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INSTITUTIONAL ACCOUNTING FRAMEWORK AS A FACTOR OF ACCOUNTING PROFESSION MOBILITY IN EASTERN EUROPE

Review

Abstract

The institutional accounting framework consists of conceptual framework, accounting legislation and accounting practices. Conceptual framework is the first level that defines normative accounting policies. The second level, accounting regulation, transforms elements of the conceptual framework into appropriate legal form. At the third level, professional accountants and other financial statements users apply those rules in practice. Over the past two decades institutional accounting framework in the Eastern Europe countries has been intensively changed in order to align with transition processes and accession to the European Union. All these changes have significantly affected the scope and complexity of accounting professionals' jobs. Furthermore, those trends will significantly affect the development and the mobility of accounting profession in the future. Thus, the goal of this paper is to make a comparative analysis of the institutional accounting framework in selected Eastern Europe countries in order to determine the level of harmonization achieved, to identify key differences, and to provide guidance for future development of accounting regulations and accounting profession.

In this paper desk research method is used to analyse the institutional accounting framework of 17 countries in Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Macedonia, Poland, Romania, Russia, Slovakia, Slovenia, Serbia and Ukraine). Those countries have similar history of going through transition process from planned to market economy and today are bank-oriented and macro-user accounting system countries.

Keywords: *accounting framework, harmonization, accounting profession, Eastern Europe*

JEL: M41, M48

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APPLICATION OF ABC METHOD IN THE ANALYSIS OF PROFITABILITY OF CUSTOMERS IN THE HOTEL INDUSTRY

Review

Abstract

Traditionally, managers have demanded internal reports and information about the profitability of each product or group of products while in the modern business conditions for decision making managers primarily rely on the analysis of the profitability of each customer or group of customers. Analysis of customer profitability provides the information necessary to identify and determine the customer because of their profitability in relation to the customers to be avoided due to their unprofitability and provides information necessary in making strategic decisions. The use of customer profitability analysis contributes to the improvement of strategic decision-making as it provides information useful for decision making about their customers including decisions on prices, discounts and marketing decisions.

An effective system of customer relationship management in order to increase customer satisfaction directs the activities of managers in increasing customer profitability, which directly leads to increased profitability of enterprises as a whole. In order to improve the quality of the overall management process, and especially cost management over the last decade managers leaves the application of traditional cost accounting systems and is increasingly encourages the implementation of the ABC method, as the modern approach to costs calculation, due to the comprehensive information on the costs of individual processes, contributes to improving the quality of management decisions, allowing better control and supervision of the general costs and allows more precise accurate pricing of individual products and services. Due to its many advantages, the ABC method has been increasingly used in the analysis of customer profitability.

The aim is to highlight the importance of and the need for analysis of customer profitability in the current business conditions for the purpose of identification and differentiation profitable from unprofitable customers and use of this information in decisions making. This paper systematically investigates the application and importance of the ABC method in the identification of activities associated with the customer in order to better allocation of non-production costs such as the costs of marketing, sales, distribution and administration. The above shows the basic aim of the research, which includes setting up a theoretical framework and concept for the application of ABC methods in the analysis of the profitability of customers in the hospitality industry. Study has used ricularly relevant secondary data sources o be processed by applying the basic scientific research methods including induction and deduction methods, the method of analysis and synthesis, method of compilation and comparison.

Key words: *cost management, ABC method, the analysis of the profitability of customers, decision-making, hospitality.*

JEL: M40, M41

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ABC METHOD IN THE FUNCTION OF BUDGET PLANNING FOR HIGHER EDUCATION FUNDING

Review

Abstract

This paper has three main objectives. First objective is to show the system of higher education financing in Bosnia and Herzegovina and point out its shortcomings. The second objective of this paper is to review the relevant domestic and foreign literature related to the application of the ABC method in higher education and, finally, using the results of the IPA project "Reform of Financing Higher Education in B&H (2012-2014)", to show the possibilities and prospects of using the ABC method as function of operational budget planning for higher education funding in Bosnia and Herzegovina using the example of University of Mostar.

Key words: *higher education systems, ABC method, funding models, University of Mostar, Bosnia and Herzegovina*

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ANALYSIS OF TARGET COSTING USAGE OPTIONS RESPECTING RETURN ON INVESTMENT

Review

Abstract

Many Japanese companies managed to achieve competitive advantage and improve their business performance. The key to their success lies in the application of Target Costing method, or a method of calculating target costs. For the implementation of market-based policy management across the enterprise, such as the cost of measurement, control systems, etc., must be constructed according to the motives and wishes. The method of target costing has been identified as a method that will help the management to implement the defined strategy of the company. It is the result of the companies' response to the competition, the implementation of a long-term strategy and survival in volatile markets. Although the method of target costing focuses on activities in designing and products designing, it requires the cooperation of all departments of the company in the development stage. Benefits of target costing method are numerous among which also takes place in earning profits, and in this connection and return on investment (ROI) or return on capital employed, where the dilemma arises with what is meant by the invested capital, or the size of refund of used capital that should be calculated. In this sense, can occur two sizes: return on assets (ROA) and return on equity (ROE).

Key words: *target costing, return on investment, return on assets, return on equity*

JEL: M41

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**MODEL OF IMPLEMENTATION INTERNAL CONTROLS IN FUNCTION OF
INCREASING EFECIENCY AND EFFECTIVENEES OF PROFIT
CENTERS**

Review

Abstract

Contemporary accounting literature emphasizes flexible budget as an instrument of control by which primarily controls the efficiency of management profit center. However, except for the managerial control, flexible budget and the performance report can be of good quality instruments for the implementation and operation of internal controls at the level of profit centers. Internal control at the level of profit centres are built into all our business processes and activities that take place within the profit center in order to prevent irregularities, errors and fraud in business profit center. Internal controls at the level of profit center seeks to ensure efficiency and effectiveness of operations of profit canters, profit center asset protection from unauthorized use and reliability of accounting information on the level of profit centers. The extent and type of internal control at the level of profit center primarily depends on the approval of management profit center in terms of decision making.

Key words: *internal control, profit center, flexible budget, performance report, internal auditing*

JEL: M41, M42

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FINANCIAL REPORTING AND AUDIT ENTITIES IN THE PUBLIC SECTOR IN ACCORDANCE WITH INTERNATIONAL STANDARDS

Review

Abstract

Providing complete and relevant information about the operations of the public sector entities in order to evaluate the use of entrusted funds and evaluation responsibilities of public managers is possible only in conditions when the state accounting system, and financing reports based on it, is created on an accrual basis. In this way, International accounting standards for the public sector, developed by the IASB, are based on the accrual basis. Applying these standards, reporting entities recognize accounting elements in accounting period in which they are occurred as a result of business events.

In assessing if the public sector entities achieve and to what extent determined profit aims, reports that contain only financial information are not sufficient. Presentation, beside financial and non-financial information about the activities relating to the provision of services, is necessary to create a complete overview of the reporting entity and assessment of economy, efficiency and effectiveness of the activities of the entity. In this sense, states beside general purpose financial statements which are prepared in accordance with accounting standards, present a budget and reports in accordance with the statistical reporting systems.

On the other hand, in order to increase the reliability of the information presented in the external financial reports, as well as the stakeholders confidence in information from these reports in their truth and accuracy, external public audit in accordance with auditing standards of INTOSAI, or ISSAI auditing standards developed by the International Organization of Supreme audit Institutions is carried out. The responsibility of external auditors in the public sector is expanded beside of giving an opinion on the financial statements of public sector entities to the obligation of expressing an opinion on whether their business activities and financial transactions are carried out in accordance with relevant legislation, and whether public funds entrusted are used for the intended purposes in an efficient, economical and effective way.

Key words: *accrual basis, financial reporting, International accounting standards for the public sector, external public audit*

JEL: M4

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COOPERATION BETWEEN INTERNAL AND STATE AUDIT IN THE PUBLIC SECTOR

Review

Abstract

Internal audit provides support to the budget user for the purpose of achieving its objectives that are related to improvement of risk management processes, control and management. Continuing enhancement of internal control system reduces the level of business risks exposure providing successful organization's performance and stability. State audit assesses internal controls and internal audit in order to validate performance of the organization. Effective internal audit enables state auditors to decrease the amount of audit work to be done by reducing the level of detection risk. The most important aim of cooperation between state and internal auditors is to support accountable and rational use of budget funds and to protect the organization from risk of fraud and corruption. Therefore, although in many ways different, internal and external (state) audit also have many complementary goals and interests.

The main goal of this research is to examine the level and the methods of cooperation between internal and state audit. The paper analyses how and to what degree they can achieve mutual beneficial cooperation, how they can improve it in the future and to what extent state auditors can rely on the internal auditors work. The empirical research has been carried out on the sample of the certified state auditors from Croatia. The data necessary for the analysis were collected using questionnaire. The results of empirical research indicate that the cooperation between internal and state auditors has moderate intensity. Also, the contribution of state auditors to the development of internal audit and internal control system is not sufficient. Based on the obtained results and suggestions given by state auditors regarding the possibilities of improving the cooperation between state and internal auditors in the future, final recommendations and conclusions have been derived.

Key words: *internal audit, state audit, public sector*

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