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## **HARMONIZATION OF THE CZECH ACCOUNTING WITHIN THE EU COUNTRIES**

### **1. Introduction**

Development of the world economy, mutual cooperation, multinational companies' working and development of the worldwide capital market obviously call for harmonization of accounting. **Harmonization** can be characterized as coordinating, bringing more closely and unifying of methods, procedures and structures being applied to the system of accounting in particular countries.

The agreement on the European Economic Community foundation made in 1957 – a so-called Roman Agreement sets up a target to lay basis on which it would be possible to pull the European countries together with the aim to ensure their economic progress. On the basis of the agreement representing the legal basis of harmonization, the process of member countries legislation bringing near through the issued standards – directives is taking place. Every EU country includes them in their national adjustments.

Even after that the particular EU countries have built the directives in their accounting their systems of accounting remain partly different. The thing is that the directives include in many cases the right of option, which enables a particular country to respect its specificities.

### **2. International accounting standards**

A significant feature of the current economic development is international integration and that is why the Czech Republic's participation in the international eco-

conomic integration is an important necessity. Harmonization just by means of the international accounting standards offers a speedy and efficient solution of problems with which the trade companies operating on capital markets have to cope with. The international accounting standards are one of the forms of international harmonization of accounting. The standards do not shape in a comprehensive way the methodology of accounting as a whole. They are formulated generally and thus do not exclude a various interpretation. This made possible their wide international acceptance. In some cases the standards allow employing alternative procedures. In contrast to the directives, the international accounting standards are not obligatory they serve to firms as a recommendation. Application of standards, however, enables the data in balances of books to be internationally compared.

### **3. Czech accounting and harmonization**

A considerable change in the system of accounting was brought about already in 1991 by accepting the law of accounting No 563/1991 of the code that has been fully applied in practice since 1992. In that way the Czech Republic asked for being listed among the European Union countries because including the codex of accounting legislation of the European Union, whose part are also the fourth and the seventh directives, into the national legislation is a precondition for all countries joined in the European Union.

The current effective legal norms directing the Czech accounting mirror in themselves a political and economic situation of our country in which the long-term traditions and customs respected in this discipline are reflected. The law of accounting No 563/1991 of the code in wording of subsequent regulations mainly after the latest amendment appears to be a law that seems to be in accord with the European legislation because it follows from the fourth directive. This fourth directive of the European Community Council dated 1978 is aimed at bringing all member countries' systems of accounting closer and in this way to ensure, at least to an inevitable extent, a comparability of accounting statements in financial accounting. Therefore, it includes a provision concerning especially the form of accounting statements, contents of their items, pricing rules and making accounting statements public. This directive is a starting basis of accounting procedures harmonization within the European Union. When an amendment was being added to the law of accounting in the Czech Republic, it was considered that harmonization, among others, would be allowed only if accounting units are not closely tied by the detailed procedures of accounting and certain principles would be determined within which the accounting units could move. This would allow gaining a more accurate recording of accounting cases in the actual conditions of accounting units.

That is why a new decree of the Ministry of Finance No 500/2002 of the code was issued by means of which some provisions of the law No 563/1991 of the code are applied in wording of subsequent amendments for accounting units that are used

by businessmen giving statements in the system of accounting. This decree No 500/2002 of the code came in force from the 1st January 2003 and brought an essential change in the overall conception of the operational regulation in comparison with the previous procedures of accounting for businessmen. Both from the structure and contents of the operational decree a certain regulation of accountancy is obvious but not a regulation of accounting as it was specified in the procedures.

Procedures of accounting and the contents definition of particular items of property and obligations or costs and yields are not any longer in the decree combined with the fixed concrete synthetic accounts. This decree contains in the second part a balance of books, its contents, arrangement and partly also a description of particular items of the balance of books. For accounting units are obligatory only such groups of accounts that are included in the amendment No 4 of the decree. Within the framework of those groups an accounting unit itself can choose a structure of individual synthetic accounts through its accounting schedule.

With effect from the 1st January 2001 the Czech accounting standards for businessmen were issued. Their role should be a methodical guiding of the accountant with an option to use the unified and as best as possible definite terminology but also general approaches to accounting with the use of general accounting principles. By issuing the national accounting standards the Czech Republic has drawn even more near to the principles of harmonization.

The main reasons for adjustments in the Czech accounting can be summarized in the conclusion into a few points:

- completing of bringing the Czech accounting more closely to the requirements of EU directives,
- penetration of some Czech firms on western markets and respecting the international accounting regulations at presenting accounting data,
- revision and extending of principles for consolidated books of balance that have been drafted so far only in a basic simplified form,
- make the accounting methodology more precise.

It can be said that the development of the Czech accountancy has not been finished yet and it will take a long time before it is fully accomplished. Accounting has to react to the development of the national as well multinational economic environment and has to reflect the incentives coming from the new world tendencies.

## Literature

Pšenková Y., Doctoral dissertation, ÚZ Accounting for businessmen, 2004.

# **HARMONIZACJA KSIĘGOWOŚCI W CZECHACH Z KRAJAMI UNII EUROPEJSKIEJ**

## **Streszczenie**

Niniejsza praca przedstawia główne powody dostosowania systemu księgowości Czech do potrzeb harmonizacji z UE. Podejmuje również tematykę krajowych standardów księgowości jako obligatoryjnych standardów prawnych dla księgowości czeskiej.