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CONTENT

Preliminary communication
Ivana Mamić Sačer, Dijana Vuković, Ivana Pavić Influence of state audit recommendations on public enterprises efficiency
Review
Marijana Bartulović, Ivica Filipović Forensic accountant: Perspectives for occupation development
Bobana Čagar, Maja Letica, Jelena Jurić Quality of External reporting in public Higher education institutions – Case of Bosnia and Herzegovina
Ivana Dropulić, Marko Čular The Relationship between management control systems and business performance
Ivana Družić Lutilsky Model of activity based costing method in Clinical hospital centre Zagreb
Ivana Družić Lutilsky, Martina Dragija, Berislav Žmuk Accounting system at public higher education institutions in Croatia: Current state and improvement perspectives
Ante Džidić, Zora Marijanović Voluntary reporting in the development of the capital market
Danimir Gulin, Josipa Grbavac, Mirjana Hladika The quality of corporative reporting as presumption of business entities transparency
Ana Ježovita Profit margin analysis as a determinant of the company's profitability
Selma Novajlija Islambegović, Melika Hadžiabdić Perspectives of introduction and application of the model of the accrual basis of accounting into the public accounting in Federation of Bosnia and Herzegovina
Hrvoje Perčević, Marina Mićin Determination of the relationship between the business performance and free cash flow

Branka Ramljak, Andrijana Rogošić, Ivana Perica
Professional conduct of accountants in the function of ethical standards
Sanja Sever Mališ, Ana Novak, Mateja Brozović
Public interest entities in selected countries – definition and special statutory audit requirements
Slavko Šodan, Željana Aljinović Barać
The impact of fair value concept on the quality of reported financial performance measures
Mario Švigir, Davor Vašiček
The effects of application of the financial transparency standards on efficiency of state owned enterprises in Croatia
Boris Tušek
Cooperation between the audit committee and external auditor as determinant of audit quality of financial statements
Davor Vašiček, Ana Marija Sikirić
Accounting information and gender budget
Neda Vitezić, Tina Vuko, Hrvoje Perić
Determinants of audit fees in Republic of Croatia
Katarina Žager, Sanja Sever Mališ, Nikolina Dečman
Certification and licensing of accounting and auditing vocations
Blaženka Hadrović Zekić, Liović Dina
The application of simulation game in teaching accounting
Professional paper
Josipa Mrša, Josip Čičak
Reporting on own issued financial instruments
Vesna Vašiček, Tanja Broz Tominec
Exchange rate differences in budgetary accounting in Croatia
Vesna Vašiček, Jelena Poljašević
Specifics in recognition of the infrastructure assets in public sector

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INFLUENCE OF STATE AUDIT RECOMMENDATIONS ON PUBLIC ENTERPRISES EFFICIENCY

Preliminary communication

Abstract

The number of performance audits of public enterprises in Croatia has increased during last years. The relatively new practice of the State Audit Office in Croatia is the conduction of subsequent review in order to determine how many of the audit recommendations have been implemented by the audited subjects. The aim of this study was to determine whether the public enterprises are more efficient after the implementation of audit recommendations disclosed in the report on performance audit. In order to reach this objective, data envelopment analysis (DEA) was performed. DEA is a nonparametric method based on linear programming, and its largest contribution is the assessment of relative effectiveness as well as the fact that inputs and outputs may have a completely different units.

Keywords: *performance audit, public enterprises, recommendations, data envelopment analysis*

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FORENSIC ACCOUNTANT: PERSPECTIVES FOR OCCUPATION DEVELOPMENT

Review

Abstract

Corporate scandals that have occurred in the past 20 years emphasized the problem of fraud and fraudulent financial reporting and stimulated the development of a new branch of accounting - forensic accounting. The last financial crisis followed by numerous financial scandals and corporate frauds has given additional flywheel to development of forensic accounting. The occupation of forensic accountant is recognized as new, growing occupation and it can be said that almost in all areas of business there is a need for the services of these experts because of their specific knowledge and skills which along with accounting include also auditing, legal and investigative skills. In this paper, the authors present and analyze selected empirical research in order to determine necessary knowledge and skills that a person dealing with forensic accounting should possess. Also, opportunities for education and training in this field of accounting in the Republic of Croatia are presented.

Key words: *forensic accountant, frauds, knowledge and skills, education*

JEL: M 41

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QUALITY OF EXTERNAL REPORTING IN PUBLIC HIGHER EDUCATION INSTITUTIONS – CASE OF BOSNIA AND HERZEGOVINA

Review

Abstract

Higher education institutions have an important role in economic and social development and strengthening of the society. Especially public higher education institutions are very exposed, from one side, to the high expectations of the public regarding achievement of the highest possible quality of the education process, and to the lack of financial funds mostly got from state budget. Therefore, it is necessary to have a high level of professionalism in managing public higher education institutions, and precondition for this is a good informational basis during decision making.

The analysis of external financial reporting kao informational basis will be in focus of this work aiming to evaluate current level of the quality of the system of financial reporting and external financial reports of public higher education institutions. During the quality evaluation process authors will use qualitative methods and primary information collected through a questionnaire completed by accountants in public higher education institutions in Bosnia and Herzegovina. Analysis and results will be presented separately for two entities, Republic of Srpska and Federation of Bosnia and Herzegovina due to the different legal framework that regulates the field of higher education and public sector accounting in Bosnia and Herzegovina. Authors will use collected information to get answers on the research questions about the quality of external reporting of higher education institutions, but also for focusing attention on existing restrictions within the frame of analysed research question.

The results of the research can be used also for further researches from this field, not just in Bosnia and Herzegovina but also in other developing countries and countries with higher education institutions and public sector accounting organised similar to one in Bosnia and Herzegovina. Also, the results can be useful for the financial reports users of both entities from the research aiming better understanding of information from those reports.

Keywords: *quality of financial reporting, higher education institutions, public sector accounting, external reports, Bosnia and Herzegovina*

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THE RELATIONSHIP BETWEEN MANAGEMENT CONTROL SYSTEMS AND BUSINESS PERFORMANCE

Review

Abstract

One of the fundamental questions that preoccupies scientists in the field of management control is how to define, design and measure the management control systems (MCS). Despite the significant importance of MCS for the long term and successful business this area is relatively poorly developed and explored. Therefore, this study aims to gain a better insight into the design of MCS and its impact on the company's performance.

MCS was conceptualized in terms of four dimensions: administrative controls, cybernetic controls, cultural controls and reward and compensation controls. The empirical research is based on the data collected from 40 listed companies in Croatia using a postal questionnaire. The final results indicate that listed companies in Croatia place a greater emphasis on more formalization forms of MCS which means – more use of administrative and cultural controls, more use of reward and compensation controls based on internal standards, objective criteria and short-term financial measures and more use of budgets and financial measures and less use of non- financial measure.

Using relevant quantitative and statistical analysis, the results of the empirical research show that profitable, liquid and solvent listed companies have a higher level of MCS formalization, while indicators of activity and employees have no significant association with the level of MCS formalization.

Keywords: *management control systems, business performances, Croatian listed companies*

JEL: M41, M49

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MODEL OF ACTIVITY BASED COSTING METHOD IN CINICAL HOSPITAL CENTRE ZAGREB¹

Review

Abstract

ABC method but also Time-Driven ABC method (TDABC method) is most frequently mention as a method that is used as the cost allocation method in health care system in foreign but also in the domestic literature. In the analysis of the application of ABC methods in health care system, there are differences in the implementation of the method, techniques of data collection and the environment in which the method is implemented. A model of Activity Based Costing was developed based on the theoretical background and empirical research done in CHC Zagreb through interviews with employees at one Clinic. The objective of this paper is to give insight in developed model of Activity Based Costing for one Clinic at CHC Zagreb. Under Activity Based Costing method, the quality and reliability of financial statements will be improved and significant data from which the performance indicators are calculated and counted. It would be possible to maintain effective control of resources, but also monitoring the qualitative and quantitative information that would improve financial management and decision-making process. Monitoring through a reliable accounting information, both financial and non-financial nature would allow cost management and cost reduction of different places of costs and cost objects at CHC Zagreb.

Keywords: *Activity Based Costing, Clinical Hospital Centre Zagreb, cost management, cost reduction*

JEL: M41, H51

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ACCOUNTING SYSTEM AT PUBLIC HIGHER EDUCATION INSTITUTIONS IN CROATIA: CURRENT STATE AND IMPROVEMENT PERSPECTIVES²

Review

Abstract

The aim of this paper is to present the results of empirical research conducted among accounting officers at higher education institutions in the Republic of Croatia in 2016. The target population of the empirical research are all public higher education institutions in Republic of Croatia. Emphasis is put on the analysis of the current state of the accounting system and the possibility of improving the same with the purpose of improving management processes of higher education institutions. Increasing demands for more efficient management of the higher education institutions, particularly in the context of reduced public funding sources, imply the necessity of establishing the quality of the information base to generate management information. The development of an adequate system of cost accounting supported with advanced information technologies will enable management information. A direct consequence of underdevelopment of the cost accounting system is low quality, but also the lack of relevant information for the management of total costs, which affects the measurement of the cost efficiency of higher education institutions. Furthermore, the development of instruments of cost accounting is particularly important for the calculation of the economic cost of students or individual study, especially as these costs are identifiable and measurable. These deficiencies narrow space and optimal economic choices when making decisions on how to perform specific projects and providing services. Results of the research suggest a significant deficiency in the accounting system of higher education in the context of the quality of management information and point to conclusions about the need for the introduction of cost accounting in the accounting systems of higher education. The paper points out the shortcomings of the accounting system at higher education institutions. The paper refers to possible guidelines for the improvement in accordance with the results of the research in the opinion of the accounting officers.

Keywords: *institutions of higher education, accounting system, Croatia, cost accounting*

JEL: I23, M41

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VOLUNTARY REPORTING IN THE DEVELOPMENT OF THE CAPITAL MARKET

Review

Abstract

Demand for the financial reporting and publication of business information, mandatory or voluntary, comes from information asymmetry and agents' problems between management and stakeholder of the company. Therefore, it is necessary to create free approach to the information to all market participants due to the efficient functioning of the capital market. That free approach is made by different sources that enable investors to analyse and evaluate company or securities value. On that way are made conditions where stock prices reflect all available information, investors confidence is gained and market credibility is made and investing culture is developed. Respecting all terms of rapid technological development and increasingly competitive business environment for the evaluation of certain company prosperity it is not just enough analysis of its financial reports but also qualitative prognosis based on main strategic business information in the form of voluntary reporting. In this work are analysed reasons of growing importance of voluntary reporting about key resources of company value and summed its potential effects at the capital market. Situation on the capital market in Bosnia and Herzegovina is then analysed, main institutional disadvantages that threaten its development are identified and possibilities and potential benefits of adoption of good business practices regarding voluntary reporting on developed capital markets are emphasized.

Keywords: *voluntary reporting, capital market, development, transparency*

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**THE QUALITY OF CORPORATIVE REPORTING AS PRESUMPTION OF
BUSINESS ENTITIES TRANSPARENCY**

Review

Abstract

Today's economic environment represents a big challenge for all market participants especially regarding availability and quality of business entities' reports. The existence of high level of confidence between information providers and their potential users is one of the basic presumptions of successful market functioning and quality development of modern economic relations. Increasing range of corporate reporting users and their different interests has caused change in traditional corporative reporting which primarily has been based on mandatory financial reporting. In this work authors have analysed and shown regulative demands for corporative reporting of listed companies in Croatia and Bosnia and Herzegovina. As the most important factor of the corporative reporting quality authors have observed, on the sample of the most liquid entities at Zagreb stock exchange and Sarajevo stock exchange, fulfillment of relevant institutional demands set by competent institutions to the business entities.

Keywords: *transparency, corporative reporting framework, reporting quality*

JEL: M40, M41

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PROFIT MARGIN ANALYSIS AS A DETERMINANT OF THE COMPANY'S PROFITABILITY

Review

Abstract

A definition of activity ratios determines their role in evaluating financial position and performance of a business operation. The activity ratios are used to evaluate the efficiency of using available resources and thus they are sort of company competitive advantages indicator. There exists wide range of different activity ratios. The most important activity ratio is a total assets turnover which shows the ability of the company to use its total assets in creating future economic benefits. The ratio is often used to evaluate overall company's effectiveness. In addition to total assets turnover it is possible to calculate turnover of liquid assets, fixed assets, accounts receivable, inventory, suppliers etc. From the financial point of view to evaluate business performance, next to activity ratios, revenue/expense and profitability ratios are usually used. One of the most important segment of business performance evaluation is its profitability evaluation. The profitability ratios are used to evaluate the ability of the company to retain revenues in terms of earnings, and to evaluate return on total assets. Due to their advantages the profitability ratios are often identified as a strategic tool of the management. Results of conducted analysis of profit margin and total assets turnover as a determinant of adequate return on total assets shows that activity ratios have important role in evaluating business performance. Increasing activity of the company, i.e. increasing efficiency of using available resources, and adequate asset structure, have a direct contribution to improvement of total business performance.

Keywords: *activity ratios, total assets turnover ratio, profitability ratios, profit margin, return on total assets.*

JEL: M41, M42

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PERSPECTIVES OF INTRODUCTION AND APPLICATION OF THE MODEL OF THE ACCRUAL BASIS OF ACCOUNTING INTO THE PUBLIC ACCOUNTING IN FEDERATION OF BOSNIA AND HERZEGOVINA

Preliminary communication

Abstract

Public accounting in Bosnia and Herzegovina is regulated by law and requires the application of the model of modified accrual basis of accounting, as opposed to the private sector where the model of accrual basis of accounting is applied. The continuing trend of growth of public spending, the lack of budget funds to finance growing public needs, and the increasing willingness of the state to include private entrepreneurs in its projects, have resulted in the introduction of economic laws as well as the market behavior criteria and efficiency measurement into the public sector. Because of these reasons, public accounting is the subject of ongoing research and development. The subject of this paper refers to the possibility of applying the model of accrual basis of accounting and the International Public Sector Accounting Standards, in order to produce higher quality accounting information in the financial reports of the budget assets' users in the Federation of Bosnia and Herzegovina. The main objective of this paper is pointing out the positive effects of applying the accrual basis for budget assets' users when writing the financial reports in order to obtain more objective presentation of the financial position and business results. Empirical research has confirmed that the application of the model of accrual basis of accounting in Federation of Bosnia and Herzegovina provides objective reports on financial position and business results. The majority of budget assets' users and are willing to accept changes in order to improve the existing accounting system.

Keywords: *public accounting, model of modified accrual basis of accounting, model of accrual basis of accounting, International Public Sector Accounting Standards*

JEL: M41, M48

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DETERMINATION OF THE RELATIONSHIP BETWEEN THE BUSINESS PERFORMANCE AND FREE CASH FLOW

Review

Abstract

Free cash flow is primarily determined for the need of external users of financial statements as additional information when making business decisions. When calculating the free cash flows, starting point are cash flows from operating activities. The procedure of calculating the cash flows from operating activities depends on whether the company applies direct or indirect method for preparing statement of cash flows. At the companies in the Republic of Croatia indirect method is frequently applied in which the starting point for the calculation of cash flows from operating activities is operating result of the company (profit or loss). When using indirect methods it is easier to identify the relationship between the business results the company as a measure of its success and the free cash flow as an indicator of how much free funds remains to maintain operating capacity of the company. If the company does not use the free cash flow to maintain operating capacity, it jeopardizes its profitability, in other words, affects business results itself. The aim of this paper is to examine free cash flow, respectively, free cash flow 1 and free cash flow 2, their calculation and information significance, and as well to compare the relationship between the free cash flows and the business results of the company. Relationship between these two variables will be examined because it is possible that the company achieves a positive operating result (profit) while there is no money, and vice versa. Using correlation analysis, the relationship between the free cash flow 1 as an indicator based on the cash basis and the operating results as an indicator based on the accrual basis is examined for large companies in the Republic of Croatia in the five-year period (from 2010 to 2014). The research results indicate that in a large number of companies there is a positive correlation between the operating results and the free cash flow 1. The same is confirmed by research that for a large number of companies examined, in all five years or in four out of five years observed, operating result and free cash flow 1 have the same sign. That means that if the company operated at a loss, free cash flow was a negative one, and if the company exercised earnings, free cash flow was a positive one.

Keywords: *free cash flow, operating result, cash flows from operating activities, accrual basis, cash basis*

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PROFESSIONAL CONDUCT OF ACCOUNTANTS IN THE FUNCTION OF ETHICAL STANDARDS

Review

Abstract

In this paper, emphasis will be placed on the accountancy profession which is very important for the entire business enterprises, especially in terms of the creation information for internal and external users. Users rely on accountants, for appropriate financial accounting and reporting, effective financial management and for authoritative advice on various business and tax issues as well. Accounting information is secure basis for efficiency and not least, for the rational business decision. The market system allows accounting to get a completely new - affirmative role in the company. Today accountants provide services in different types of organizations in the private and public sectors. For this reason, there is a constant demand for the acquisition of new and updated knowledge in specialized areas and for permanently professional development. Every profession is trying to carry out their duties in accordance with high ethical standards, including the accountants which coordinate their activities with high ethical standards set by the Code of Ethics for Professional Accountants. In this context, the paper will follow professional conduct of accountants which include professional competence, credibility, quality service and confidentiality. Emphasis will be placed on ethical standards and professional conduct and how accountants impact on the recruitment of professional conduct.

The aim of this paper is to investigate the influence of awareness of the Code of Ethics for Professional Accountants on ethical behaviour of accountants in Croatia . The survey was conducted in June 2016 through an online questionnaire which was sent to 196 e-mail addresses of accounting professionals in Croatia. The results are based on feedback from 55 accounting experts and indicate that accountants who are well informed of the Code of Ethics for Professional Accountants act rather ethically.

Keywords: *accounting, accounting professionals, professional behavior, accounting ethics*

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PUBLIC INTEREST ENTITIES IN SELECTED COUNTRIES – DEFINITION AND SPECIAL STATUTORY AUDIT REQUIREMENTS

Review

Abstract

Public interest entities are usually defined as legal entities whose business performance affects the largest number of stakeholders, or the society as a whole. Given that the public interest can be defined in different ways, the definition of public interest entities also varies to some extent between different countries. Common regulatory approach at the level of the European Union is aimed at the harmonization and uniform application of the rules at the level of Member States, but not entirely. Despite the adopted definition of the public interest entity in the Directive of the European Parliament and the Council, the Member States are still given the possibility to modify the definition in the national legislation, depending on the specific public interest of each country. The aim of the paper is to explore the extent to which EU Member States use this benefit and how public interest entities are defined at the national level. The greatest emphasis will be on Croatia, where the definition of the public interest entities is incorporated in the new Accounting Act. The definition of public interest entities is particularly significant in terms of the statutory audit. Since the wide range of stakeholders is interested in their financial statements, it is understandable that the additional requirements are set in connection to the statutory audit. It is directed at ensuring the integrity, independence, objectivity, transparency and reliability of audit firms that carry out financial statements audit in public interest entities. The paper gives an overview of the specific requirements for such entities according to the European Union Directive and Regulation. Moreover, it explores the extent to which these additional requirements affect audit firms and how concentrated the audit market for public interest entities really is. The research results show that there are significant differences in the way the Member States of the European Union define public interest entities. Certain countries have implemented minimum requirements of the Directive, while the others significantly expanded the definition and included additional entities. In terms of the comprehensiveness and expansion of the definition, Croatia stands out, along with countries such as Italy, Romania and Slovakia. Moreover, there are much stricter requirements imposed on audit firms that perform statutory audit in public interest entities, especially regarding independence, fees, quality control and reporting. These additional requirements mainly affect the largest audit firms, that is Big Four audit firms, given that they have a dominant market share in the majority of countries.

Keywords: *public interest entities, statutory audit, Croatia, European Union.*

JEL: M41, M42

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THE IMPACT OF FAIR VALUE CONCEPT ON THE QUALITY OF REPORTED FINANCIAL PERFORMANCE MEASURES

Review

Abstract

In the last twenty years there has been a significant shift in the concept of accounting measurement to the increasing use of fair value accounting. These changes have important implications for the role and characteristics of the items in the reported financial statements. The basic hypothesis of the research is that the application of the concept of fair value significantly affects the quality of financial reporting. The fair value is primarily based on current market prices, thus the underdevelopment of the market, market disturbances or lack of markets can automatically be reflected in the lack of quality of financial statements for businesses entities that apply fair value accounting. Given the institutional characteristics of the countries of Eastern Europe that are mainly bank-oriented and where markets are not sufficiently developed and active, in the present paper we analyze how exposure to fair value accounting affects the predictive ability, persistence and volatility of the financial performance measures. The empirical verification will be made on a sample of banks whose securities are publicly traded on regulated capital markets in 13 countries of Eastern Europe in the period from 2000 to 2011. The results show that changes in fair values reported through other comprehensive income mainly reduce the quality of reported comprehensive income, while changes in the fair value through net income increased predictive ability and persistence of net income.

Keywords: *fair value, financial reporting quality, predictive ability, persistence, volatility*

JEL: M41, M48

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THE EFFECTS OF APPLICATION OF THE FINANCIAL TRANSPARENCY STANDARDS ON EFFICIENCY OF STATE OWNED ENTERPRISES IN CROATIA

Review

Abstract

State-owned enterprises are frequently associated with a low level of financial transparency and the absence of quality information about their financial position and business performance. At the same time, there is a discourse about their low efficiency as a result of inadequate management. The low level of transparency and inadequate disclosure of company information can lead to unethical behaviour in the company and the loss of integrity on the market. Such non-transparent business practices have cost implications not only for the company but for the economy in general. This paper describes and demonstrates the impact of the application of the transparent reporting system based on international corporate governance standards and anti-corruption strategic documents on the management quality in state-owned enterprises in the Republic of Croatia. Through empirical study on a sample of fully state-owned enterprises, the authors analyze the effects of the achieved level of application of financial transparency standard on the elements of financial performance and financial position of state-owned enterprises. The results show a significant correlation between these elements and the achieved level of application of financial transparency standard. The higher level of application of financial transparency standard implies lower expenditures and greater efficiency in managing these companies. The application of financial transparency standard affects the income and the value of capital employed, implying that the higher level of financial transparency optimizes the level of expenditures, income and capital employed to the extent and quality of public services for which these companies were established. Furthermore, the results of the study show a correlation between the achieved level of financial transparency and the size of the company, but not with the sectoral affiliation.

Keywords: *financial transparency, governmental business entities, corporative governance, anticorruption, financial results*

JEL: G38, M48

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COOPERATION BETWEEN THE AUDIT COMMITTEE AND EXTERNAL AUDITOR AS DETERMINANT OF AUDIT QUALITY OF FINANCIAL STATEMENTS

Review

Abstract

In the past couple years there are more and more stand out requirements for professional and independent action of auditors in audit of financial statements. In fact, it's about the basic principles of the audit that are not unknown. However, the results of many empirical researches have shown that these principles into practical action are often violated and it is necessary to provide additional mechanisms to strengthen the expertise and independence as essential prerequisites of the audit quality of the financial statements. At this point, especially when it comes to public interest entities, the audit committee action can significantly contribute to the quality of the audit of financial statements. The main objective of the new European regulatory framework in the field of auditing is harmonization, or to increase comparability of the audit profession and the activities within the European Union and to improve the quality of financial reporting and auditing as well as the protection of investors and creditors. In the context of the recent reform of the audit at the EU level, with the traditional role of audit committees in supervising the audit of financial statements, are introduced some new roles, responsibilities and tasks of the audit committees. They can be realized by establishing a good communication and cooperation between the members of the audit committee and statutory auditors. In this paper the most important aspects of cooperation between the audit committees and statutory auditors have been identified and analyzed in the whole process of audit of the financial statements that contribute to the quality of the audit and the achievement of its purposes and objectives. The aim of this paper is to systematise the traditional role of the audit committee in the system of corporate governance and to explore further role and responsibilities of the audit committee, according to recent EU requirements. Also, the aim of this paper is to identify and systematize many aspects of the relationship that is in the effort of achieving the role, duties and responsibilities of the audit committee, established between the audit committee and statutory auditors. In the context of the need for further improvement of corporate governance practices in the member states of the European Union it is necessary to further strengthen the operation of the audit committee as an internal monitoring mechanism of corporate governance. Related to this, the new rules of the European Union, as part of the recent reform of the audit, provide additional and more stringent requirements regarding the establishment and functioning of the audit committees in particular for public interest entities. The analysis of the provisions of Directive 2014/56 / EU and Regulation (EU) no. 537/2014 concluded that the new rules relating to the establishment and operation of audit committees, compared to the traditional role of the audit committee, are more demanding and more complex and include many explicit requirements that have not been regulated in this way. On the relationship of the audit committee and statutory auditors, which makes one of the most significant aspects of the audit committee, it can be concluded that there is a large number of interconnections and relationships that are established continuously during the entire audit engagement which includes the obligation of the audit company to report the audit committee about numerous issues arising from the audit engagement, activities of the audit committee regarding the election, appointment and change of statutory auditor, assessing auditor independence, considering the scope of the external audit and communication of audit findings and results.

Key words: corporate governance, audit of financial statements, audit committee, statutory auditor

JEL: M42, G39

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ACCOUNTING INFORMATION AND GENDER BUDGET

Review

Abstract

The state and local government budget is the main financial planning instrument for financing politically structured public spending. Its structure on the revenue and expenditure side clearly shows how national and local government set their priorities and how they form and intend to implement their policies and decisions. The budget which aims to eliminate the existing gender inequality is called gender-sensitive budget, i.e. gender budget. Since the budget numerically shows total public revenues and expenditure that result in budget surplus or deficit, the budget is seen as a gender-neutral instrument. However, due to different socially and naturally shaped roles of women and men, their needs differ, and therefore, decisions made in the budgeting process may have a significantly different impact on men and women. Thus, the paper points out that the government and other authorities in the process of preparing, adopting and implementing the budget should be, among other things, based on available information, analyse its impact on the female and male population, introduce modifications that will result in greater gender equality and report thereon. In this context, the paper presents a qualitative analysis of the relevant legislation as a precondition for the creation of a gender-equal budgeting policy in the framework of decentralised public finances, a methodological framework for unified planning of budget revenues and expenditure, system and adequacy of budget classifications in terms of monitoring the budget execution in terms of gender equality, the system and characteristics of financial and budgetary reporting, also in terms of gender equality.

Keywords: *budget, gender equality, gender-sensitive budget*

JEL: H61, H83

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DETERMINANTS OF AUDIT FEES IN REPUBLIC OF CROATIA

Review

Abstract

The policy of determination and regulation of audit fees is long and always actual problem, from professional and scientific aspect as well. Namely, the amount of audit fees has numerous implications on the quality of rendered audit services, on the level of price competition on the market of audit services, on the costs of audit services payers, on the possibility of compensation in the case of litigation against auditor and similar. Hence, the main purpose of this work is to explore and analyze potentially relevant factors that have impact on the amount of audit fees in Croatia.

The research was conducted on the companies whose securities were listed on the capital market in Croatia in 2013 and 2014. However, eventhough it is obligatory to publish audit fees since 2009 a large number of companies still do not publish that information in its notes to financial statements. Therefore the sample for this research was 30 companies per year eventually of total 135 companies initially analyzed. The results of the research show that the important determinants of audit fees amounts in Croatia are the size of the audited company, type of company ownership and type of audit company. The results of the research could be very interesting to the scientists and experts, auditors, audit associations, audit payers, regulators as well as to other interested stakeholders.

Keywords: *audit fees, publishing, determinants of audit fees*

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CERTIFICATION AND LICENSING OF ACCOUNTING AND AUDITING VOCATIONS

Review

Abstract

Today, perhaps more than ever, accounting and auditing profession requires high quality sets of standards. This is especially highlighted in terms of the complexity of business transactions, business internationalization, the application of new technologies, especially the frequent changes of regulations and legislation. In order to respond well to a number of challenges accountants and auditors need to be well educated. Acting in the accounting and auditing profession actually means, among other things, setting up the criteria under which a person can become an accountant or auditor. A high level of expertise and competence in the accounting and auditing profession is one of the basic conditions and prerequisites of doing high quality business. At the same time, the expertise and competence of persons involved in the accounting and auditing work involves formal education, but also the ability to apply theoretical knowledge in practice, which verification will be undertaken in the form of exam after completion of practical training. In addition to practical experience and examination it is necessary to ensure that an accountant or auditor take part in appropriate program of continuing education in order to maintain and enhance the theoretical knowledge and professional skills and values at the sufficiently high level. In this sense, the aim of this paper is to investigate and analyse what are the necessary conditions under which a person can be certified and licensed to perform accounting and auditing. Practice indicates that there are some differences both in formal education and in the approaches to continuing education and training of accounting and auditing professionals. In other words, different approaches are applied to certification and licensing between different countries. This implies the need for standardization of the education of accountants and auditors at the international level. There are certain standards of professional education that are internationally accepted but each country sets its own specific certification and licensing requirements. In this respect, the paper will explore possibilities of acquiring certificates and licenses to carry out accounting and audit services in the developed countries and selected European Union countries. In doing so, special emphasis will be put on the research of the requirements for taking the exam, content and ways of examination for acquiring accounting and auditing vocations. Understanding the way and the requirements for entering to the accounting and auditing profession in selected countries of the EU can generate a relevant basis for setting criteria for quality acting of the accounting and auditing profession in Croatia and neighbouring countries. By adopting such rules, the preconditions for quality development of the accounting and auditing profession in the future will be created.

Keywords: certification, licensing, accountants, auditors

JEL: M41, M42

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THE APPLICATION OF SIMULATION GAMES IN TEACHING ACCOUNTING

Review

Abstract

The purpose of this paper is to determine the nature of the relationship, if any, between games and learning in the classroom, and how it can be used. Can students acquire new knowledge through role-playing, i.e. role-play and learn at the same time? These and many other questions will be answered in this paper. One cannot deny the fact that it is through play that people start learning from an early age and that is why it has become so important in the education and upbringing of children, as well as in increasing the motivation of people of all ages and gender. It is also an undeniable fact that accounting is an extremely complex process, often perplexing to beginner students. This paper seeks to link accounting, as a complex process which students often find abstract, with play (through practical training), which is motivating and fun. In this way, students learn much more easily the specific accounting terminology, the basic accounting equation, as well as the numerous accounting processes. Using various role-play simulations in education, students are able to gain different experiences and acquire knowledge in a short period of time by simulating real-life business situations under controlled conditions, and most importantly, without unintended consequences. This knowledge will be expected from them shortly upon the completion of their studies.

Simulation games have been used as a teaching method for quite some time in many international education institutions. As such, they provide the basis for this paper aimed at examining the opinions and attitudes of students towards the use of simulation games in teaching accounting. Furthermore, the paper seeks to determine the differences between simulation games and traditional teaching methods, and finally determine the impact of simulation games on the efficiency of students, measured by their final performance evaluation, as well as of teachers, measured by their teaching performance. The attitudes and reactions of students of higher education institutions in the Republic of Croatia will be examined using a survey, while the effects of the application of simulation games in teaching will be analyzed using comparative and descriptive methods. The paper highlights the psychological factor, i.e. the impact of play or learning through play, as an irreplaceable tool and the basis for student-centred teaching which is informative, practical and interesting.

Keywords: *accounting, simulation games, practical training, survey*

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REPORTING ON OWN ISSUED FINANCIAL INSTRUMENTS

Professional paper

Abstract

Reporting on financial instruments is the field that went through the most important changes in financial reporting in the last decade. It is considered that reporting in this field is the most important cause of the recent world financial crisis. Thus, to achieve some order in this field, the IFRS 9 Financial instruments standard is issued. Still, some parts of reporting on financial instruments are still open for discussion. This works analyses reporting on own issued financial instruments according to IFRS and EU accounting directives and discuss about reporting on own financial instruments according to EU accounting directives.

Keywords: *own financial instruments, financial reporting, EU accounting directives*

JEL: M41

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EXCHANGE RATE DIFFERENCES IN BUDGETARY ACCOUNTING IN CROATIA³

Professional paper

Abstract

If public sector unit has assets and liabilities in foreign currency it is necessary to reduce it on domestic currency which implicates an application of exchange rate as well as effects of exchange rate changes in financial statements of public sector unit. In that sense in this paper are presented requirements for reporting on exchange rate changes, according to International accounting standards for public sector and requirements according to budgetary accounting regulation, are presented.

Risk management connected to financial assets and liabilities requires quality information about changes in value of certain positions, about realized as well as unrealized profits and losses from holding financial assets and liabilities.

Keywords: *exchange rate differences, effects of exchange rate differences, budgetary accounting, International accounting standards for public sector*

JEL: M41, M48, H61

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SPECIFICS IN RECOGNITION OF THE INFRASTRUCTURE ASSETS IN PUBLIC SECTOR⁴

Professional paper

Abstract

A large number of countries have made significant improvement in the public assets management starting from implementation of accrual accounting basis (accrual basis) in the public sector whose application enables accounting recognition of all assets groups and from the necessity of efficient management of total assets in public sector as one of the guidelines of new public management concepts. Eventhough, there is a large number of experiences in the application of accrual basis and after years of its application, still there are numerous unsolved issues regarding recording, recognition and measurement of assets in the public sector. It is about definition of the assets in the public sector, modality of its value at first recognition and subsequent measurement and evaluation and judgement about best way of use.

A large number of different assets of state entities (infrastructure assets, military assets, inherited assets, natural resources) causes problems regarding its recognition and evaluation. In order to evaluate performance of state entity but also for public managers to make quality decision, it is necessary to have relevant information that include information about assets entrusted for management. Since state entities achieve certain economic and social goals through public and private companies, institutions or agencies, state gives certain assets to these reporting entities.

The aim of this work is to show problems in recognition of infrastructure assets in public sector, especially assets at disposal of the public companies, and to give potential solutions in accordance with accounting standards. There are situations in our practice where infrastructure asset is recorded in one reporting entity and use in other reported entity. In public sector the asset is under reporting entity's control if this entity has control on benefits from the assets. In the same time, if entity has benefits from assets all risks from that assets also belong to the company. In that sense, it is necessary to define assets adequately through accounting and financial reporting and to determine who controls the assets and enjoys its benefits.

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Keyword: *accrual accounting basis, infrastructure assets, financial reporting;*

JEL: M40