SILESIAN UNIVERSITY
SCHOOL OF BUSINESS ADMINISTRATION IN KARVINA

MANAGERIAL ACCOUNTING

Ing. Markéta Skupieňová, Ph.D.
MANAGERIAL ACCOUNTING/NANMU

CRITERIA OF VALUE MANAGEMENT OF THE BUSINESS PROCESS

The goal of the business process

- the business process aims to transform inputs into outputs in order to evaluate the resources invested and create profit
- profit can be understood as the proceeds of a given activity, created by the excess of economic benefit over economic resources, transferable to money

Economic result (profit/loss) = revenues – expenses

Basic category of economic management of the enterprise

- from the relationship between the costs incurred and the revenues obtained, it is possible to derive some criteria for the rational course of the implementation of specific performances, processes and activities, among which can be included:

  - economy
  - economic efficiency
  - solvency
  - liquidity
  - equity and debt capital structure

Economy

- the basic criterion for expressing rationality when spending economic resources
- expresses the course of the company's costs, during which the desired outputs are achieved with the least possible expenditure of economic growth resources
- the measurement of economy is based on a **comparison of the actual costs incurred with a predetermined level of costs**
    - **Economy = Planned Costs - Actual Costs**

Economic efficiency

SLEZSKÁ UNIVERZITA
OBCHODNĚ PODNIKATELSKÁ FAKULTA V KARVINÉ

- the economic efficiency of the costs incurred is the result of measuring the costs incurred with the achieved economic benefits (revenues)

- the basic form is a comparison of the costs that were incurred in connection with the implementation of services - with the revenues from the sale of these services

- economic efficiency can be quantified using **profit**

- profit - reflects the success of the business and its amount is linked to the increase in the value of the business for the given period and the ability and degree of its expanded reproduction

Economic efficiency

- it is based on a comparison of the costs incurred with the economic benefit achieved, thus from the quantification of the profit of the evaluated period

- from the point of view of the owners, efficiency is most often evaluated by the ratio between profit and the average amount of total or equity capital

- in addition to economic efficiency, it is also necessary to monitor the factors of its increase

  - Return on equity (ROE) $= \frac{net\ profit}{equity}$

Economic value added (EVA)

- the difference between net operating profit and cost of capital
- it also takes into account the cost of equity capital
- it is mainly used to assess the value of the owners' property
- opportunity costs are included in the cost of capital
- ***EVA = net operating profit after tax - cost of equity capital - cost of debt capital***

Solvency

- permanent and long-term ability of the company to meet its obligations when due

Liquidity

- the short-term ability of the enterprise to meet its immediate obligations at the time of maturity
- it is most often expressed as a ratio between so-called liquid funds (which the company has at its disposal in cash form, or can be quickly and without risk exchanged for cash) and short-term liabilities
  - Cash ratio
  - Quick ratio
  - Current ratio

The concept of costs in managerial accounting

We distinguish:

- financial concept of costs
- value concept of costs
- economic concept of costs

Financial concept of costs

- consumed or used economic resources that are supported by real spending of money
- these are mainly costs paid directly in monetary form (e.g. salary)
- or which express the consumption or use of material resources that were provided with the help of money (e.g. material consumption, depreciation of long-term tangible assets, etc.).
- the financial concept cannot include costs that do not have the equivalent of a cash outlay (e.g. own goodwill, fictitious interest on equity)
- quantifies the costs at the level of the actual (historical) costs of acquiring the relevant items, or in their reported book value.

Value concept of costs

- consumed or used economic resources are not valued at historical acquisition costs, but at the level of prices that correspond to their material reproduction (reproduction acquisition price) or **market price**

- this includes costs that do not have the equivalent of spending money and their application in a given activity has specific economic consequences

- calculation depreciation
- imputed interest
- calculation rent
- calculation business salary

Economic concept of costs

- important especially for decision-making needs in order to select optimal future alternatives

- understands cost as the maximum value that can be produced through a chosen alternative

- works with **opportunity costs**
  - the maximum forgone revenue that was sacrificed as a result of the use of the economic resource in the chosen alternative

Thank you for your attention