compared to 2016, at the same time, sales profit decreased by 44.30%. Net profit also decreased by 52.55%.

The main indicators of the financial condition of the company are asset and liability. They give a description of the state of the enterprise at a particular time (table. 4.2).



Table 4.2. Financial performance indicators of the company

Indicators	2016	2017	Changes
Money	814153,52	1324836,54	510683,02
Receivables	- 69345249,70	- 68701973,37	643276,33
Current assets	72211459,28	73757530,14	1546070,86
Provisions for liabilities and charges	24626027,75	27675260,85	3049233,10
Own capital	1065641,27	516919,71	-548721,56
Non-current assets	-6549878,91	-4659200,52	1890678,39
Assessment:			
Solvency	0,03	0,05	0,02
Creditworthiness	2,01	2,12	0,11
Financial stability	-0,01	0,004	0,006

Source: own processing based on the financial statements of the company

#### **4.2. Accounting policies for the Kazakh enterprise "Petropavlovsk Tractor Plant"**

At the enterprise the accounting policy is formed only for accounting and tax accounting purposes. Consider the main provisions of the accounting policy of the enterprise.

The accounting policy of the enterprise establishes the forms and methods of accounting, as well as the order and methods of tax accounting based on the current legislation, the form of primary accounting documentation, etc.

The accounting policy establishes that accounting and tax accounting and compilation of financial statements reflecting the accruing result of the organization's financial and financial position and results of economic activities for the reporting period are carried out by the accounting department as a structural unit headed by the chief accountant.

Business transactions carried out by the enterprise in the course of its activities are reflected with the use of the working chart of accounts, developed on the basis of a standard plan of accounts of financial and economic activities of enterprises.

The list of officials authorized to sign primary accounting documents was singled out and approved in the accounting policy of the enterprise.

Also in the accounting policy of the enterprise attention is paid to the procedure for carrying out an inventory for the purposes of internal control.

1. Income and expenses are reflected on the basis of primary documents and tax registers. Primary accounting documents are applied the same as in accounting. And the tax registers are:

- Registers of accounting;
  - tax registers developed independently.
2. Internal control system in the organization
  3. Accounting of fixed assets
  4. Accounting for intangible assets
  5. Inventory accounting
  6. Accounting for transport and procurement costs.
  7. Procedure for Recognition and Accounting of Income and Expenses

Accounting legislation provides that income and expenses can be accounted for accrual basis, that is, in the period in which they are incurred, regardless of the date of payment. Income and expenses are accounted for on an accrual basis or on a cash basis. Apply the cash method can those organizations that, on average for the previous four quarters, the proceeds from the sale of goods (works, services) did not exceed KZT2,000,000 per quarter. When forming the accounting policy, the accountant determined the accrual method, with the help of which it was possible to bring together accounting and tax accounting.

8. Expenses for sale
9. Recognition and accounting of deferred expenses
10. Provision of reserves

The accounting policy of the enterprise provides for the formation of reserves for bad debts.

In accounting, the procedure for creating a provision for doubtful debts is not prescribed. His organization claims independently. The identified debts are divided into three groups depending on the period of occurrence:

- over 90 days;
- from 45 to 90 days;
- less than 45 days.

In the reserve, you can fully include the debts of the first group and half the debts of the second group. The amount of the reserve as a whole should not exceed 10% of the company's revenue (excluding VAT).

11. Accounting for debt on loans and borrowings

12. The procedure for the calculation of certain types of taxes

13. Accounting and tax reporting, which set the date for submission of accounting and tax reporting, and other issues related to accounting in the enterprise.

Thus, the enterprise forms only an accounting policy for the purposes of accounting and tax accounting.

Management accounting is organized on a superficial level. Therefore, the company should develop a system of organization of management accounting and accounting policy of management accounting, as one of the main advantages that business entities receive from the use of accounting policies for management accounting purposes is the growth of their competitiveness through the organization of internal management on the basis of specially prepared, structured operational information.

In accordance with the accounting policy of the enterprise, the form and methods of accounting at the enterprise are carried out on the basis of existing regulatory documents of Kazakhstan, as well as in accordance with other provisions and norms contained in the legislation on accounting and reporting.

Accounting is carried out by the accounting department as a structural subdivision, headed by the chief accountant.

The accounting reporting of the enterprise for the reporting period (month, quarter, year), taking into account industries, farms, branches and other separate units allocated to a separate balance sheet, is compiled by the enterprise's accounting department.

The reporting year is the period from January 1 to December 31.

The volume and terms of submission of quarterly and annual reports are determined by the Ministry of Finance of Kazakhstan.

The reliability of the reporting is confirmed by an independent audit organization.

Primary accounting documents are taken into account if they are

Formed in the albums of standardized forms primary accounting documentation.

Primary accounting documents, accounting registers and accounting records are kept for the periods established by the rules of the state archival business in accordance with the list of standard management documents formed in the activities of organizations, indicating the terms of storage.

Responsibility for organizing the storage of primary documents, accounting registers and accounting statements is borne by the Director General.

In order to ensure the reliability of accounting and reporting data, an inventory of property and financial liabilities is conducted at least once a year. And for fixed assets - at least 1 time in two years.

Fixed assets are taken to accounting by of the original cost.

The change in the initial value of fixed assets is allowed in cases of completion, retrofitting, reconstruction, modernization of partial liquidation and revaluation of fixed assets

Revaluation of fixed assets for the first day of the reporting year is not produced.

If necessary, it is carried out on a voluntary basis once a year.

The value of fixed assets is repaid through accrual of depreciation by a linear method based on the original

The value of fixed assets and the depreciation rate calculated on the basis of term of useful use of this object, determined in accordance with the classification of fixed assets included in depreciation groups.

In accordance with the accounting policy at the enterprise, a linear method of calculating depreciation is used.

For the generalization of information on depreciation of fixed assets, the account "Amortization of fixed assets" is intended. Analytical accounting for the account "Depreciation of fixed assets" is maintained for individual inventory objects of fixed assets.

To the account "Amortization of fixed assets" the following subaccounts are opened:

- Depreciation of fixed assets recorded on account 01
- Depreciation of property accounted for in the account 03

Table 4.3. Accounting records on accounting for depreciation of fixed assets of an enterprise

Contents of operation	Debit	Credit	Amount, tenge
Amount of depreciation of fixed assets that were disposed of due to vehicle wear	02.1	01.2	121937,50
The amount of depreciation (depreciation) of fixed assets, monthly accrued in accordance with established standards	44	02.1	12193.75

Source: own processing based on the financial statements of the company

Let's consider an example of calculation of amortization of the basic means at the enterprise.

The company purchased a Toyota Camry car. The cost was 121937.50 tenge, the service life - 5 years. Thus, annually we will write off on depreciation of  $121937.50 / 5 = 24387.50$  tenge.

Table 4.4. Calculation of depreciation charges

Year	Residual value at the beginning of the year (KZT)	Amount of annual depreciation (tenge)	Residual value at the end of the year (tenge)
1	121937,5	24387,5	97550
2	97550	24387,5	73162,5
3	73162,5	24387,5	48775
4	48775	24387,5	24387,5
5	24387,5	24387,5	0

Source: own processing based on the financial statements of the company

Lack of this method: during the life of the fixed assets are not always used uniformly, therefore, the cost is transferred unevenly; moral depreciation of fixed assets is not taken into account.

The accrual of depreciation deductions for fixed assets is made regardless of the results of the enterprise's activity in the reporting period and is reflected in the accounting records of the reporting period to which it relates.

Account for non-expendable property with a value of no more than 20,000 tenge per unit in account 10.9 and write off for production costs by a one-time write-off as they go into production or operation.

Purchased books, brochures, etc. publications are recognized as expenses for production.

The expenses for the restoration of an item of fixed assets are reflected in the accounting for the reporting period to which they relate.

At the same time, the costs of modernization and reconstruction of an item of fixed assets after their end increase the initial cost of such an object if, as a result of modernization, the originally adopted normative performance indicators (useful life, capacity, quality of use, etc.).

The costs for current repair of fixed assets are reflected by including actual costs in the cost of production as repairs are performed.

Upon retirement, the residual value of fixed assets shall be formed on account 01.2.

Capital investments.

Accounting for capital investments is carried out at the enterprise in accordance with the Regulations on Accounting of Kazakhstan Inventories.

Inventories are accepted for accounting at the actual cost price, reflected in the corresponding subaccount of the balance account 10 "Materials".

Goods purchased by the enterprise for sale are valued at cost and are reflected on the balance sheet account 41.1 "Goods in warehouses", 41.2 "Goods in retail trade".

Evaluation of raw materials used in the production (production) of goods (works, services), made by determining the actual cost of materials at the time of leave, while the calculation of the average estimate includes the amount, and the cost of materials at the beginning of the month and all receipts until the moment leave.

Write-off of the cost of special clothing, the service life of which, according to the issuance standards does not exceed 12 months, to be produced at a time at the time of its transfer (leave) to employees.

The cost of car tires is written off to the accounts of the cost of production (sales costs) when installing tires on the car.

Evaluation of the cost of purchased goods in their implementation carried out at the cost of first-time acquisitions (FIFO).

FIFO Method - A method for estimating the disposal of stocks at the prices of the first purchases. It is based on the assumption that the stocks that arrived first are first out (first-in, first-out method - FIFO).

Let's consider an example of an estimation of cost of the purchased goods at their realization at the enterprise.

As of 01.02.2017 the remainder of plywood in the company's warehouse was 130 sheets at a price of 220.40 tenge per 1 sheet.

The balance at the beginning of the month is:  $130 \times 220.40 = 28600$  tenge.

Within a month there were received:

1 lot: 98 sheets at the price of KZT220.80 per 1 sheet;

2 lot: 125 sheets at the price of 221.50 tenge per 1 sheet;

3 lot: 112 sheets at the price of 222.30 tenge for 1 sheet.

The total cost of plywood is:

$$98 \times 220.8 + 125 \times 221.50 + 112 \times 222.30 = 74223.50$$

For February, 390 sheets of plywood were sold, the balance at the end of the month is 75 sheets

For February, 390 sheets of plywood were sold, at first the balance at the beginning of the month (130 sheets) is completely written off, then the first lot (98 sheets) is written off, then the second one is written off. Since the total number is larger, the remaining quantity is written off from the third lot  $390 - (130 + 98 + 125) = 37$  sheets.

The cost of decommissioned plywood is:

$$130 \times 220,40 + 98 \times 220,80 + 125 \times 221,50 + 37 \times 222,30 = 86203 \text{ tenge.}$$

The cost of the remainder of plywood is:

$$(28600 + 74223.50) - 86203 = 16620.50 \text{ tenge.}$$

With this option, it is necessary to determine exactly which goods from which lots make up the balance at the end of the month, since next month they will be written off first.

The balance is:

$$\text{From the third installment: } 75 \times 222.30 = 16672.50 \text{ rubles.}$$

The disadvantage of the FIFO method is that its application allows external factors of the economic life of the state to influence the gross profit margin of each individual enterprise.

So, in conditions of constantly growing prices, the FIFO method gives the highest gross profit. And if we take into account the circumstance that in the conditions of general growth of prices each enterprise seeks to increase the



prices of its goods, then when applying the FIFO method to the valuation of reserves upon their retirement, the gross profit is unreasonably inflated.

Accordingly, in the conditions of constant price reduction, the reverse process is observed: the gross profit margin due to the application of the FIFO method to the valuation of stocks upon their retirement and the forced decrease in selling prices for goods sold is obtained unjustifiably low.

Transportation costs for the acquisition of goods are recorded on the balance sheet account 44.1.3, "Distribution costs in organizations that carry out trading activities that require distribution."

Expenses incurred in the reporting period, but related to next reporting periods, are reflected in a separate item on account 97 "Expenses of future periods".

The terms and direction for writing off future deferred expenses shall be determined by the terms under which these expenses were incurred and the applicable legislation, and if necessary, by the order of the General Director.

Foreign exchange differences on foreign exchange transactions is made directly to the financial result of the activity enterprises, account 91 «Other incomes and expenses» in process of fulfillment operations and at the end of each month.

Foreign currency balances in foreign currency accounts are reflected in the financial statements in rubles in amounts recalculated at the rate of the Central Bank of Kazakhstan effective as of the reporting date.

Estimation of the value of financial investments for which the current market value is not determined, upon their disposal, is made at the initial cost of each unit.

Accounting for future expenses and payments is conducted as incurred. Additional costs associated with the receipt and servicing of loans are included in operating expenses in the reporting period in which they were incurred.

Revenues from the sale of products, goods, works and services for accounting purposes are determined on an accrual basis, i.e. on the fact of shipment, performance of works, rendering of services and transfer of the property right on the account 90 "Sales".

The final financial result consists of:  
income (expenses) from ordinary activities;  
operating income and expenses;  
non-operating income and expenses.

The profit or loss disclosed in the reporting period, but related to the operations of the previous years, is included in the financial results of the reporting year.

Details of the information on deferred assets and liabilities are realized on the basis of the turnover of recognized differences as a whole.

There are no schedules of inventory and document circulation at the enterprise, which is a significant drawback for both accounting and management accounting.

### **4.3. Characteristics of the Czech enterprise «Zetor»**

Zetor tractors are designed to offer the best possible combination of the engine performance and tractor weight with the aim of maximizing workrate and fuel economy.

Zetor places emphasis on simple, clever and practical design. This is the key to achieving excellent reliability and easy maintenance.

Zetor models rank as the most economical tractors. In the long run, owners will appreciate high-quality and reasonably priced spare parts and low operating costs.

Consider the financial results of the company for the period 2015-2017.

Table 4.5. Financial results of the company for the period 2015-2017

Indicators / years	2015, thousand CZK	2016, thousand CZK	2017, thousand CZK	The increase 2017/2015, thousand CZK	The increase 2017/2015, %
Net sales	54 499	65 332	68 930	22 664	48,99
Gross profit	13 997	17 191	18 718	15 480	478,07
Administrative expenses	5 960	7 202	9 003	9 003	115,50
Commercial expenses	8 706	11 554	13 523	9 587	243,60
Other operating income	5 285	2 016	1 996	-560	-21,91
Other operating expenses	5 682	4 788	4 660	984	26,77
Operating profit	-1 066	-4 337	-6 472	-4 654	-256,00
Interest receivable	2	-	-	-70	
Interest payable	1 138	1 186	1 230	243	24,62
Other non-operating income	-	970	1 200	979	442,99
Other non-operating expenses	276	-	-	-3 413	-
Profit before tax	-2 478	-4 553	-6 502	-575	-9,70
Profit tax	398	-	-	-1 389	-
<b>NET PROFIT</b>	<b>-2 876</b>	<b>-4 553</b>	<b>-6 502</b>	<b>814</b>	<b>11,13</b>

Source: own processing based on the financial statements of the company

We characterize the dynamics of the financial results of the company for the period 2015-2017.

Net sales for the analyzed period increased from CZK 46,266.00 thousand to CZK 68,930. 00 thousand or increased by 48.99%. The cost value has changed from 43 228.00 thousand CZK to 50 212.00 thousand CZK or 16.70%.

The share of cost in total revenue decreased from 93.00% to 72.84%.

Comparison of the rate of change of the absolute values of revenues and costs indicates the increase in efficiency of core business.

Operating profit decreased in the analyzed period from -1 to -6 and of 818.00 472.00 thousand CZK, or of 256.00%. The main activity of the company

at the end of the analyzed period was unprofitable, and the amount of operating losses amounted to 6 472.00 thousand CZK

Profit from financial activities decreased in the analyzed period from - 917,00 to -1 230.00 thousand CZK or by 34.13%. The financial activity of the company at the end of the analyzed period was unprofitable.

Table 4.6. Dynamics of the main technical and economic indicators of the enterprise in 2015-2017

Indicators	Changes in 2015 compared to 2014	Changes in 2016 compared to 2015	Changes in 2017 compared to 2016
The currency of balance sheet	+23,26%	-6,97%	+4,92%
amount of long-term assets	+5,81%	+0,52%	+3,83%
amount of current assets	+55,90%	-16,47%	+6,58%
the amount of fixed assets decreased	+20,19%	+16,81%	+11,41%
amount of intangible assets	+32,08%	-7,14%	-7,14%
amount of long-term investments	-29,11%	+0,10%	+0,21%
amount of outstanding investments	-21,09%	-53,68%	-58,81%
amount of cash	-63,75%	+131,03%	-5,22%
amount of short-term investments	+76,95%	-25,75%	+15,38%
the value of short-term receivables	+29,98%	-2,26%	+0,03%
the value of inventory	+9,23%	-4,50%	+0,63%
share of current assets in the property structure	+0,55	+0,63	+0,46
ratio of total liabilities to equity	-12,21%	-22,72%	-5,17%
the value of equity	-16,69%	-32,73%	-8,55%
unallotted profit	+65,60%	+95,19%	+9,72%
amount of long-term liabilities	+159,94%	+2,83%	+12,53%
the value of current liabilities	+19,67%	+45,99%	+2,15%
sum of short-term loans		-42,80%	

amount of accounts payable			
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Source: own processing based on the financial statements of the company

#### **4.4. Accounting for the Czech enterprise «Zetor»**

At the enterprise the account of money resources is conducted according to the Plan of accounts of book keeping and Position on conducting of the book keeping and the accounting reporting in Czech Republic.

To conduct cash transactions in the state of the enterprise, there is a cashier post. The cashier bears full financial responsibility for the safety of all the values he accepts. With the cashier a contract of liability is concluded.

The enterprise creates the conditions necessary to ensure the safety of cash in the cashier's office, when delivering them from the bank's establishment and upon delivery to the bank. In the Czech Republic, the Recommendations on securing the safety of funds in the course of their storage and transportation have been approved and the Uniform Requirements for Technical Strengthening and Equipment by the Signaling of the Premises of Business Clauses, which are subject to compliance at enterprises of all organizational and legal forms and activities.

Acceptance of cash is made out by cash orders, signed by the chief accountant or a person authorized by him, and by the cashier. When accepting money from individuals, they are issued a receipt with the signatures of the responsible accountant and cashier. In the receipt, in addition to the mandatory details (numbers, dates, etc.), indicate from whom and for what money was received (receipt of funds in the bank, payment of products or services, return of the balance of the reporting amounts, etc.), the amount. Money on cash orders are accepted only on the day they are drawn up. After receiving money at the cashier, the payer is issued a receipt signed by the chief accountant and the cashier, certified by the cashier's stamp. The receipt certifies that the money has actually been paid to the cashier

At the enterprise cash outflow is made in the following directions: for payment of materials to suppliers, for labor payment, material assistance and interest-free loans to employees, in subordination to economic needs, to the company's settlement account.

The issuance of cash from the cash desk is made on the basis of cash orders. It indicates: to whom, for what purpose or for which money was given, amount, date. The document for the issuance of money must be signed by the head and chief accountant. If documents, statements, invoices, etc. attached to the cash-desk orders contain a permissive inscription of the head of the organization, his signature on the cash-desk orders is not required. When issuing money on a spending order, the cashier requires the recipient to present a passport or other identity document. The document number, place and date of its issuance are marked in the cash dispensation order. If the money is paid by proxy, the accounting department specifies the surname, name and patronymic of the person through which the issue is made in the text of the cash order. The power of attorney remains with the cashier and is applied to the cash order warrant. The cashier certifies the delivery of money on the warrant with his signature. The person who received the money also signs in the warrant.

All cash orders after their execution are canceled with the stamp "Received" or "Paid" with the date.

In accordance with the current legislation, the company calculates cash in cash only within the established limits.

To establish a cash balance limit in the cashier's office, the enterprise shall submit to the bank's institution that performs its settlement and cash services. The limit of the cash desk is determined taking into account the type of activity, the size of the average daily revenue, the order and the date of delivery of the proceeds to the bank. Established by the institution of the bank, the limit of the remaining cash in the cash desk is reported in writing to the enterprise. In 2018, the company set a limit of 8 thousand kroons.

Excess of the limit is allowed for the issue of wages, social insurance benefits not exceeding three working days, including the day of receiving money from the bank. All the cash in excess of the established limit is given to the bank.

To account for cash transactions, the account plan of the enterprise provides for an active account 50 "Cashier". The debit of the account reflects the receipt of cash in the cash department, the credit - disposal. The balance of the account is always debit and means the amount of the balance at the beginning or end of the period.

To account 50 "Cashier" at the enterprise the following subaccounts are opened:

50.1 - Company cash desk

50.3 - Cash Documents

In the cashier's office, cash banknotes come from buyers and customers for the goods sold, goods, services provided, from the settlement account, the return of unused reporting amounts. In Table 4.7, we consider the main entries on the reflection of cash receipts to the cashier for February 2018.

Table 4.7. Accounting records for accounting cash receipts in the cashier's office in February 2018.

the name of the operation	Amount, CZK	Debit	Credit
Received cash to the cashier from the current account for the payment of wages	22000-00	50	51
Received cash from the buyer in cash	20197-40	50	62
Return of reporting amounts from a seconded employee	4000-00	50	71
Cash received from the debtors for services rendered to the cashier	1 045-20	50	76
Received cash cash from the population	1 428 230-35	50	90

Source: own processing based on the financial statements of the company

At the enterprise cash outflow is made in the following directions: for payment of materials to suppliers, for labor payment, material assistance and interest-free loans to employees, in subordination to economic needs, to the company's settlement account. In Table 4.8, we consider the main entries for reflecting the cash outflow from the cash desk for February 2018.

Table 4.8. Accounting records for the recording of cash outflow from the cash register of the enterprise for February 2018.

the name of the operation	Amount, CZK	Debit	Credit
Cash paid to the current account	1428230,35	51	50
Supplier services paid	6000-00	60	50
Wages paid to employees	22000-00	70	50
The money was given out for the employee's report	18500-00	71	50
An interest-free loan has been issued to employees	6 000-00	73	50
The material help to workers is given out	19 700-00	84	50

Source: own processing based on the financial statements of the company

The main document on settlement relationships with suppliers is an invoice, which serves as the basis for processing the relevant bank payment documents for the transfer of debts: payment claims, letters of credit, payment orders, settlement checks. The invoice is issued by the supplier for the released (shipped) commodity-material values. In the document fill in the following details: the name of the supplier and his address, the number of the current account at the bank at his location, the departure station and the destination station of the cargo, the date and manner of shipment, etc. It indicates the name, quantity, price and amount, for which the goods are released. The document necessarily makes reference to the contract-order, according to which the material values are released, indicate the numbers of receipts and invoices for goods that are released (shipped).



Supplier invoices are carefully checked from the point of view of the correctness of filling in all requisites, applied prices, taxing and after checking the compliance of the quantity of incoming goods with the quantity indicated in the invoice, they are taken to the records in the accounting records. In the event of a discrepancy between the received goods and the data of the invoice, a commercial act is made and a claim is made against the supplier.

In the Czech Republic, organizations simultaneously with specialized invoices also keep records of received and issued invoices, purchase books for value-added tax.

The specialized form of the invoice is issued by the supplier to the buyer in two copies. The first copy within 10 days from the date of shipment is presented to the buyer; he gives the right to record VAT amounts after payment of the goods. The second copy of the invoice remains with the supplier for reflection in the sales book and the calculation of VAT on the products sold.

In the invoice, the following requisites must be specified: the serial number of the invoice; name and identification number of the supplier of the goods (work, services); the name of the recipient of the goods (work, services); name of the goods (work, services); country of origin of the goods; the number of the cargo customs declaration (for goods of foreign origin, a dash is placed on the domestic goods); value (price) of the goods (work, services); the amount of the value added tax; date of invoicing.

The invoice is signed by the supplier's officials, including the head and chief accountant, and sealed by the supplier's seal. When goods are received, the invoice is signed by the buyer or his authorized representative. In the invoice, erasures and blots are not allowed, corrections are certified by the signature of the manager and the seal of the supplier, indicating the date of correction.

At the enterprise, invoices are filled using a computer. When shipping goods not subject to VAT, the amount of tax is not indicated in the invoice and an inscription is made or a stamp "without tax (VAT)" is inserted. When goods

are sold for cash in retail trade, the invoice is replaced by a cash receipt with the required requisites: the name of the seller, the number of the cash register, the number and date of issue of the check, the value of the goods with VAT.

With all suppliers the enterprise concludes contracts for a certain period. In the contract the main points are considered:

- subject of the contract;
- delivery conditions;
- the value of the contract and the procedure for settlements;
- obligations of the parties;
- the order of acceptance of products;
- responsibility of the parties;
- force majeure circumstances;
- settlement of disputes;
- the procedure for changing and terminating the contract;
- other conditions;
- legal addresses and bank details of the parties.

Table 4.9 shows the main accounting records for account 60 "Settlements with suppliers and contractors" for February 2018.

Table 4.9. Accounting entries for accounting settlements with suppliers

Contents of business operations	Primary document	Debit	Credit	Amount, CZK
The goods, the quality of which corresponds to supply contracts	Invoices, invoice No. 1011 of 02/10/2017.	41	60	100000
Refunded VAT on goods accrued	Invoice No. 1011 of 02/10/2017.	19	60	20000
Reflected payment for goods, the quality of which corresponds to the terms of supply contracts	Payment order, №46 from 05.10.17, bank statement	60	51	120000
Charged to settlements with the budget of VAT	Accounting information	68	19	20000

paid				
Purchased trading equipment	Invoice No. 1013 of October 20, 2017.	08	60	150000
Received an invoice for electricity	Invoice No. 2536 dated October 21, 2017.	44	60	75000
VAT on electricity used is reflected	Invoice No. 2536 dated October 21, 2017.	19	60	12500
The commercial equipment is accepted in operation	The act of acceptance and transfer of fixed assets dated 01.10.2017	01	08	150000
Reimbursed VAT from the budget for commercial equipment accepted for operation	Accounting information	68	19	25000
VAT refunded	Accounting information	68	19	12500

Source: own processing based on the financial statements of the company

Synthetic accounting of settlements with suppliers is conducted on the active-passive account 60 "Settlements with suppliers and contractors". The credit of the account reflects the Company's debt for the goods received for the reporting period. The credit of the account reflects the repayment of debts to suppliers for the same period. To the account 60 in the accounting policy of the Company the following sub-accounts are provided:

60/1 "Settlements with suppliers";

60/2 "Advances issued";

60/3 "Promissory notes received".

Analytical accounting is conducted in chronological order for each supplier or contractor. Analytical accounting for suppliers should be organized so that the information can be obtained grouped by the terms of payment (long-term or short-term debt); settlement documents whose payment deadline has not yet come; not paid in time settlement documents; issued unpaid and overdue bills of exchange; not dispatched deliveries etc. Such accounting is not conducted at the enterprise, which is a drawback in organizing accounting of payments with suppliers.

## 5. RESULTS, DISCUSSION

Compare the technical and economic indicators of 2 enterprises in table 5.1.

Table 5.1

Comparison of technical and economic indicators of 2 enterprises

Indicators	"Petropavlovsk Tractor Plant"	"Zetor"	Difference, %
The volume of realization of services	945108	950108	0,53
Distribution cost	830054	831287	0,15
- wages	207513,5	207821,8	0,15
- social insurance contributions	249016,2	249386,1	0,15
- banking	16601,08	16625,74	0,15
- office expenses	4150,27	4156,44	0,15
- advertising	41502,7	41564,35	0,15
- transport cost	66404,32	66502,96	0,15
- depreciation	33202,16	33251,48	0,15
- rental of premises	107907,02	108067,3	0,15
- maintenance service	20751,35	20782,18	0,15
- mobile communication and Internet	8300,54	8312,87	0,15
- electricity	33202,16	33251,48	0,15
- travel expenses	24901,62	24938,61	0,15
- other	16601,08	16625,74	0,15
Sales income	115054	118821	3,27
Non-operating expenses:	1150,54	1188,21	3,27
- transport tax	115,05	118,82	3,28
Balance sheet profit	113903,46	117632,8	3,27
Profit tax	22780,69	23526,56	3,27
Net profit	91122,77	94106,23	3,27
Capital investment	104054	108025	3,82
One-time costs	14046	29659	111,16
Net income	64145,54	50528,46	-21,23

Source: own processing based on the financial statements of the company

## 6. CONCLUSION

Accounting in the Czech Republic is a representative of continental law - the accounting regulatory system is regulated by law. Law itself is affected by politicians and legislators ideas who are not well informed about accounting principles and methods. After the year 1989, the importance of key accounting principle "provide true and fair view on financial performance" enhanced. It started the accounting reform resulting the first step - issuing the Accounting Act in the year 1992.

Accounting regulatory system influences both the increasing requirements of European Union and improving awareness of benefit of quality accounting system. The first efforts to harmonize accounting began with implementation of Fourth Council Directive 78/660/EEC in the year 1978 and Seventh Council Directive 83/349/EEC from the year 1983. Unfortunately the harmonization through European Directives was not enough sufficient therefore EU used IFRS and require to all Member States to implement IFRS for listed companies for consolidated financial statements. The quality of regulatory system is getting more sophisticated which is seen from the development of levels of accounting legislation. The development of the national accounting legislation could be separated into three strategic periods — from 1991 to 2002, the year 2003 and from 2004 to present. In the first period, there was only one-level regulatory accounting system - the Accounting Act. In the first period, in the end of year 2002 the Decrees to Accounting Act were issued by Ministry of Finance. Since 2004 - the third period -importance of accounting was enhanced by National Accounting Standards.

During that time, there were many changes in accounting law. It must be said that there is an influence of tax law on Czech accounting. Connection between tax and accounting law affect the quality of financial statements presented in accordance with Czech Accounting Standards. Except from the

mentioned changes in level of regulatory system, there were also many changes in accounting methods. The key moments in accounting history are tax deductible provisions on tangible fixed assets and new items in balance sheet — other income from previous year. Both changes might lead to better accounting practise to keep accounting principles.

The Czech accounting regulatory system is still relative young and short (compared for example with US GAAP, UK GAAP) therefore there are principled imperfections with big space calling for improvements. It is the difficult issue which must be supported not only by accounting experts, academics, researchers and representatives of professional organizations, but also and especially by political parties.

All large and public companies operating in Kazakhstan are required to follow International Financial Reporting Standards (“IFRS”). Other smaller and medium-size enterprises, certain branches, foreign entity representatives may report according to with either national financial reporting standards or IFRS. Entities in Kazakhstan may be subject to either a mandatory or voluntary statutory audit. The most common forms of entities subject to mandatory audit include: • JSCs • insurance and reinsurance companies and insurance brokers • subsoil users • banks • natural monopolies • Kazakhstan legal entities that have signed an investment contract with the Kazakhstan Government and others Other types of legal entities may voluntarily elect to be audited.

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