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Faculty of Finance and Accounting



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The 16th Annual Conference on Finance and Accounting (ACFA 2015)

The Faculty of Finance and Accounting, University of Economics, Prague highly promotes international research cooperation. The Annual Conference offers an opportunity for researchers to present their work both in early and final stage of research. The second aim of the Conference is to create a broad platform enabling young researchers, especially Ph.D. students, from all over the world to share their thoughts and visions, to discuss contemporary development in finance and accounting, and thus to obtain references for their research and doctoral theses. For this year's edition of the Conference, taking place on 29th May 2015, the Scientific Committee assessed totally 129 submissions of full papers from authors affiliated with universities in 25 countries, which confirms a long-lasting international recognition of the Conference.

Number of submissions for the ACFA Conferences

Year	Czech Republic	EU countries	Other world	Total
2010	44	23	9	76
2011	34	19	7	60
2012	48	12	15	75
2013	36	12	15	63
2014	19	15	8	42
2015	61	32	36	129

Out of 129 submissions, 91 papers (acceptance rate 70.5 %) have qualified for the approval of the Scientific Committee and for presentation at the Conference scientific sessions. The increase in the number of submission is mainly due to a fact that originally Ph.D. conference has broadened its scope and it is open to all researchers since this year. However, the current Ph.D. students form a significant share of participants, with 52 accepted papers in total. The Conference covers such domains in finance and accounting as *Monetary economics; Public sector and public finance; Taxation; Banking; Insurance; Financial mathematics; Financial*

accounting; Management accounting; Public sector accounting; Auditing; Financial management; Corporate valuation; and Economic education. The authors are required to follow publication and ethical standards as defined by *The Committee on Publication Ethics* (COPE). Similarly, the review process follows the standards as defined by *The Committee on Publication Ethics* (COPE). Only full papers are considered for presentation; only presented papers are published. All submitted papers are subject of a double-blind review process assessing the outline of the paper's aims; methodology used; references to relevant literature; coherence of conclusions and inferences; and the contribution to the development of theory and/or practice. The reviews containing evaluation, remarks and comments are available for authors of both accepted and rejected papers.

The Organising Committee would like to thank the members of Scientific Committee and reviewers for their excellent work and valuable help.

We are looking forward to seeing you in the next year edition of the conference. The ACFA 2016 will take place on 27 May 2016. The deadline for submission of full papers will be as usual, i.e. 1 March 2016. Further information will be published during October 2015 on the Conference website <http://convention.vse.cz/>

David PROCHÁZKA

ACFA 2015 Head of the Organising Committee

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Effect of Capital Structure on Real Versus Accrual Earnings Management Decisions and Future Performance

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Abstract

This article investigates whether leverage affects the sequential nature of two earnings management methods and the future performance of levered firms using those methods. I find that both methods are alternatives for debtless firms while they are used simultaneously by indebted firms. In addition, real activities management is more informative for signaling future performance in levered firms while income-decreasing discretionary accruals are more informative for debtless firms.

Key words

Real Activities Manipulation; Accrual-Based Earnings Management; Leverage; Future Performance

Management Accounting and Agency Theory

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Abstract

The main objective of this paper is to explain how management accounting developed and where we see scope for expanding the concept of managerial accounting with involvement of agency theory. The paper first describes factors affecting the development of managerial accounting. Attention is paid to the description three branches of agency theory with management accounting implications. The paper discusses the possible direction of using agency theory within management accounting.

Key words

Management Accounting; Agency Theory; Information Asymetry

Customer Profitability Analysis and Customer Life Time Value Models: Portfolio Analysis

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Abstract

The financial performance of a company is evaluated by two models in the marketing and sale phase of business cycle: tactically oriented customer profitability analysis model (CPA) and strategically oriented customer lifetime value model (CLTV). The article builds on the author's paper Analysis of customer lifetime value model: Literature review by analyzing real data provided by a company which belongs to market leaders in its segment: customers' profitability, creditworthiness and payment performance of customers were analyzed between 2010 and 2014. Results of the portfolio analyzes will be used in the future research which should build modified marketing models focused on the customer relationship and expand them by the risk factor of a customer's payment default and potential loss for a company driven by a customer's bankruptcy. Such a model will be tested on the provided data set. We proved that the risk profile of customers was above the average (most of customers were classified as high risk customers). Furthermore, we confirmed that one-off customers were more reliable payers and were also more profitable for the company. Last but not least, we analyzed the Kanthal effect by Kaplan on the data set. We concluded that the profitability of customers varied significantly, but the most profitable group of customers generated 104 % of the profits only.

Key words

Customer Profitability Analysis (CPA); Customer Life Time Value (CLTV); Management Accounting; Portfolio Analysis

Audit Reporting Changes: A Content Analysis of Comment Letters Issued to 2013 Exposure Draft

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Abstract

The global financial crisis and the economic turmoil have had an effect on the accounting and audit profession, including the audit reporting process. Changes in audit reporting regulations come as a response to these shortcomings, their goal being to improve users perception regarding the usefulness and quality of the audit report. This study approaches the subject of these revision proposals and their implications on the audit report. The authors have structured this research in five parts, as following: the first part is a brief introduction to the subject matter; the subsequent part presents the research methodology; in the third part, the authors sketch a review of previous literature in the field; the penultimate section offers an analysis on the replies gave by EU respondents to the IAASB Exposure Draft and Invitation to Comment issues in July 2013. Last but not least, the final part outlines the research findings, limitations and perspectives for future inquiries.

Key words

Audit Report; Iaasb; Exposure Draft; Key Audit Matters

Crisis of Confidence in Auditors: Russian Experience

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Abstract

The present research on auditing of Russian commercial banks demonstrates why users of financial reports no longer have confidence in the auditor s reports. The example of the banks placed in liquidation illustrates the fact that audit has not allowed users of financial statements to mitigate their information risks. Further inspections showed that 90% of the auditor s reports prepared for Russian commercial banks did not prove to be reliable. Speaking about the activity of audit firms - the Big Four, medium and small businesses - in Russia, it might be stated that auditing of financial statements has many facets; it may serve as: a tool of total monitoring of activities performed by key players of national economies at the age of globalization an element of investment marketing a democratic institution of independent financial control

Key words

Audit; Users of Financial Statements; Audit of the Central Bank of Russia; Auditor Independence; Information Security of a Key Economic Entities

Consolidation Exemptions under IFRS

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Abstract

International Financial Reporting Standards require entities to present primarily consolidated financial statements. When the relationship of control is identified, the investor consolidates all controlled entities and presents financial statements for the whole group as if it was a single economic unit. Since the process of preparation and issuance of consolidated financial statements imposes huge costs, there are certain reliefs to be applied both from consolidating every subsidiary and from obligatory presentation of consolidated financial statements. The article analyses the conditions under which consolidation exemption may be applied by the companies together with development this topic has undergone in recent years. Subsequently, it discusses reasoning of the exceptions and their impact on information needs of users of financial statements.

Key words

IFRS; Consolidated Financial Statements; Control Concept; Investment Entities

Personal Bankruptcy in the Capital City Region and South Bohemian Region in the Czech Republic

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Abstract

Personal bankruptcy, as a process of debt relief, is very popular among those who want to solve their complicated financial situation nowadays. It is also one of the ways how insolvency can be declared in the Czech Republic. There are two ways of processing personal bankruptcy: firstly debts of an individual can be repaid (partial or whole) by selling some of the debtors assets. Secondly, depending on the debtors income, part of the debt can be repaid through repayment plan. In this research it is not defined by which of these two ways is personal bankruptcy handled, but it concentrates on structure of debtors in particular regions of the Czech Republic such as gender, age, education and income. This paper is also focused on comparison of above mentioned characteristics between regions.

Key words

Personal Bankruptcy; Debt Relief; Czech Republic; Insolvency

IFRS Adoption for Accounting and Tax Purposes: An Issue Based on the Czech Republic as Compared with Other European Countries

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Abstract

This work is focused on IFRS adoption for accounting and tax purposes mainly in the Czech Republic however it shows this issue across the European countries. There are differences in the scope of acceptance of these standards across European countries. While the Czech Republic adopted IFRS not only for consolidated financial statements but also for individual financial statements, many countries accepted IFRS only for consolidated financial reporting maybe because of no effect on taxation. The work is also interested on discussion about the optimal relationship between accounting and taxation.

Key words

International Financial Reporting Standards; Income Tax Base; Tax Collection; Accounting Profit or Loss; Taxation

The Balanced Scorecard Implementation, Integrated Approach and the Quality of Its Measurement

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Abstract

The BSC approach is used and recommended extensively as well as the continuous development. Since, it had been introduced, many researchers have been widely investigated and revealed the advantages and disadvantages of the approach that related to communication, integration and indicators measurement. Consequently, this paper determines to solve those barriers and find out the effective of practical solutions that require; (1) the needs of translating and cascading strategy throughout an organization channels effectively; (2) the critical role of efficiently integrating approaches in operational procedure; (3) The design and use of indicators and its measurement performance.

Key words

BSC Implementation; Integrated Approach; Performance of Measurement; Cascading Process

Business Property of Company and Investments

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Abstract

Liquid cash for investing are always expected to return in a higher amount than invested. To come up to this expectation, the investment must be directed to productive forms of an asset. This regards investments to companies as performance-oriented entities, as well as investments in a company when allocating company's resources in individual forms of an asset. To evaluate the investment potential, an evaluation of a performance potential of a company based on a business property of a company proves useful. This can be financially or physically understood. Both approaches express facts regarding the further business productivity, hence a potential of capitalising the investment from an internal or external environment of a company.

Key words

Business Property; Investing; Assets; Asset; Financial Analysis; Benchmarking

Talking About 'Non-Financials': A Semantic Analysis of the EU-CSR Directive and Its Impact on the Reporting of 'Non-Financial' Information

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Abstract

Various authors argued that accounting can be seen as a language for specific purposes (LSP). We expand this approach by arguing, that the broader term of corporate business reporting can also be referred to as an LSP. Such a language requires the use of terms and concepts with a precise definition or meaning to facilitate efficient communication between individuals. In the case of accounting a precise definition or meaning is usually acquired by discourse. After an agreement is reached, the new concept becomes a mandatory part of the LSP. If this is not the case, communicational problems might arise as it was demonstrated in the 1980th with regard to the term 'true and fair view', which was made mandatory by regulators before an agreement about its meaning was reached. In this paper we argue that it is alike with the term 'non-financial information' that will soon be a part of mandatory corporate reporting within the European Union (EU). Our arguments are based on a thorough survey of theoretical and empirical literature, on the rational of semantic theory, as well as on the results of a questionnaire survey. The clear finding is that, up to now, neither a common meaning nor a generally accepted definition of 'non-financial information' exists. In front of this background we discuss several venues to mitigate potential communicational problems.

Key words

Nonfinancial; Language; EU-CSR Directive

Is the Accrual Principle Fully Applied in Corporate Income Taxation in the Czech Republic

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Abstract

This paper analyses the relation between accounting and taxes in the Czech Republic using a specific example of the accrual principle. It asks the question whether the accrual principle applied in accounting is also fully applied in the area of direct taxation. The paper first discusses general considerations on tax collection in the Czech Republic and its constitutional and legal aspects, followed by reflections on how a tax base is constructed when the accounting profit according to Czech accounting regulations is used in the case of accounting units. The core of all considerations is the discussion about whether all revenues reported in accounting (unless specified otherwise in particular cases) are income that is subject to tax. The considerations are made in the context of decision making practice of the Supreme Administrative Court, while attention is also paid to the questions of legal regulation of financial accounting in the Czech Republic.

Key words

Accrual Principle; Corporate Income Tax; Tax Base; Financial Accounting; Revenues; Taxable Income

Auditing Integrated Reports: Are There Solutions to This Puzzle?

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Abstract

As the concept of integrated reporting is undertaking numerous developments, particular aspects in need of research are emerging connected to the topic. One of this particular aspects is the case of assurance provision in the case of integrated reporting. This paper intends to provide an insight in this topic, in the form of a literature review and point out the main actions which need to be taken to provide a clear perspective for auditing integrated reports. The main findings show that a high (or reasonable) level of assurance is difficult to obtain in the case of integrated reports because of the lack of audit regulations, the company specific trait of integrated reports and key performance indicators for non-financial information. Other issues that should be taken into consideration are the costs of such an audit (in monetary units and time), but also the issue of providing assurance for prospective information (future oriented). As a solution, collaboration between the IIRC and other standard setters (especially from the field of audit) is seen as the best way of overcoming the hindrances and providing coherent and effective audit methodologies that can that can be used in the case of integrated reports.

Key words

Integrated Reporting; Assurance; Audit; Stakeholders

Human Resources Disclosure by the Largest Czech Companies

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Abstract

Importance of sustainable approach to entrepreneurship is growing. Hand in hand with this trend increases also importance of sustainability reporting, which includes reporting on human resources. In this paper we examine the existence and extent of reporting on human resources in annual reports of the largest companies domiciled in the Czech Republic, which belong to selected industrial sectors. We also investigate which firm characteristics (size, listing status, industry) are potential determinants of the level of disclosure on human resources practices. To fulfil our goals we utilized methods of content analysis and linear regression. In total were examined 45 annual reports. We found that at least some information related to human resources is disclosed in each of these reports. Nevertheless the amount of disclosed information is often very superficial and organizations do not use any standards or guidelines for non-financial reporting. Comparison of the published annual reports with requirements defined by the GRI Guidelines version 4 highlighted how little information on human resources is published by majority of organizations. Regarding potential determinants of level of disclosure, our results show that organization size (measured by number of employees) and listing status (i.e., ownership type) have a significant positive association with composite disclosure index on human resources (CDI). On the contrary, industry had no influence on level of disclosure.

Key words

Corporate Sustainability Reporting; Disclosure On Human Resources; Global Reporting Initiative (GRI)

Valuation Date in the Process of M and A

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Abstract

Valuation for Mergers and Acquisitions and other transactions is peculiar topic. Quite often it's the business valuation translated into compensation that causes the discontent of the leaving shareholders and it's the valuation analysis that is opposed and becomes a subject of litigation at court. The value drivers like earnings, profit margin or discount rate are usually discussed. Another important variable - the valuation date - may stay unchallenged. Even though it may seem rather a technical matter only, the task to choose a proper valuation date is a cornerstone of every valuation analysis. The facts presented in this paper suggests that the choice of the valuation date is not solely formal, legal issue, but it obviously has a material impact to the rights of individuals, i.e. owners of companies, and also to the financial statements of the companies involved. It is therefore not correct to talk about the well known value drives and leave the valuation date in the background. In fact, it's exactly the opposite - the date of valuation determines the value drivers, and also fixes the premises and circumstances, regardless of whether the appraiser decides to use valuation models based on market comparison, DCF or asset-based models.

Key words

Valuation Date; Mergers; Squeeze Outs

The Development of Capital Markets of New EU Countries in the IFRS Era

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Abstract

From 2005, the EU listed companies are obliged to prepare their consolidated financial statements in conformity with IFRS, which are viewed as high-quality financial standards (Leuz, 2003). To comply with the increased disclosure requirements, companies have to incur significant costs. However, the benefits from harmonised financial reporting are available only to those entities, which have serious incentives to report transparently (Daske et al., 2013). The benefits and costs following the changeover to IFRS are therefore neither unfolded equally across companies, nor countries. Empirical research (e.g. Lee et al., 2008; Christensen et al., 2013) reveals that the shortcomings in institutional setting may close off all potential benefits from harmonised accounting, which is pertinent mainly for the transition countries. The aim of this paper is to identify absolute and relative winners and losers among the new EU member states in terms of the progression of their capital market. The particular focus is put on the capital market size measured by a simple criterion 'number of listed companies' and its changes in transitional and post-adoption period. The splitting of time-series into two subsets enables to eliminate the influence of different reporting incentives from the effects of change in reporting regime. As an unintended result, the paper's empirical findings raise some doubts about the appropriateness of certain research designs for assessing the economic consequences of mandatory IFRS adoption.

Key words

Mandatory IFRS Adoption; Capital Market Development; Transition Economies

Tax Accounting in the Russian Federation

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Abstract

The paper describes tax accounting in the Russian Federation, its system, rules and connection with financial accounting. Then, using of IFRS related to costs is shown. The article contains information on interaction with tax authorities in Russia and real juridical proceedings. Next, international tax optimization with using of offshores is analysed as a part of tax accounting.

Key words

Tax Accounting; Russia; Offshores; Tax Optimization

The Corporate Governance Touch on Impairing Goodwill During the Crisis

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Abstract

This paper investigates whether the corporate governance of European listed companies has been impacted by the troubled conditions of the global financial crisis times (GFC), especially with regard to using the impairment of goodwill as a tool to make subjective adjustments in the financial reports. We base the study on a sample of European companies during the period of 2005-2011, pre and during GFC, and we test whether the setting of the crisis has influenced management to use the impairment of goodwill for adjusting earnings. Our results indicate that in times of crisis managers use the goodwill impairment when earnings are unexpectedly low, by taking a big bath charge. We also find that laws and regulations of a country impact both the decision and the magnitude of goodwill impaired. We do not find auditor size to be determinant for the impairment of goodwill, for the sample and the time period analyzed.

Key words

Corporate Governance; Earnings Management; Goodwill Impairment

XBRL: Different Approach of Utilization

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Abstract

The present study investigate the role of XBRL (eXtensible Business Reporting Language) as an electronic format for submitting and communicating of financial and business data in effective and efficient way. The study is analyzing different approach, which has been shaped across the world. The study is focused on current situation within the European Union countries, investigating in the level of adopting XBRL taxonomy for major countries in EU, compared with situation in USA and Asia. The financial reporting is requiring quality and timeliness of business information and speed of collection and formation of the information needed is crucial. The XBRL technology will aim to create a single channel of reporting from the company all the way through to the supervisory bodies without human hands involvement and online. Adopting XBRL enables the reporting entity report to the national supervisor only. With the nature diversity of Europe, 28 countries are members of EU, more than 60 countries in total, more than 200 languages used across the Europe, the XBRL can be unique tool to improve competitiveness of European companies within the world. In European Union, European Central Bank plays a major role, as a supervising bank for the national central banks, in establishing flexible, cost efficient and errorless reporting system. In USA, SEC requirement is (since 2009 through 2011) for all U.S. listed companies to submit their financial statements in XBRL, including IFRS files. Used taxonomy needs to be approved by SEC.

Key words

XBRL; IFRS; Financial Reporting; Taxonomy

The Concept of Management Control System and Its Relation to Performance Measurement

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Abstract

The article focuses on answering two research questions: what is meant by Management Control System (MCS) and whether there is any difference between the term MCS and the similarly used term Performance Measurement. The answers to the outlined research questions were searched in the most influential articles based on citation numbers and top-ranking textbooks identified by the survey conducted by Strauss and Zecher (2013). The comparison of the dominant conceptualizations of MCS reveals that MCS is perceived as a set of controls which managers have at their disposal to steer the organization towards the predetermined goals. Regarding the second research question, it is possible to view MCS and PM as synonyms.

Key words

Management Control System; Performance Measurement; Management Accounting

The Harmonization of the Legal Regulation of Mergers: the Example of the (Dis)Harmony of Czech and Slovak Regulations

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Abstract

EU directives have the goal of ensuring the same procedures when realizing domestic and cross-border mergers across EU Member States. The harmonization of this legal regulation is important for free movement of capital between countries, increasing competitiveness and efficiency. Unfortunately, it is possible even after the implementation of the directives to find among states divergences in legal, accounting and tax regulations of mergers. The article compares the regulation of mergers between two close states: the Czech and Slovak Republic. These states use as a departure point similar legal, accounting and tax foundations, as their separation took place in 1995. There is currently no language barrier. One could be of the impression that they have ideal conditions for realizing cross-border mergers. Despite this, we find in the Slovak legal regulation a divergent approach in recognizing goodwill and in the possibility to select taxation of income tax differences between accounting and real values of assets transferred to the successor company.

Key words

Cross-Border Merger; Goodwill; Deferred Tax

Are IFRS Really Global Standards of Financial Reporting? Analysis of Worldwide Jurisdiction Profiles

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Abstract

International Financial Reporting Standards were established as International Accounting Standards in 1973 to be generally worldwide accepted language for financial reporting. Nowadays it is more than 40 years since the beginning of the international accounting standards and there is no doubt that IFRS become the lingua franca for financial reporting of companies whose securities are traded on public markets. IFRS is very close to accounting profession and has been included in accounting education of University programs and various chartered accountants programs. IFRS has become an ordinary part of our professional life. Despite all these facts the goal of the paper is to provide an analysis of three aspects such as number of countries have already adopted IFRS, number of companies presenting figures based on IFRS and market capitalization of those companies and to express opinion whether IFRS can be really designated as global standards for financial reporting that is presented in lots of papers. The analysis is based on findings resulting from the IASB’s survey which was finished by 138 countries till November 2014.

Key words

IFRS; Financial Reporting; Jurisdictions; Globalization

Financial Analysis Tools, from Traditional Indicators through Contemporary Instruments to Complex Performance Measurement and Management Systems in the Czech Business Practice

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Abstract

The aim of this article is to identify the current situation in the Czech business environment regarding the application of financial analysis indicators used to measure not only the financial position, but also business performance in general. It includes the interpretation of conclusions and the explanation of the possible causes of the current state through categorizing the financial analysis instruments from all possible points of view, using the identification of weaknesses and specific shortcomings of traditional and contemporary financial indicators, but also their strengths. Furthermore, it compares selected research studies conducted in this area in the Czech Republic.

Key words

Economic Value Added; Financial Analysis; Performance Measurement and Management Systems

Financial Instruments Meeting Disclosure Requirements Defined By IIFRS 7 in Energy Industry in the Czech Republic

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Abstract

IFRS 7 has brought new requirements on disclosure of financial instruments to be included in the financial statements prepared in accordance with the International Financial Reporting Standards. We tested coverage of the requirements on disclosure of financial instruments in the financial statements according to IFRS in the energy industry in the Czech Republic. Energy industry was selected as the representative of the production industry where financial instruments occur but are not the major business focus contrary to the financial or banking sector.

Key words

Financial Instruments; IFRS 7; Energy Industry; Prague Stock Exchange; Disclosures Financial Instruments

Important Changes in the Czech Accounting Regulatory System

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Abstract

The paper states about impact of important changes in legislation and in accounting methods on accounting regulation in the Czech Republic during two previous decades. National regulatory system is divided into three periods, from the year 1991 to 2002, the year 2003 and last one is represented the beginning of 2004 until present. There are shown the harmonization efforts of European Union and influence of International Financial Reporting Standards to Czech accounting legislation. Moreover, the paper categorized the most important change in accounting development in the Czech Republic and describe their relation with accounting quality.

Key words

Regulatory System; IFRS; EC Directives

The Classification of Polish Households Saving Behavior

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Abstract

Households in Poland differ in terms of the financial strategies they represent. The results of the cluster analysis based on the structure of savings portfolio justify the perception of financial behavior through the prism of six types of strategies: a low-risk strategy, conservative strategy, a very passive strategy, a very conservative strategy, a diversification strategy, and an aggressive strategy. However, taking into account the number of households representing each type of strategy it can be noticed, that in Polish households dominate conservative and passive strategies. The saving portfolio of majority of Polish households is limited only to bank deposits and/or cash. Moreover, the more active and diversified strategies are highly linked with such socio-economics characteristics of the household like: low age and high level of education of the household head, and high income level of household.

Key words

Savings; Savings Portfolio; Households; Financial Strategies; Cluster Analysis

Valuation of Zero-Coupon Inflation Swaps

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Abstract

The note provides some insight into inflation market, including inflation linked bonds and swaps. It explains the idea behind the breakeven inflation rate, and discusses the difference between bond's nominal and real yield. Finally, the note explains mechanics of zero-coupon inflation swap and presents a consistent valuation approach that is properly reflecting the risk of its cash flows. This approach is then illustrated in the case of zero-coupon inflation swap collateralized with cash using OIS discounting.

Key words

Breakeven Inflation Rate; Zero-Coupon Inflation Swap; Real Yield; Nominal Yield

Foreign Approaches to Cover Uninsurable Risks Offering Opportunities for the Czech Insurance Market

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Abstract

Uninsurable risks belong to actual issues of insurance industry. These risks weaken the role of commercial insurance. Insurers make exceptions in coverage of excessive claims. Property, health and lives are excluded from protection of commercial insurance products. In order to look for an effective solution of uninsurable risk the interest was focused on uninsurable risk of flood, which is significant non-life insurance risk in the Czech republic. Main aim is to describe multi-sourcing system based on cooperation between the state, insurers and insured objects. The system as a result of the research includes features of foreign approaches to uninsurable flood risk and is adjusted according to specific conditions of the Czech insurance market. Foreign approaches of uninsurable flood risk have determined the opportunities for the Czech insurance industry and have made a contribution to define the multi-sourcing system.

Key words

Uninsurable Risk; Flood; Insurance Pool

Implied Efficiency of Forward Rates in the Yields of Government Bonds

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Abstract

Czech government bonds market has experienced a peaceful development in recent years. This article aims to present one of the most widely used method of constructing the yield curve - the method of Nelson - Siegel with Svenssons extension on Czech government bonds market and introduce the concept of testing the effectiveness of the expectations of participants on the government bond market via decomposition of implied interest rates.

Key words

Yield Curve Model; Czech Government Bonds; Forward and Spot Interest Rate

Insurance of Work-Related Injuries in the Conditions of the Czech Republic

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Abstract

Work-related injuries can have serious consequences for employees, often long-term. Currently, in the Czech Republic is the current issue of the future shape of financial instrument to deal with the consequences of work-related injuries. Insurance required by law, which is at present in connection with claims of work-related injuries is not relevant, from an economic perspective and from the perspective of prevention of work-related injuries. Therefore, it is considered for solving two basic solutions: inclusion in social insurance or use of commercial principles (compulsory contractual insurance). This article analyze the various possible solutions, also in the context of the experience of other countries.

Key words

Work-Related Injuries; Insurance Required by Law; Commercial Insurance; Social Insurance; Compulsory Contractual Insurance; Insurance Method

Modelling Jump Clustering in the Four Major Foreign Exchange Rates Using High-Frequency Returns and Cross-Exciting Jump Processes

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Abstract

The study analyses the self-exciting (clustering) and the cross-exciting (contagion) effects in the 13 year long time series of 4 major currency exchange rates, namely: EUR/USD, GBP/USD, USD/CHF and USD/JPY. The analysis is performed by applying the univariate a multivariate Hawkes processes to the time series of jumps identified non-parametrically using power-variation estimators calculated from high-frequency returns (15minute frequency is used). The study finds strong evidence of a statistically significant self-exciting behaviour in all of the analyzed time series of large jumps. For the series containing even the small jumps the self-exciting tendencies remain significant only for the USD/CHF and USD/JPY rates. The study further finds evidence of a limited cross-exciting behaviour, with significant relationships between jumps in USD/JPY and the future jump intensity in USD/CHF, as well as between jumps in USD/CHF and the future jump intensity of EUR/USD.

Key words

Self-Exciting Jumps; Hawkes Process; Contagion; Bipower Variation

The Relationship between Discounts and Premiums and Value Investing Theory

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Abstract

The aim of this topic is to provide a different view on the theory of value investing through exploration of discounts and premiums. Method of discounts and premiums comes from the field of business valuation and answers the question, why the price of certain stock is overvalued or undervalued compared in contrast with an average. The first chapter of this thesis deals with general issues of value investing and method of choosing appropriate shares. The next section presents a theory of discounts and premiums. The last chapter tests a sample of stocks selected on the basis of the value investment approach and surveys that sample of stocks by the approach of discounts and premiums.

Key words

Discount; Premium; Value Investing; Stock

Productive Efficiency Mapping of the Indian Banking System Using Data Envelopment Analysis

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Abstract

The Indian banking sector which the government predominantly controlled was liberalized in early 1990s. The resultant competitive forces coupled with more stringent regulatory framework have created pressure on the banks to perform. Thus the productive efficiency has become critical for banks survival and growth. This paper analyzes the performance of the Indian banking sector measured and compared through the construct of productive efficiency using the non-parametric frontier methodology DEA. Inputs and outputs are measured in monetary value and efficiency scores determined for the period 2009-2013. The study reveals that SBI and its group have the highest efficiency followed by private banks and the other nationalized banks. The results are consistent over the period but efficiency differences diminish over period of time.

Key words

Data Envelopment Analysis; Productive Efficiency; Indian Banking System; Global Financial Crisis; Economic Reforms; Bank Efficiency

Ex-Dividend Day Share Price Decline

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Abstract

The paper is a part of a broader research focusing on the ex-dividend day share price decline and its impact on valuation and trading in equity options. In order to analyse the options price behaviour, it is necessary to understand the behaviour of their underlying - the company shares. The paper builds upon previous theoretical and empirical findings in this field and wants to run an empirical analysis of the share price drops in selected European countries. The main aim is to set the share price drop ratio (PDR) for selected European countries based on an analysis of historical market data. A secondary aim is to test, whether it is possible to profit from the share price behaviour around the ex-dividend day. The paper starts with a research of available literature and previous empirical findings, continues with setting hypotheses, presenting the data set used and finishes with presentation of all findings and discussion on the expected value of the share price drop ratio. In this empirical study seven hypotheses that are tested on the data sample of 220 companies from various European markets. The main findings are that the share price drop between the cum-dividend day and the ex-dividend day is very close to the net dividend pay-out but it is still slightly higher. Therefore there is almost no potential for speculative gains because the profit from the dividend is well compensated by the ex-dividend day share price drop. Finally, a hypotheses from behavioural finance was tested which suggests that the share's accumulated gains or losses influence the share price drop. There was no evidence found supporting this hypothesis. The paper presented partial findings from a larger research exploring the market inefficiencies in equity options market around the ex-dividend day. The finding that the share price drop ratio is slightly higher but very close to the net dividend pay-out will be applied.

Key words

Dividends; Ex-Dividend Day; Share Price Decline

Ex-Dividend Day Share Price Decline and Trading in Equity Options

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Abstract

The main aim of this paper is to identify market inefficiencies in trading and dealing in equity options around an ex-dividend day. The focus is on both options exchanges as well as on financial instruments traded through OTC channels (warrants and certificates). In order to achieve the main aim, available literature on the topic of the ex-dividend day share price decline and trading in equity options around this day was discussed. The literature provides overview on how the options should be valued around the ex-dividend day, what would be the level of price drop of the underlying share, and also provides for some interesting market inefficiencies that might be used for speculative trading. Further two sets of options data were analysed - data from an options exchange and OTC data. First, options exchange data from EUREX options exchange was downloaded and processed. A numerical and graphical analysis of the data was followed by statistical testing of hypotheses. The hypotheses included mainly an assumption that there is a significant non-standard trading activity in equity options around the ex-dividend day. These results were confirmed both graphically/numerically and then also using statistical evidence. If the option valuation is done properly, there should be no reason for increased trading activity. Any increased activity would be considered a market inefficiency which might be used both by traders and dealers. Higher trading activity means mainly higher liquidity and potentially higher prices or higher willingness to buy. Traders are therefore not rational around the ex-dividend day and may rely on slightly misleading investment recommendations. The aggregated EUREX data did not provide for any pricing detail so another source of data was analysed. The other source was downloaded and streamed data from OTC markets - xMarkets, Vontobel, Erste, and Lang and Schwarz. These sources provided for almost 8,000 observations on options price changes between the cum-dividend and the ex-dividend day. Based on a numerical analysis, call options depreciated between the cum-dividend day and the ex-dividend day by more than 3% whereas put options slightly appreciated but the price change was almost negligent. This conclusion is in line with expectations - the share price drop makes call options prices decrease and the put options prices increase or keep them stable. The paper thus identified several options market inefficiencies which might be used for speculations. The inefficiencies mainly include a finding that investors are not strictly rational around the ex-dividend day and hope to achieve some speculative gains. This might be used mainly by options dealers and brokers who might profit on an increased trading activity. There are also several pricing patterns

identified on the OTC market which might be used for trading options exchanges rather than on OTC market. Another advantage of options exchanges over the OTC market is also an ability of an investor to short sell financial derivatives and thus to profit from expected price decrease of call options between the cum-dividend and the ex-dividend day. The ex-dividend day is unambiguously a very important moment for valuation and speculation in options and every financial professional should be aware of it.

Key words

Valuation of Options; Ex-Dividend Day; Market Efficiency

A Rollercoaster Ride of Czech Credit Unions

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Abstract

The aim of this paper is to assess the current situation of Czech credit unions in context of their past development, changing environment and legislative framework evolution. We focus on the differences between traditional cornerstones of cooperative banking and operating principles of Czech credit unions. We compare contemporary credit unions performance with performance of their predecessors together with performance of commercial banks. We conclude that despite the crisis of 1999, Czech credit unions still behave like small and risky commercial banks what contradicts to business models of the credit cooperatives operating in the EU.

Key words

Credit Union; Cooperative Banking; Moral Hazard; Risk Management

Increased Bank Capital Requirements: Neither Panacea Nor Poison

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Abstract

Common understanding of the effects of increased bank capital is that the more capital banks have relatively to risks inherent to their portfolio, the safer the economy automatically becomes. On the other hand it is often argued that if capital requirements are increased, economic growth needs to be sacrificed. However there exist scientific and statistical evidence that higher capital requirements alone will not make banks safer and they will neither ruin them nor have a significant negative impact on bank lending hence on the economic growth.

Key words

Basel III; Impact of Increased Capital Requirements; Bank Stability

Bank Asset Reallocation and Sovereign Debt

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Abstract

This paper examines how banks around the world have resized and reallocated their earning assets in response to the subprime and sovereign debt crises. We also focus on the interaction between sovereign debt and the asset allocation process. We find that banks have readjusted asset shares and the overall regulatory credit risk by substituting government securities for loans. Furthermore, they have been sensitive to those variables of direct interest to the regulator, a result that is consistent with high-debt governments having exerting moral suasion on banks to privilege the purchase of government securities over credit to the private sector.

Key words

Crisis; Loans; Moral Suasion; Regulator; Securities

Did the Czech and Slovak Banks Increase their Capital Ratios by Decreasing Risk, Increasing Capital or Both?

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Abstract

The average capital adequacy of Czech banks increased from 14.1% in 2009 to 17.1% in 2013. In the case of Slovak banks the figure increased even more, from 12.7% at end-2009 to 17.2% at end-2013. For the sample of the largest nine Czech and four Slovak banks we aim to identify the strategies that these banks adopted in order to increase their capital ratios. Our analysis shows that for Czech banks as with the large multi-national banks from advanced economies, increased capital has played a major role in increasing the average capital ratio. Slovak banks, in addition, significantly decreased their risk to strengthen the overall ratio. The results of our analysis are useful mainly from a regulatory point of view as in both the Czech Republic and Slovakia the countercyclical buffer is set to its minimum of 0% of risk-weighted assets and the national regulators may increase the buffer up to 2.5% in the medium or long term.

Key words

Basel III; Capital Adequacy; Bank Capital

Are Bank Fees in the Czech Republic Excessive?

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Abstract

This paper deals with both theoretical and practical aspects of banking fee and commission income in the European Union with a special emphasis on the Czech Republic. Since fee income represents the largest part of non-interest income earned by banks, it remains a major challenge for bank management to set and maintain an appropriate fee policy. However, solving for the optimal fee structure has not yet been accomplished either on a theoretical level, or in actual practice. In the empirical part of the paper, we analyse banking fee income in EU banking sectors based on three different indicators: the magnitude of net fee and commission income relative to total operating income, to total assets and to gross domestic product. Our results show that the Czech banking sector was not abnormally dependent on fee income compared to other EU countries in the period 2007-2012. As a result, we argue that the high profitability of Czech banks cannot be attributed to abnormal banking fees and commission income, but rather that other factors should be considered. We also concluded that the market concentration of the Czech banking sector declined since the Herfindahl index decreased in last years. The rise in competition was caused mainly by new entrants we refer to as low-cost banks that offer a limited product portfolio and provide a large part of their services without fees and commissions. Consequently, we have determined that the business models of some low cost banks in the Czech Republic are not sustainable from a longer term perspective.

Key words

Banking Fee and Commission Income; Market Concentration; Bank Performance

Duration of Demand Deposits in Theory

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Abstract

This paper deals theoretically the estimation of duration of demand deposits that are defined as non-maturing products without any defined liquidity and interest rate behaviour by a contract as maturing products. Due to this fact, banks estimate liquidity and interest rate characteristics including duration of demand deposits by their internal models. We also describes the procedure called replicating portfolios than can be used to estimate duration of demand deposits. The main contribution of this paper is the theoretical description of demand deposits management that has not been covered by the Czech academic literature yet.

Key words

Asset Liability Management; Demand Deposits; Duration; Interest Rate Risk; Non-Maturing Accounts

Major Players in the Credit Market in Romania in the European Context

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Abstract

The present article illustrates the context in which the credit ratings agencies emerged, their roles and modus operandi. To exemplify, we proceeded to a comparative, quantitative analysis of two companies of profile, the Credit Bureau JSC of Romania and Schufa Holding AG in Germany between 2009 and 2013. It was presented the establishment and the evolution of the two agencies, being also tackled aspects related to some relevant macroeconomic indicators to the retail credit market in both countries such as the income per capita, total population, gross domestic product, the declared unemployment rate as a percentage of the total labor force, the number of domestic loans and the percentage of the adult population coverage by the rating agencies.

Key words

Rating Agencies; Credit Report; Financial Performances; Schufa; the Credit Bureau

Performance Evaluation and Ranking of Turkish Banking Sector

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Abstract

In this paper, Data Envelopment Analysis (DEA) is applied to a dataset of commercial banks operating in Turkey for a period 2005-2013 in order to measure technical efficiency of banks. First we calculated the technical, pure technical and scale efficiency scores for individual banks and highlighted the highest and lowest efficiency scores. Then, we divide banks into three categories for analytical purposes: state owned banks, privately owned banks and all banks. We find state owned banks to be the most efficient. Moreover, it is found that pure technical efficiency contributes more in compared to technical efficiency. The scale efficiency is found to be main source of overall technical efficiency. We observe that decreasing trend in pure technical efficiency whereas an opposite trend is found in scale efficiency.

Key words

Data Envelopment Analysis; Scale Efficiency; Banking Sector

Basel III and the Wrong-Way Risk

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Abstract

Under the new Basel III banking regulation, banks should include wrong-way risk (WWR) into the calculation of the credit valuation adjustment (CVA) of the OTC derivatives. WWR can be characterized as a situation when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Assuming that the link between the interest rate swap (IRS) and the default time is represented by a Gaussian copula with a constant correlation coefficient, the WWR can be expressed by this correlation coefficient. Because an observation of the default time means the bankruptcy of the counterparty, the correlation can not be simply estimated using the observed data in contrast to the credit default swap (CDS) rates which directly correspond to the intensity of default. Based on available daily Czech Republic government IRS and CDS rates we estimated the correlation using maximum likelihood method assuming that the systematic factor is governed by the AR(1) process so that we can decorrelate both time series. The results show that the correlation calibrated on the daily data is relatively high, and therefore the WWR should not be neglected in this case.

Key words

Wrong-Way Risk; Credit Valuation Adjustments (CVA); Correlation Coefficient Calibration; Maximum Likelihood Estimation

Higher Education in India: Issues and Challenges

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Abstract

Higher education is a right, not a privilege and this right should be affordable and accessible for all, no matter what caste, creed, income, gender is. Higher education system has undergone a rapid transformation which can be judged by increase in the number of students enrollment and growth in the universities. In this article, I try to throw light on the expansion in Indian universities post independence and despite the impressive growth, there are still some deficiencies in the education sector. I have made an attempt to identify those critical issues faced by education sector because of which India lacks behind the developed nations in this sector. There is still a long way to go in attaining excellence in higher education and a number of loopholes still need to be plugged in. This paper also seeks to address the challenges before education sector and also suggests actions that can be taken for further progress of this sector.

Key words

Higher Education; India

Metaphors in Economics: Conceptual Mapping Possibilities in the Lectures of Economics

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Abstract

Contemporary theory of metaphor stresses its cognitive nature, as opposed to traditional view of metaphor as rather a linguistic ornament. Its importance in the field of science education has been already recognized, yet the application to the area of economic education is still missing. Besides the discussion of literality and figurativeness in economic terminology, this article gives the account of the way the conceptual theory of metaphor can be applied to teaching basic concepts of economics and suggests research options in the area of empirical pedagogical research. Special focus is given to the example of 'demand for money' concept and difficulties with understanding students might face due to its ambiguous conceptual mappings. View of the metaphor taken is the interactive one.

Key words

Metaphor; Analogy; Conceptual Metaphor Theory; Economic Education; Economics

Determinants of Share Price and Share Liquidity: An Analysis Using a SEM Model

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Abstract

We examined the impact of governance rules on share price and liquidity, using the turnover ratio and the bid-ask spread as proxies for the information asymmetry. We used a SEM model and analyzed the indirect relations through the voluntary disclosure of information and the organizational performance. We built a voluntary disclosure index based on the information firms provided in their annual reports and divided the governance characteristics in two constructs: directors and supervisors structures and ownership structure. We concluded that the ownership structure exerts a direct influence on share price and share liquidity, Otherwise, the directors and supervisors structures exert an indirect influence, through the organizational performance and the voluntary disclosure of information. The results also show that for firms with high levels of disclosure the bid-ask spread is lower. However, in firms with a high ownership concentration investors tend to increase the bid-ask spreads and trade less, which, in this case, reduces the liquidity of the stock. The failure to find the relationship between voluntary disclosure of information and the turnover ratio shows us that the liquidity of shares is more related to the greater or lesser concentration of shareholders, with the performance of their companies than with the access to information. Moreover, it is clear that the role that information disclosure plays is mainly at the level of price formation.

Key words

Corporate Governance; Share Price; Share Liquidity; Voluntary Disclosure; Structural Equation Modelling (SEM)

Romanian Hotel Industry Profile through the Traded Hotel Companies

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Abstract

The hotel industry can be considered an important component within a tourist destination and one can not be overlooked. However, fewer studies are dedicated to hotel industry than to the tourism and travel sector as a whole. Even less studies are available on hotel companies listed on stock exchanges around the world. The present study completes the profile of Romanian hotel industry by analyzing the traded hotel companies on Romanian stock exchange. The findings imply that the listed hotel companies are rather traded by those investors who are involved in the ownership concentration process. For the analyzed period, the free float of a company, the market capitalization seem to be factors that play a role in the trading decision of portfolio investors, while financial ratios are almost ignored.

Key words

Equity Market; Hotel Sector; OLS Regression; Rasdaq; Bucharest Stock Exchange

Incentive Pricing of Shared Services with Normal Distribution of Order Flow

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Abstract

This paper presents simple, yet efficient, formula for apportionment of cost generated by the variance of flow of requirements (objects, inventory, money) through the shared service center (distribution center, internal bank, some service center) as well as formula for apportionment of the cost generated by the flow, if it were steady. The presented formulas assure, that shared service center cost are charged fairly and provide incentive for the shared services center counterparts to optimize timing and size of their requirements towards shared services center, and minimize the total cost of handling them. Additionally we challenge the marginalist transfer pricing theory and find the only generally viable transfer price the average cost some part of the economic profit achieved by the multibusiness enterprise.

Key words

Transfer Price; Shared Service Center; Apportionment

A Note on Statistics to Determine Asset Value from Multiple Methods

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Abstract

The article investigates three ways to form a final estimate using two different estimators with different variances and possibly also biases: (1) taking the estimate produced by the better estimator, (2) taking their simple average, (3) taking their weighted average. It is shown that if there is no serious positive correlation, using both estimators is always preferable. Simple average is justified if both estimators exhibit similar variances or when variances are unknown. Weighted average is optimal in all other cases. In valuation, the findings are, however, useful only in limited number of situations. Combining unbiased estimates obtained from the same relatively large and well composed sample of comparison companies is the most common possible application. The optimal weight rule in that case is based on variances, not on standard deviations or coefficients of variation. The approach is also useful for cross-checking expert weight assignment.

Key words

Final Valuation; Composite Indicators; Market Comparison

An Empirical Investigation of Herding Behavior in CEE Stock Markets

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Abstract

The aim of this paper is to investigate the herding behavior of investors in ten CEE stock markets during January 2, 2003 to December 31, 2013 and to assess the impact of the recent global financial crisis on the degree of herding based on the intuitive assumption that herding behavior is more intensive during extreme market movements. We find weak evidence of herding over the analyzed period and confirm that the GFC affected the gregarious behavior on CEE markets.

Key words

Informational Herding Behavior; Financial Crisis; Cross-Sectional Absolute Deviation of Return

The Impact of Corporate Governance Quality on Companies Performance in Developing Countries

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Abstract

Corporate governance represents a current topic, with a considerable importance in field of economic research of the last decades, even more so in most developed and developing countries the companies listed at stock exchange are forced to adopt and implement several national and international recommendations regarding corporate practices. In the context of recent years, considering the maturity of financial system of developed countries, international organizations and researchers attention was focused especially on analyzing corporate governance concept in developing countries. The main purpose of this paper is to estimate the impact of corporate governance quality on the performance of the companies, taking into account a series of data provided by the World Bank database (www.enterprisesurveys.org) in case of 82 developing countries around the world. In this regard, using the principal components analysis, were constructed two informational synthetic indicators: one which describes the corporate governance quality and one for companies performances of analyzed countries. Thus, in assessing the quality level of corporate governance were tacked into account some aspects considered relevant in the literature, such as the type of the companies, innovation, corporate social responsibility, transparency and quality of workforce, while corporate performance has been defined and quantified in terms of issues such as annual real growth of sales, growth of labor productivity and capacity utilization. In this context, the impact of corporate governance quality on the firms performance was tested using the generalized linear model framework and the main result of the study consists in the thesis that, in analyzed countries, companies performance index is significantly influenced by the corporate governance quality index.

Key words

Corporate Governance; Companies Performance; Developing Countries

Valuing Direct Real Estate Investments by Using the ADAM Modelling Approach

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Abstract

In the Czech Republic the building is considered part of the land on which it lies. Consequently there can be owners of land and buildings being various natural or legal persons. Since 2014 there was a reform of the Czech Civil Code, which leads to the gradual consolidation of property ownership (land and buildings). In the usual case, the division of property on land and buildings in the Czech Republic and the subsequent consolidation efforts constitutes a need for assessment of the relevant investments. Income based model to assess the direct real estate investments (Asset Dividing Appraisal Model, ADAM) presented in this article is based on the methods of measurement values and calculating return on investment, and offers the possibility of investment by real estate appraisal in the background above the consolidation of ownership in the Czech Republic. In doing so, ADAM model combines the approaches to the valuation of property in continental Europe (German yield method) and international approaches, such as the capital market based discounted cash flow method. The objective of the model ADAM is to evaluate direct investments in real estate (land and buildings) and the resulting cash flows, rather than the determination of its current market value.

Key words

Real Estate Valuation; Land Value; Property Value

The Investment Recommendations in the Czech Republic: An Appraisers Perspective

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Abstract

The purpose of this paper is to perform a comparative analysis of investment recommendations published by the Czech banks and financial institutions, to assess the procedures used for arriving at conclusions on the target prices. Additionally, the paper identifies main points of controversy among published investment recommendations. Based on research, author recommends unifying the methodology of preparing the reports. Such progress would help to prevent discrepancies between the companies with similar financial position, similar core markets and certain parameters showing substantial difference such as the risk free rates or equity risk premia.

Key words

Valuation; Investment Recommendations; DCF; WACC; Market Approach

Problems Associated with Value of Life

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Abstract

The paper provides examples of usage of associating human life with value. It presents main approaches of such valuations. They are Willingness to pay and Human capital. This text finds main problems of their usage. People are not behaving rationally when considering own lives and the calculation can result in wide range of amounts. Gathering inputs is challenging as well. The conclusion of this paper is that there is a need for such algorithms but they should be treated as indicative especially considering immense moral aspect.

Key words

Human; Life; Value; Problems

Shareholder Rights and Acquirer Returns

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Abstract

We examine whether the association between shareholder rights and acquirer returns is causal. We use the European Takeover Directive as a natural experiment and find that an increase in shareholder rights entails an increase in average acquirer returns (+3.27%). Our research design permits us to infer that there is a robust, causal link that goes from shareholder rights to acquirer returns. This supports the hypothesis that strong shareholder rights limit managerial discretion, which leads to better investment decisions. We also provide empirical evidence for the costs of corporate governance convergence. Our results suggest that countries that had to put more effort into adapting to the new regime experienced a negative marginal effect on acquirer returns (-4.99%).

Key words

Law and Finance; Corporate Governance; Mergers and Acquisitions

Different Approaches to Equity Risk Premium as One of Inputs into the Plain CAPM Equation

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Abstract

The aim of this contribution is to discuss different approaches to Equity risk premium and to reduce information asymmetry. At the beginning is classification of approaches to estimation of equity risk premium and then practical illustrations of implied risk premium computed using Bloomberg, Local capital implied market rate of return obtained by dividend discount model and discounted cashflow model. At the end is discussed not fare past development of times series for historical and implied risk premiums, their pro and con and also third concept of conditional equity risk premium is introduced by authors DOBNER and LINDSEY.

Key words

Equity Risk Premium; Historical Risk Premium; Implied Risk Premium; the Default Spread Model; Czech Capital Market,

Determinants of Inward Czech Mergers and Acquisitions

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Abstract

The increasing openness of the world economy has brought significant increases in foreign direct investment (FDI) in both developed and developing countries. Most of the growth in international production over the past decades has been via cross-border mergers and acquisitions (CBMAs), far outstripping greenfield investments in terms of value. Dunning (2009) emphasizes the importance of macroeconomic variables which may explain FDI and called for more research to improve our understanding on the effects of macroeconomic variables. Although there are numerous articles on the macroeconomic determinants of foreign direct investments (FDI), there are just a few studies examining the specific determinants of cross-border MA as an entry mode of FDI. Furthermore, from what we know so far, there are almost no studies that analyze the determinants of Czech cross-border MAs. The aim of this study is attempts to investigate and determine (an empirical research is performed) significant macroeconomic and financial factors on CBMA activities in the Czech Republic over the 1995 to 2012 period. This study finds that GDP and exchange rate have significant impact on the Czech CBMA inflows.

Key words

Mergers and Acquisitions; Macroeconomic Factors; Regression Analysis; Czech Republic.

Fundamentals of the Liquidation Method of Business Valuation

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Abstract

Fundamentals of the liquidation method of business valuation are introduced in this paper. It contains findings from the main business valuation literature. Problem areas of the liquidation method are also identified. Proposed solutions, if available, are provided. Furthermore problem areas including possible direction for further research are discussed.

Key words

Liquidation; Valuation; Problem Areas

Measurement of Exchange Rate Exposure: Capital Market Approach versus Cash Flow Approach

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Abstract

Exchange rate exposure is the uncertainty created by the unintuitive movement in the exchange rates between the currencies. The exchange rate exposures can be categorized into three types 1. Transaction exposure; 2. Translation exposure; and 3. Economic exposure. Economic exposure is also called as residual risk and affects the firms long term cash flows. These exposures affects the firm value in many ways, therefore it is very important for the firms to manage the exposure. Measurement of the exposure becomes critical to manage the exposure. In the literature we broadly see two methods used to measure the exposure. This study carried out the comparison between both the methods using the sample of 30 listed Indian firms. The results indicate that the cash flow model would be more useful to take strategic decisions to manage the economic exposure and also in the carrying out the further analysis.

Key words

Economic Exposure; Capital Market Model; Cash Flow Model

Inference of Aggregational Gaussianity in Asset Returns Exhibiting Paretian-Distribution

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Abstract

Aggregational Gaussianity (AG) has long been considered a stylized fact of empirical asset return distributions. This research links existing work on the stable-Paretian Hypothesis with the Aggregational Gaussianity Hypothesis and notes that the two are incompatible. We use simulation to show that under certain conditions, AG can be falsely inferred to hold in a data set exhibiting stable-Paretian distribution.

Key words

Aggregational Gaussianity; Asset Returns; Paretian Distribution

Indirect Costs of Financial Distress

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Abstract

The aim of this paper is to verify the hypothesis that indirect costs of financial distress are too high to be ignored when preparing the valuation. Paper first summarizes the definition and classification of costs of financial distress mentioned in the existing literature and also presents the results of some empirical studies that dealt with the measurement of these costs. Empirical study of indirect costs of financial distress was conducted on a sample of 10 companies from the construction industry. Indirect costs are estimated using the methodology suggested by other authors. Indirect cost of financial distress (or in our case bankruptcy) are defined as the theoretical loss of sales compared with actual sales multiplied by average ROS. The defined loss of income is then expressed in relation to the company value three years prior to the commencement of insolvency proceeding. The value of the companies was determined using the market comparison method. We found that for one company no decline occurred but for the other nine companies the loss accounted for 2% of its value in the third year prior to insolvency proceedings, another 3% a year later and an additional 7% in the last year prior to insolvency proceedings. Determined indirect costs are, in our opinion not negligible, but for making conclusions in general it is necessary to verify these findings in the other sectors of industry and on a broader data sample.

Key words

Financial Distress; Valuation; Construction Industry

Can We Assess Banks Activity

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Abstract

The article tries to find out if there are data available for evaluation a portion of defaults that could be launched in the Czech Republic by bank. Article concerns the agency theory before the bankruptcy proceedings with regard to the specifics of Czech Republic. Given that bank lenders have better bargaining power in comparison with other classes of claimants, the view focuses on their activity while initiating bankruptcy. We used the data that were collected manually students of the University of Economics in the Research insolvency project. In summary, companies do not report their performance and therefore we cannot assess bank s activity due to the lack of data. In future it would be more promising to conduct study about relation between due receivables and low recovery rates in the Czech Republic.

Key words

Bankruptcy; Boundary Claimants; Bank Recovery

Valuation of Real Estate with Easement

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Abstract

This article deals with the easement valuation. The increased level of real estate with easement identification has prompted the reason of appraising such real estate. The article introduces the definition of and easement, all its properties and categories, because a proper understanding of all easement affections leads to better valuation. The basic principles of easement valuation focused on steps of easement valuation are also described in this article. At the end the Mr. Sherwoods easement valuation matrix is introduced and described with the definition of percentage of fee for different types of easement and different deepness of encumbrance.

Key words

Real Estate; Easement; Valuation

Has Indian Commodity Future Market Lost Steam? Existing Scenario and the Way Forward

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Abstract

After a healthy run since the commodity futures markets were reintroduced in India in 2003, signs of corrections were seen in the Indian commodity markets in 2012. But unearthing of biggest ever scam in Indian commodity futures market of Rs 5,600 crore in July 2013, did the biggest damage causing exchange traded turnover halving to almost Rs 65 lakh crore in 2014. Though, several measures were adopted by FMC to restore confidence among investors but whether commodity markets will be able to revive and regain the previous high growth trajectory is still questionable. In the same line the paper studies the past trends of Indian commodity markets by using past data of volume and value of trades of the commodity traded from 2003 till date. It first summarizes various initiatives adopted by the regulator and then analyzes the impact of these measures on volume and number of contract traded. Finally, the paper employs a qualitative method of inquiry (Delphi technique) to seek policy suggestions from experts in the area of Indian commodity markets which could make futures market more efficient in the long run and perform their role of price discovery and risk management more efficiently and effectively.

Key words

Commodity Markets; FMC; Delphi Technique; India

Selectivity Skills and Market Timing Ability of Fund Managers: Evidence from Emerging Markets

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Abstract

The study aims to analyze the selective ability and market timing ability of fund managers of selected emerging markets (Turkey, Poland, Taiwan, South Africa, India, Mexico) during the period from January 2009 to November 2014. After the global financial crisis of 2008, in this period of quantitative easing (QE), thanks to an increase in the money supply, a capital flow from developed countries to developing countries was observed. In the study, fund manager performances are analyzed by using Jensen (1968) alpha measure and Treynor and Mazuy (1966) regression analysis method. Jensen alpha and Treynor and Mazuy models inform us about selective skills and market timing ability of fund managers, respectively. A total of 73 equity funds are evaluated (11 Turkish Equity Funds, 14 Polish Equity Funds, 15 Taiwanese Equity Funds, 10 South African Equity Funds, 12 Indian Equity Funds). Jensen alpha measures implied that only seven Indian and seven Mexican fund managers had selective skills. Overall, 19 out of 73 funds in these six emerging countries had both positive and statistically significant Jensen alphas. Treynor and Mazuy(1966) regression analysis can prove merely 4 out of 73 funds to have market timing ability. Only one Turkish, one Indian and two Mexican fund managers had significant market timing ability. In general, fund managers lacked timing ability.

Key words

Mutual Funds; Emerging Markets; Market Timing; Selectivity Skills

Institutional Investor Preferences for Prudent Stocks: The South African Evidence

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Abstract

This study explores institutional investor preferences for prudent stocks within the context of South Africa. Using panel data methodology for a sample of 183 companies listed on the Johannesburg Stock Exchange during the period 2010 to 2013, this study finds that institutional investors tilt towards investing in large firms with good financial performance, long listing histories and low betas. At the same time, they prefer to hold illiquid stocks with high volatility, thus we conclude that institutional investors in South Africa do not always prefer prudent stocks. In addition, it is confirmed that FTSE/JSE Top 40 included firms are more trustworthy for institutional investors than non FTSE/JSE Top 40 included ones.

Key words

Institutional Investor; Stock-Holding Preferences; Prudent Man Standard

The Relation between Macroprudential and Microprudential Policy: An Example of Regulatorily Bank Capital

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Abstract

The article deals with the analysis of a relationship between macroprudential and microprudential policy on a general level and on an example of regulatorily required structure and volume of bank capital. The original microprudential approach is mentioned that involved macroeconomic impacts from its introduction. Based on the analysis of capital structure as conceived from Basel I to Basel III approaches of regulation to this important indicator are discussed. Instability sources and indicative instruments of macroprudential policy are analysed on an example of the excessive growth of credits and leverage as an instability source and countercyclical capital buffer, sectoral capital requirements and leverage ratio in the role of indicative instruments.

Key words

Bank; Capital; Macroprudential Policy

Segments of Money Market Yield Curves in a Dealers Model of Optimum Interest Rate Margin

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Abstract

The paper deals with interest rate volatility interpretation in the dealer's model of optimal interest margin. It defines main sources of interest rate volatility and studies how specific source of volatility influences optimal interest margin. Special attention is focused on unexpected shock in liquidity of banking system, actual central bank's decision on targeted level of interest rate, long-term deviation of inflation and output from central bank's targeted values and potential impact of these factors on term premium instability. Sources of interest rates are discussed in term of bank's refinancing/reinvestment risk with an attempt to formalize interest rate volatility for further empirical research. Our conclusion is that dealer's model of optimal interest margin is consistent with only permanent shocks to banking system liquidity and long-lasting central bank's surprises with its monetary policy that increase a level of refinancing/reinvestment risk faced up by banks. On the other hand it is not consistent with interest rate volatility caused by transitory liquidity shocks, expected current changes in central bank's targeted main policy rate and long run trends in main policy rate based on disinflation.

Key words

Interest Margin; Interest Rate Volatility; Monetary Policy

Military Expenditure and Economic Growth: The Case of Turkey

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Abstract

This study applies Johansen co-integration and Granger causality tests to examine the long-run equilibrium relationship and the causality between military expenditure (ME) and economic growth (GDP) for the case of Turkey which has been a rapidly developing economy for the last decade. Annual data covering 1988-2013 period is used to conduct empirical investigation. The findings of the study indicate that in the long-run, military spending and economic growth are co-integrated. The results of Granger causality test suggests that there is a uni-directional relationship running from economic growth to military spending, however any causality from military spending to economic growth is not observed in the present study.

Key words

Economic Growth; Military Expenditure; Granger Causality Test

Relationship between Industrial Production, Financial Development and Carbon Emissions

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Abstract

It is widely accepted that industrialization causes air pollution due to increased fossil fuel consumption. On the other hand, recent literature related with the impacts of financial development on air pollution has produced some mixed results. It is argued that not having proper energy policies has become a more severe problem for Turkey as the industrial activities have been accelerated in the country. The present study investigates the long run relationship between industrialization, financial development and carbon emissions by using Granger causality test in Turkey. Findings of the present study reveal a unidirectional relationship from financial development to carbon emissions.

Key words

Industrial Production; Financial Development; Air Pollution; Granger Causality

The Export-Led Growth: A Case Study of Costa Rica

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Abstract

This paper empirically investigates the export-led growth hypothesis for Costa Rica. Johansen co-integration and Granger Causality tests are employed to investigate the long-run relationship and causality between exports and economic growth respectively. The results of Johansen co-integration indicate a long-run equilibrium relationship between exports and economic growth. Granger causality test results show an unidirectional causality from economic growth to export growth of Costa Rica.

Key words

Export-Led Growth; Granger Causality; Johansen Co-Integration; Costa Rica

The Interactions among Gold, Oil and Stock Market. Evidence from SP500

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Abstract

The inter-relationship between financial and commodity markets is one of the most challenging issues for investors. The volatility in one market might affect the price index of the other market. The aim of this paper is to test whether gold price, oil price, gold price volatility (GVZ) and oil price volatility (OVX) have significant effect on stock market price index (GSPC) or not. In order to carry out the task, due to the properties of the data, the ARDL co-integration approach has been used to check the long run relationship among OVX and GVZ; as proxies of oil and gold market volatility indexes; and SP500 market price index. Obtained results indicate the presence of long-run equilibrium among the variables under investigation and reveal that SP500 stock market price index converges to its long-run equilibrium level by 1.2% speed of daily adjustment by contribution of oil and gold market prices and their volatilities.

Key words

Gold Price; Oil Price; Stock Price; ARDL; Bounds Test

The Relationship among International Trade, Financial Development and Economic Growth

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Abstract

This study is conducted to investigate the relationship among international trade, financial development and economic growth in Pakistan. The ADF and PP tests are used to check the order of integration of the variables and Johansen co-integration methodology is employed to investigate the long run relationship among these variables. The direction of causality between variable is tested by Granger causality test. It is found that all of the variables are non-stationary and the analysis confirm for a long run relationship among international trade, financial development and economic growth. The results indicate that international trade and financial development spur economic growth in Pakistan.

Key words

International Trade; Financial Development; Economic Growth; Co-Integration

The Relationship between Industrial Production, GDP, Inflation and Oil Price: The Case of Turkey

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Abstract

After the oil shock in 1973, the number of studies on causal relationship between oil price and macroeconomic variables has dramatically increased. This paper investigates the relationship among the oil price, inflation, GDP and industrial production for 1961 to 2012 period in the case of Turkey. Data used in the study was extracted from World Bank Development Indicators and the OPEC. Three different tests, namely unit root, co-integration and causality tests, have been employed to investigate the relationship among the variables. The results of Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) suggest that all the variables under investigation are integrated of order one; $I(1)$. Johansen co-integration results confirms a long-run relationship among these variables and Granger causality test illustrates the unidirectional relationship from oil price to industrial production.

Key words

Oil Price; Inflation; Gdp; Causality

International Monetary System: The Desired Direction of Changes

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Abstract

The collapse of the international monetary system of Bretton Woods ended the period of common use of unified exchange rate system. Current, so-called non-system, is not providing stability in currency relations, which is mainly due to the high volatility of exchange rates. Implementing changes is inevitable. While the unification of exchange rates on an international scale appears to be currently impossible, alike the return to the gold standard, noteworthy is the idea of implementing a global currency, which would be an effective replacement for the US dollar as an international currency. SDRs, based on the rearranged currency basket that include the currencies of developing countries, could successfully play the role of such currency.

Key words

International Monetary System; Gold Standard; Bretton Woods; Non-System; Sdr; Dollar

Hedger Behavior and Its Impact on Order Flow and Exchange Rate in Foreign Exchange Markets

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Abstract

The paper describes main traits of foreign exchange hedger behavior, who is trying to minimize her FX market risk exposure and secure foreign currency liquidity in order to be able to timely settle her liabilities. This behavior is then analyzed in context of several exogenous shocks into prices and exchange rates and implications of how Order Flow and Exchange Rates react to this behavior are drawn. In Section 4 the further empirical research direction based on fuzzy clustered data is outlined.

Key words

Exchange Rate; Hedging; Order Flow

Relevance of Input Data Time Series for Tax Revenue Forecasting

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Abstract

The paper deals with the question whether for the tax is advantageous to use the longest possible time series. This issue arose from two opposing general econometric claims. The first general contention is that the longer the time series, the better and more accurate results. The second claim requires that the estimated system to be not unnecessarily volatile. To test this issue was chosen long time series of selected tax revenues of Denmark. This time series were artificially reduced and the quality of the forecast estimated by regression analysis was tested using in terms of predictive power. The result is that for the same explanatory variables for a longer or shorter time series estimations based on shorter time series are slightly accurate.

Key words

Time Series; Regression Analysis; Tax Income

Dependency between the Fees for Municipal Waste and Local Coefficients

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Abstract

This paper is focused on the analysis of the municipal revenue in the Czech Republic. The basic question is that is trade-off between financing by taxes or fees. There were analysed Czech municipalities that often introduced local coefficient of 2 which doubled the basic property tax revenue. This is the mean value applied for more than one half of the surveyed units. Local fee is often introduced at the level of 500 CZK per capita. It seems that the municipality rather prefers such values, which are used by the vast majority of municipalities. We can hypothesize it is due to a competitive effect, when citizens move from one municipality to another to reach lower taxes or fees, ceteris paribus. Moreover, it seems there is not a trade-off between the tax and/or fee financing. It also seems that both larger and more industrialised municipalities prefer lower level of fees. It is in accordance with the hypothesis that the revenue needs of the larger municipalities are sufficiently financed by the taxes or by other sources. We have also analysed trade-off between area, taxes and non-taxes revenues. We also suppose, that the larger municipalities have a higher level of taxes and non-taxes revenues and a higher level of taxes expenditures.

Key words

Tax; Fee; Local Coefficient; Vote; Industry

The Impact of Public Finance on Tertiary Education

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Abstract

The main aim of paper is to estimate, how much affects public finances on unemployment of university absolvents. The paper includes econometric analysis of examined impacts (for public and private universities). Results are summarized in tables and graphs and they are commented as a tool of optimization. The paper works with regression models of standardized unemployment rate of university absolvents, tax quota, public expenditure and numbers of university students.

Key words

Standardized Unemployment Rate; Tax Quota; Overeducation

Military Expenditures and Economic Growth Nexus: Case of EU Countries

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Abstract

The following study examines the relationship between military expenditures and economic growth in 28 EU countries and tries to verify the first pioneering hypothesis which says that there is a negative relationship in relatively poorer countries and a positive relationship in relatively richer countries. A cluster analysis is used to divide the nations into individual groups. After that a linear regression equation is estimated for all groups and the results are compared. The main findings mostly verified the hypothesis and showed a significant and quiet strong positive relationship between defence spending and economic growth in case of more resource abundant countries and a significant negative relationship in case of more resource constrained countries.

Key words

Military Expenditures; Economic Growth; Security; Gdp

Public Procurement: A Panel Data Approach

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Abstract

Public procurement is subject of many scientific analyses. Some of the analyses use econometrics methods on the public procurement data. Available dataset provides mainly cross-section data, therefore most of the analyses works with basic econometrics methods. This paper describes data sources about public procurement in the Czech Republic, shows how to transform available dataset into panel data and what methods could be used for the analyses of the newly created datasets. The use of error components models is suggested, it is shown which type of panel data transformation is suitable for which model (one-way or two-way error components model) and the potential strengths and weaknesses of panel data approach to public procurement are identified. The suggestion for the future research is to try out proposed panel data approach on available public procurement data.

Key words

Public Procurement; Panel Data; Czech Republic

Factors Influencing Final Price of Public Procurement: Evidence from Slovakia

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Abstract

In this paper, we summarized the current findings about competitiveness and its impact on the results of public procurement. Many authors proved, that increasing number of competitors in public procurement is, in average, decreasing prices. The relation between number of competitors and quality of purchased goods, services and works is questionable and there are only a few research studies (i.e. partly mentioned in Szymansky, 1996). Using regression analysis, we found out that competitiveness has great impact on the final price, but also usage of lowest price criterion and financing through EU funds can influence the final procurement price.

Key words

Public Procurement; Competitiveness; Final Price; Estimated Price

IT Overheads in State Organisational Units

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Abstract

The issue of cost management within State Organisational Units (SOU) is still left to the subjective decisions of managers who nevertheless usually do not have a sufficient scope to adopt effective decisions. The reason is a constant effort of political representation to set new rules for the exercise of competence and financial and cost management within SOU. The result of these, often unprofessional, interventions is a fundamental over-regulation of the whole segment of SOU cost management. One of the possible ways is to introduce modern management methods based on the causation of activities and costs in SOU, notably including the ABC/ABM methodology. A specific cost domain represents overhead expenditure on IT. With this respect there stands a general assumption that IT leads to boosted efficiency of activities, which fact may also mean a displacement of labour force. The performed regression analysis revealed that IT overheads are not dependent upon the number of workers. These overheads are subject primarily to technical and technological development. As a result, neither number of workers nor any indicators derived from it, such as full time equivalent, can be used for the construction of cost drivers for causal cost allocation methodology according to the ABC/ABM methodology.

Key words

Efficiency; ABC/ABM; State Organisational Units; Overhead Costs in IT

Impact of Shadow Economy on Quality of Life: Indicators and Model Selection

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Abstract

The purpose of the study is to examine the effect of shadow economy on the level and quality of life. It is supposed that shadow economy effects positively on the level of life (as shadow income increased total revenues). But it can impact negatively on the quality of life. The relationship between growth of life level and quality of life depends from the level of the shadow economy. To verify our hypothesis we try to compare quality of life and shadow economy indicators in different countries of the world. The empirical basis of the study based on estimation of shadow economy in different parts of the world gives Schneider, (2010) and WorldBank data about GDP per capita growth, Population growth, Unemployment, Life expectancy at birth, Out-of-school rate for children. After clustering complete sample according to indicator 'Shadow economy' we determine a regression equation for each cluster and for general sample. As a result of regression analysis, we found that 'life expectancy at birth' is significant for each cluster and for the entire set of countries as a whole. It is noteworthy that the regression coefficient increases with the growth of the shadow economy. Our results demonstrate the correctness of the hypothesis about interrelationship between shadow economy and life quality (excluding income component).

Key words

Shadow Economy; Quality of Life; Informal Economy; Underground Economy

An Application of DEA Methodology in Efficiency Measurement of the Czech Public Universities

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Abstract

The largest amount of budget of the Ministry of Education, Youth and Sport intended for Czech higher education institutions (HEIs) goes to the public universities and therefore we focused on the measuring their efficiency. We used data envelopment analysis, a non-parametric method, which evaluates the technical efficiency of homogenous production units. We used data for the Czech public HEIs from 2013 and determined the following variables: the academic staff and other costs as inputs and the bachelor and master's graduates and students, PhD graduates and students as outputs. We run two analyses. The first analysis compared all HEIs with each other and showed that we have to consider the specification of the HEIs. The second analysis divided HEIs into three groups with similar cost coefficients and showed that dividing HEIs into groups helped us to eliminate the high differences in inputs and in outputs and therefore we got better information about the efficiency of HEIs. For other analysis we recommend using faculties or departments with the same or similar specialization instead of the whole HEIs.

Key words

Efficiency; Data Envelopment Analysis; Higher Education Institutions; Public Universities

Participation of Non-Resident Students' in the Creation of Participatory Budget in Wroclaw

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Abstract

This paper was mainly intended to enable a preliminary assessment of the factors qualifying the out-of-town full-time students, temporarily staying in Wroclaw, for the participation in creating the participatory budget of Wroclaw. We can observe that only small group of students voted for participatory budget of Wroclaw. Main reason of non-voting was a lack of information about participatory budget and possibility of voting. Some of respondents were also misinformed about possibility of voting. It seems also that that main reason of non-voting is really lack of interest. In introducing participatory budget one of main players is local community. Applicants, non-governmental organizations, district councils, schools or other institutions are able to motivate citizens for voting. In our survey we discovered that this actors didn't play a single minute. Surveyed voting-students had heard about participatory budget from friends, family members, or they had found information from social media, town internet page and posters. The main factors influencing the choice of the projects by surveyed students were in general: descriptions of tasks in the electronic voting system, tasks descriptions available on the town website, information spread by the applicants (online, by leaflets, posters, banners and other ones) and opinions of family members. Summarizing we can notice that main problem is lack of information provided by different town and nongovernmental bodies and what results poor acquisition of voters.

Key words

Participatory Budgeting; Local Government; Voters

The Phenomenon of Tax Reporting Behaviour: Theory of Planned Behavior

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Abstract

Recent studies on tax compliance have provided evidence that sole proprietors are more likely to underreport their income than wage earner. Therefore, this research aims to examine the factors that may influence tax compliance behaviour within the framework of Theory of Planned Behaviour (TPB). It examine how attitudes, subjective norm and perceived behavioural control affect the relationship on intention to accurately report the income. The results showed that the TPB variables were able to explain 35 percent variance in behavioural intention to comply with tax obligations. Attitude and subjective norm were significantly influence on behavioural intention but perceived behavioural control has no significant influence at all. Attitude was the strongest predictors of intention to report the cash income. Thus, the results suggest that tax authority may have to start focusing on attitude because if taxpayers have favourable attitudes towards tax system, then this will lead to more tax compliance among sole proprietor

Key words

Tax Reporting; Theory of Planned Behaviour; Tax Compliance

Excise Duties in the Member States of the European Union

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Abstract

This paper aims to determine the situation of these taxes and duties in the twenty seven Member States in the period from 2000 to 2012 through economic indicators published by Eurostat. The data source is Eurostat economic indicators, a methodological framework to form the European System of Accounts ESA95. Annual data applied in the article is observed for the period from 2000 to 2012. Data is processed by a multivariate data processing technique, specifically cluster analysis. The subject of research is the differences between the twenty seven European Union countries (excluding Croatia). Monitored indicators are a concern to the economic performance of countries, price levels and excise duties and consumption taxes. It is evident that the NMS12 countries are approaching the EU15 countries very slowly. Revenues from excise duties and consumption taxes in the NMS12 countries are at a lower level, as well as their economic performance.

Key words

Excise Duty; Consumption Tax; Cluster Analysis

Budget Transparency in Czech Local Government

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Abstract

The paper evaluates budget transparency in Czech local government. The Disclosure requirements specified in the legislation are fragmented: not all existing budget documents must be published and noncompliance only leads to sanctions in some cases. Analysis and comparison of disclosure practice in the 22 Prague districts revealed that districts comply with the disclosure requirements stipulated in the Budgetary rules but often fail to comply with the requirements stipulated by the freedom of information legislation. The commitment to transparency in form of a policy statement has no impact on the overall evaluation of the districts but it is positively associated with compilation of narratives accompanying both the draft budget and draft year-end report. The size of the district plays only a limited role.

Key words

Budget Transparency; Local Government

Assessment of Efficiency of Expenditure Programmes in Education: Primary Education in the Czech Republic

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Abstract

Public expenditure programmes are long-term instruments through which the government attempts to achieve the determined objectives of its public policies. In order to make from an economic perspective informed decisions on public policy objectives and to update them, it is necessary to qualitatively or quantitatively assess (evaluate) whether and how efficiently the objectives are being met. Towards this end there is adopted an economic assessment of efficiency of public expenditures. The paper presents a possible approach towards simplified assessment of the expenditure programme for primary education in the Czech Republic (assessment of economy, effectiveness and efficiency). The results of selected indicators show that in the long-term perspective, efficiency of this expenditure programme rather increases.

Key words

Assessment; Primary Education; Czech Republic

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