PROBLEMATIC AREAS OF ACCOUNTING: SOME EVIDENCE FROM THE CZECH REPUBLIC

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Abstract

Accounting is a tool of evidence for reporting assets, equities, liabilities, expenses, revenues and profits or losses of the accounting unit. This information is collectively presented in financial statements, which are an essential source of information for external subjects. Nevertheless, the resulting financial statements are relevant only to the extent to which the information charged in the accounting is correct and error-free. For this reason, the aim of this article is to examine the individual areas recorded in accounting in terms of their possible bias due to an error. The objective of this article is to determine which of the areas of accounting are riskiest in relation to the occurrence of errors, and this in connection to the existence of an important foreign partner of the accounting unit. The risk of of the error occurrence is examined from the accountants' perspective. For this purpose, a questionnaire survey was used for data collection focusing on areas that are considered to be the most important by the accountants and the areas which are the most problematic. The receivables, expenses and revenues were indicated as the most significant. The areas of long-term assets, financial assets and inventories appear to be problematic due to tax impacts. Expenses, revenues, accruals and deferrals appear to be problematic due to issues with correct valuation. The difference in perception of risk of the error occurrence in relation to the existence of a foreign business partner was proven only for some accounting areas such as liabilities, inventories or expenses.

Keywords: accounting, information quality, errors, financial statements, risk of error
JEL Classification: M41

1. INTRODUCTION

The fundamental objective of accounting is to provide a fair and true view of an entity and its financial position. The quality of accounting information is determined by applied accounting principles, methods and by the degree of legislative regulation. Data processing in accounting can be connected with errors and their subsequent transfer to financial statements.

It is the financial statements that are afterwards the main source of information for external subjects cooperating with the accounting unit. These statements serve as the source of information for an evaluation of the client from the credit risk perspective in case the external subject is a bank, credit or saving bank. A second essential example of the external subject can be the tax office in the Czech Republic, where the source data for the calculation of tax liability of the accounting unit and its verification are acquired just from the accounting records. Due to the

essential relationship between the accounting unit and the above-mentioned external subjects, it is important to evaluate the relevance of the information in the financial statements.

Nevertheless, the accounting reports are the final products in which the accounting information collected from individual areas of accounting are concentrated. These areas can have a certain importance from the accounting units' perspective, with or without a foreign partner. A different rate of error risk is connected with each of these accounting areas, which have an impact on the resulting information presented in financial statements. The objective of this article is to determine which of the areas of accounting are considered the riskiest in relation to the occurrence of errors, and this in connection to the existence of an important foreign partner of the accounting unit.

2. LITERATURE REVIEW

Accounting ensures certain types of quantitative information for the decision making and management of a company. Accounting information, for the majority of interest groups, has become acrucial source of company information (Otrusinová & Šteker, 2013). In order to provide the relevant information, the accountant should follow the rules and principles on which accounting data processing is based (Puican et al., 2011). Accounting information is used by various types of users.

2.1 Users of accounting information

Accounting should not only be used as a source of information that allows us to calculate the amount of tax liability and assemble the required statements. Accounting, along with other instruments of financial management, should be a source of complete data for both internal and external users.

Internal users or primary users of accounting information include management, employees and owners. External users or secondary users of accounting information include creditors, tax authorities, investors, customers and regulatory authorities (Porter & Norton, 2015).

Sirbulescu & Tonea (2015) presented conflicts of interests among three categories of information. The first category refers to the information about the interest of users, which is related mostly to the strategic plan of a company, product costs, allocating resources to activities and functions, etc. The second area covers information that the company is willing to provide but which is not possible to be verified by the accountants. This information is connected with human resources, social relations, etc. The last category includes such information that accounting specialists are willing and able to produce and control, but which is not relevant to users and is expensive (highly analytical information).

2.2 The quality of accounting information

According to Krištofík et al. (2016) the scope and quality of information and reporting disclosures play an important role in building socio-economic relations of an enterprise and its environment.

According to Gheorghe (2012), modern social development calls for improving the quality of economic and accounting information. Information should flexibly respond to business requirements. Such information is useful and provides added value. Due to such useful information in the financial reports, it is possible to better understand the economic reality of the business. The information in the accounting should be sorted chronologically and systematically. Documents should be regularly processed. According to the Financial Accounting Standard Board (FASB), information should be relevant and reliable.

High-quality accounting information enables the measurement of a company's performance, financial position, to assess costs and revenues, income, expenses and profit. This information is necessary for the management and decision making of the company (Baba, 2009). Performance information – it has been argued – helping managers of companies make more informed decisions on control of the production process (Romolini et al., 2015).

If the accounting information is to be relevant, it has to be prompt. Information that is unavailable when required or is available much later loses its value (Puican et al., 2011).

Cheng & Yang (2009) prepared an empirical study on the fluctuation of accounting information quality. The authors analysed and interpreted the underlying mechanism of the volatility rule for size and scope of accounting. They proposed that there is always volatility in the long run according to the fluctuation rule. They think we should strengthen the governance of the predicting accounting manipulation. And the governance of accounting information quality should apply the concept, methods combination and resources allocation based on the risk preference for accounting entity under various stages of the economic operation.

2.3 Qualitative characteristics according to the Accounting law and IFRS

Generally, it is specified in § 8 of the Czech Accounting Law that Czech accounting entity is obliged to keep accounts correctly, completely, conclusively, understandably, transparently and in a form that guarantees the permanence of the accounting records. The quality requirements of accounting information are specified by § 19 of the Czech Accounting Law where there is defined that: „information in financial statements has to be reliable, comparable, understandable and assessed in terms of significance".

The qualitative characteristics according IFRS are divided into two groups: fundamental and enhancing qualitative characteristics. The fundamental characteristics are relevance, faithful representation. The enhancing characteristics are comparability, verifiability, timeliness and understandability (Chaundhry, 2016).

It is evident that the basic qualitative characteristics of financial information are defined similarly in the Czech Accounting Law and in IFRS. However, these requirements are defined in the conceptual framework in relation to the financial statements while according to the Czech Accounting Law, these requirements are focused on accounting records.

Kubíčková & Jindřichovská (2016) noticed that adopting IFRS should improve the accounting information quality, create transparent information environment for investors, lead to an increase in the cross-border capital flows and encourage the company to cooperate in foreign trade.

2.4 Other aspects affecting the quality of accounting information

Quality of accounting information presented in financial statements is influenced by accounting errors. These are transferred into financial statements. The authors Chaney, Faccio and Parsley (2011) assert that some companies require only a mechanical application of accounting rules while other types rely on the judgement of a company management and accountants. These decisions represent errors – both intentional and unintentional. However, with regard to the quality of the information, the source of these errors is irrelevant for both to reduce the quality of accounting information.

The quality of accounting data influences the company throughout its lifecycle. As Laptes (2009) states, poor quality information can occur at all levels. Further, Baba (2009) adds that unskilled employees, errors in application of accounting principles, manipulation of results, inflation, contravention of the law, etc. are potential sources of poor-quality information.

Primary data sources are records that describe certain economic transactions. For this reason, it is necessary to pay attention to the requirements of the records. Türkmen (2016) has mentioned that general mistakes are usually made especially in accounting areas such as financial accounts, e.g. cash and bank accounts, cheques, bank loans and trade payables and receivables. Deaconu et al. (2016) show in their study that a frequent use of replacement cost, gross or net, negatively affects the book value.

Vlčkova & Friebel (2015) divide the facts that have a negative effect on the quality of accounting data into three groups. The first group covers misrepresentation of data, errors and fraud and includes also creative accounting, accounting frauds carried out by the management or employees and accounting errors arising from the lack of knowledge. The second group represents accounting methodology, which is connected with mistakes in the method of calculating depreciation, asset valuation, etc. The last group covers the influence of the information system where an error can be caused by the lack of information and accounting legislation changes in the information system. The research results showed that the most important aspects influencing the quality of accounting data are creative accounting, valuation, internal control, accounting fraud carried out by the company management, the lack of information and a poor internal communication.

Likewise, it is important to emphasize that some factors influencing the activity of accountants exist as well. Oprean & Podoaba (2016, p. 55) divided them into two categories: quantifiable factors and unquantifiable factors. Quantifiable factors are the complexity of structures of the employed personnel, requirements on information resources, computers, and information programe. Unquantifiable factors are professional knowledge, skills of accountants, competence and integrity of accountants, the quality of management and the trust granted to accountants.

Also, external and macroeconomics factors influencing quality of accounting information such as the euro adoption, political influences of financial crisis were examined. Dimitropoulos et al. (2012) discussed the impact of euro on the quality of accounting information. The study was conducted on selected Greek companies for 14 years in the period before the introduction of euro from 1995 to 2001 and from 2002 to 2008 after the introduction of euro. According to the results, the value relevance of accounting information was decreased thanks to the euro adoption.

Yu & Lu (2009) wrote an article on the accounting information quality in China after the financial crisis in 2008. The authors found out that the main reason for poor quality of accounting information in China is the lack of independence of the Board of Directors, the Board of Supervisors and the external auditors. Morover, the ineffective incentive mechanism and unsophisticated external macro-environment have made the financial situation worse.

3. OBJECTIVE AND METHODS

This section describes research methodology - data collection, the process of designing and implementing the questionnaire survey. Furthermore, it specifies the scientific methods used to answer the research questions. The objective of this paper is to stress the importance of the risk of the errors appearance in the accounting from the accounting perspective. Several objectives, research questions and hypotheses have been established.

Based on the critical literature review, there were two research questions stated in the introduction:

- Which areas of accounting are considered to be the most important by respondents?
- Which areas of accounting are considered to be the most problematic by respondents?

With regard to the research questions formulated, the strategy of a quantitative approach was chosen. The method of a questionnaire solution was used for the data collection. The respondents were addressed mainly from the management of the companies or from the economic section.

The research is based on a questionnaire investigation (Tab. 1), in which 282 respondents took part. The selection of respondents depended solely on decision of students who carried out this questionnaire investigation. They visited companies which were chosen by themselves. Each student then completed an internet questionnaire form with a business representative, prepared in the Google document environment. The questions in the questionnaire were aimed at ascertaining fundamental characteristics such as the business field of activity and further, how the business rates the risk of errors in particular financial statement areas and the possibilities of applying "creative accounting" therein. Most of the questionnaire was formed by the questions which dealt with perception of the risk of the mistake occurrence. The answers were analysed and the results were statistically processed. Several statistical methods were used in the process. Normality of the data differences in the file was tested by Kolmogorov-Smirnov test and Shapiro-Wilkov test. Then the correlation analysis was made by means of correlation coefficient.

Tab. 1 – Main characteristics of the questionnaire survey. Source: own survey

Research	The quality of accounting information
Data collection and processing	2016, enterprises of the Czech Republic
Form of data collection	Questionnaire survey, interviews with respondents
Number of relevant questionnaires	282 respondents

The existence of an important foreign partner can represent an important factor influencing the subjective opinion on the difficulty of reporting individual accounting areas.

Hypothesis: „There is an important difference in perception of the risk of error occurrence of in the individual areas of accounting monitored between the representative companies which have an important foreign partner and the companies which do not have such a partner" was tested and statistically evaluated in the next phase of the research to find out the differences in perception of the risk of the error occurrence of an in accounting at the companies with a foreign partner and without a foreign partner.

To demonstrate the hypothesis on individual areas of accounting, the test of the hypothesis about conformity of two diameters was used. Two basic selections of a normal distribution – the companies with an important foreign partner and the companies without an important partner – were compared. The dispersions and the standard deviations were calculated. The assumption was made that there are differences in perception of the risk of error for these two selections. The test was made on 5% level of the importance and then, the test was made for a right-hand side critical range where the critical value is $\mu 0.95 = 1.645$.

4. RESULTS

The introductory questions of the questionnaire were focused on ascertaining the field of activity of the business classified by the accounting law (Fig. 1). The focus of the companies was distinguished regarding production, business or services. The companies were also compared based on their size. In the Czech Republic, companies are divided into four groups by size. Size is determined by criteria stated in Table 2. If a company exceeds at least 2 of 3 criteria in the current economical year, it is categorized to that category.

Tab. 2 – Company size assessment. Source: European Directive 2013/34 / EU

Criteria	Micro	Small	Medium	Large
Total assets (mil. CZK)	0	9	100	500
Net turnover (mil. CZK)	0	18	200	1000
Average number of employee	0	10	50	250

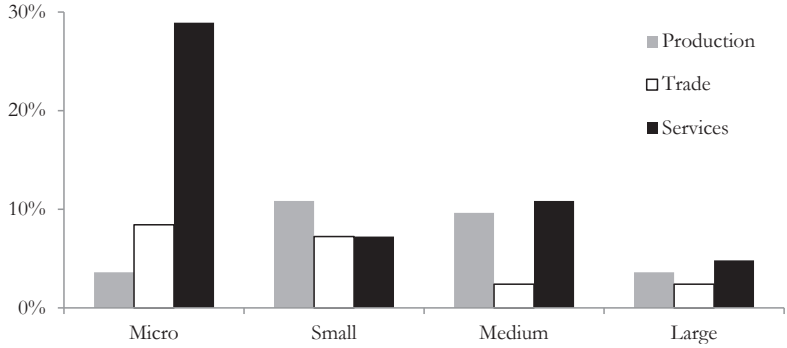

Fig. 1 – Relative representation of business according to the size and field of activity. Source: own survey

Microbusinesses formed the largest proportion in the tested sample; their number exceeded 40%. The proportion of small and medium-sized was approximately the same – around 25%. The proportion of large businesses amounted only to 10%. This structure of the sample of tested businesses corresponds approximately to the representation of businesses with regard to the size in the Czech Republic. Furthermore, it is clear from the overview that by far the largest number of companies provides services. This is followed by production companies with an approximate 28 % proportion of the number of enterprises. Only about one fifth of the enterprises focus on trade. The dominant proportion of enterprises providing services is especially evident among microbusinesses.

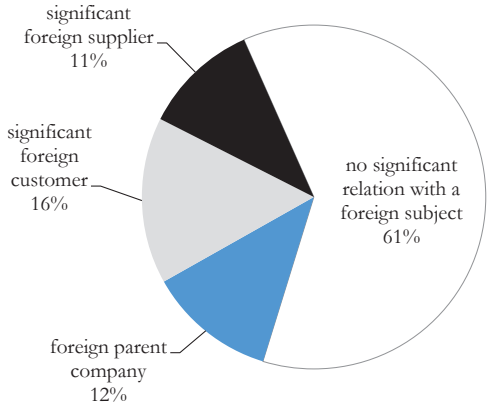

Fig. 2 – Relative representation of the companies with regard to their relation to a foreign company. Source: own survey

Relation of the company to a foreign company was investigated because there is an assumption that the existence of the relation of the accounting unit to a foreign subject has an influence on the choice of the accounting system of the company. An absolute majority of monitored companies, roughly 60%, is not in significant relation with a foreign subject. Roughly 40% of companies confirm the relation to a foreign subject. This group can be divided into 3 categories of a similar same size - those dealing with either a foreign supplier, subscriber or parent company.

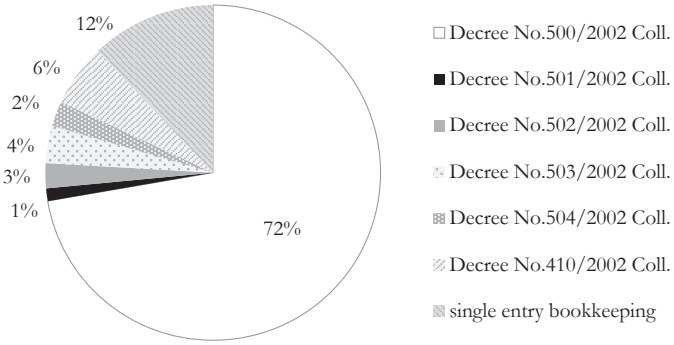

Fig. 3 – Decrees according to which the financial reports are done. Source: own survey

In the tested sample, 12% of companies are keeping tax records maintained for the purpose of tax calculation or single entry bookkeeping. From the rest, mostly 72%, keeps accounting according to decree no. 500/2002 of the Coll. (Collection of Laws), other decrees are mentioned only in a small number of the companies from 1 to 6%.

The influence of the existence of an important foreign partner is described in two following charts.

The charts show a relative number of the companies charging according to the Czech Accounting Standards (CAS) and according to IFRS. Fig. 4 summarizes the answers of the companies without an important foreign partner and Fig. 5 shows the companies with an important foreign partner.

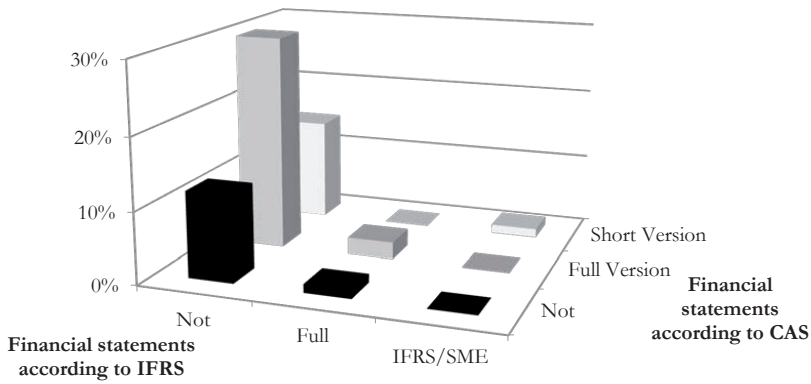

Fig. 4 – The share of the companies without an important foreign subject which do the accounting according to IFRS and CAS. Source: own survey

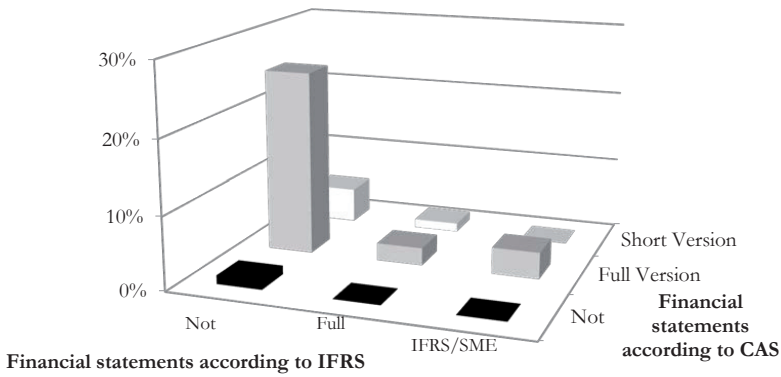

Fig. 5 – The share of the companies with the important relation to a foreign subject which do the accounting according to IFRS and CAS. Source: own survey

The charts (Fig. 4 and Fig. 5) are demonstrating that in case of the companies which do not have the important relation to a foreign partner, the share of those which keep accounting according to IFRS is very small. The group which prepares the financial statements in full version is dominant. For the companies with the important relation to a foreign partner, reporting according to CAS in full version is also dominant. For these companies, there is also a noticeably higher proportion of those reporting under IFRS. On the other hand, there is significantly less of these companies which do only tax records maintained for the purpose of tax calculation (coordinates „not"/„not"). The effect of the influence of a foreign partner is noticeable but it is not the determining factor for the choice of the accounting system.

Similar research findings were published by Kubíčková and Jindřichovská (2016. p. 76). They presented that the interest in the voluntary adoption of IFRS for financial statements comes only for the purposes of consolidation with a foreign company.

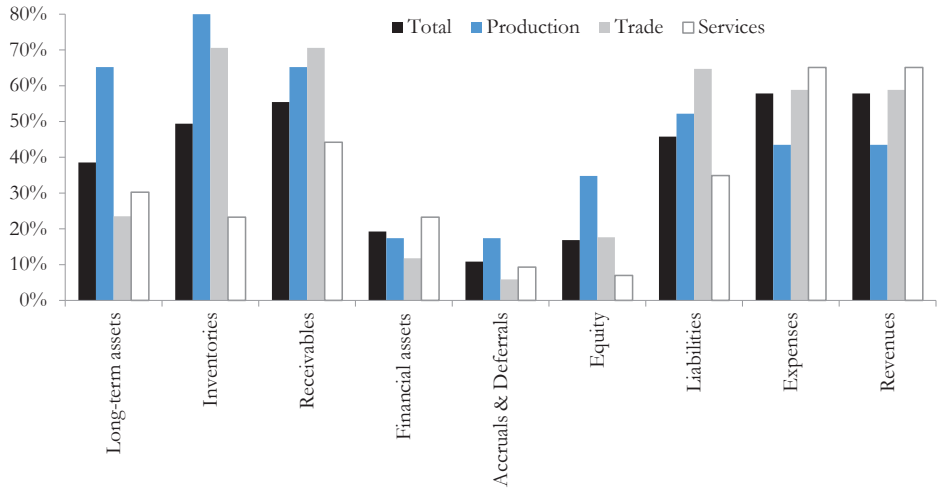

Fig. 6 – Relative representation of areas of accounting evaluated by the companies as significant as a whole and for focus areas of the companies. Source: own survey

The chart indicates that the most important parts of accounting are receivables, expenses and revenues. The companies also consider long-term assets and liabilities as important. The areas of the financial assets, equity and accrual and deferred expenses are important for less than 20% companies. This result corresponds to all companies in the monitored sample. However, for manufacturing companies, the dominant areas in accounting are inventories, long-term assets and receivables. For companies dealing with services, the most important areas are expenses and revenues.

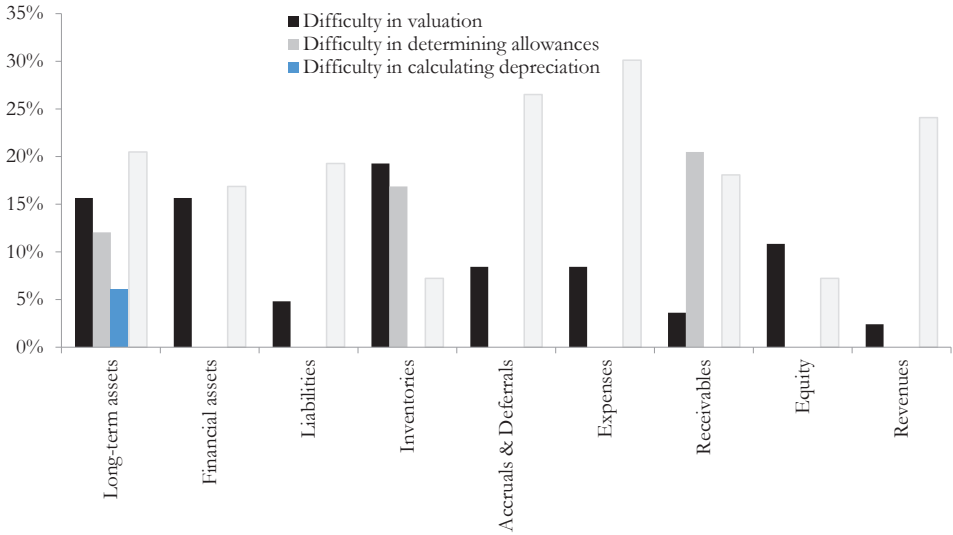

Fig. 7 – Relative representation of the reasons causing the difficulty in processing individual areas of accounting. Source: own survey

The area of the expenses is considered to be the most problematic by most companies. Only a few companies consider the area of accruals and deferrals and revenues take problematic. The equity area is considered to be problematic by the smallest number of companies. The companies indicate the tax impacts as the main reason for the area being problematic. The difficulty of valuation is the second most common reason for the area being problematic. Valuation appears as a problem mostly in the area of inventories, long-term and financial assets. The difficulty with determining the right amount of allowances appears only in the area of receivables, inventories and long-term assets. Only minimum of the companies indicate problems due to difficulty in calculating depreciation correctly.

For the reason of the difference in perception of the risk of error occurrence of in accounting by the representatives of the companies which have an important foreign partner and the companies which do not have such a partner, a test was made separately for individual areas of accounting. The base for testing was formed by the answers to the questions dealing with making errors in long-term assets, financial assets, liabilities, inventories, accruals and deferrals, expenses, equity and revenues. The answers were divided into two basic groups according to the existence of an important foreign partner.

The zero and alternative hypotheses were determined and tested by comparison of the differences in dispersions of both mentioned files.

Hypothesis H0: There are no differences in perception of the risk of error occurrence at the companies with an important foreign partner and the companies without an important partner.
Hypothesis H1: There are differences in perception of the risk of error occurrence at the companies with an important foreign partner and the companies without an important partner.

In the following chart, the results of statistical evaluation of the answers of respondents were sorted and presented so that we could characterize the basic features of the examined file with a sufficient accuracy. The following characteristics were calculated: the total average value of the answers of all respondents and the average value of both tested groups. To prove and verify of the hypothesis, the standard deviation was used.

The opinions of respondents on the risks connected with the error occurrence of in the areas of valuation and tax impacts were tested. The answers of respondents to the following basic questions were tested: Do you consider certain area of accounting as problematic from the point of making errors in creation of financial statements? Individual areas of the risk of error occurrence were tested long-term assets, financial assets, liabilities, inventories, accruals and deferrals, expenses, receivables, equity and revenues.

The dispersions were calculated to demonstrate the hypothesis and the standard deviations were used for the part of discussion. The details are included in tables below. The percentage shows how the respondents consider each of the areas from making errors perspective. The standard deviation has a better statistical character for interpretation. Percentages for deviations in the table show how the perception of occurrence of errors differs from the simple average. The small deviation shows that the perception of risk of error occurrence of is for both companies – with important partner and without an important partner- the same, a higher deviation shows bigger differences in perception.

Tab. 3 – The risk of of the error occurrence due to difficulty in valuation. Source: own survey

Area of accounting	Portion of companies perceiving the risk			Aberration from mean value / standard deviation	
	Average	Foreign partner		Foreign partner	
		Yes	No	Yes	No
Long-term assets	30.12%	20%	31.51%	-10.12% / 9.38	+1.39% / 19.06
Financial assets	12.05%	0%	13.70%	-12.05% / 10%	+1.65 / 27.04 %
Liabilities	4.82%	10%	4.11%	+5.18% / 26.25 %	-0.71% / 31.28 %
Inventories	28.92%	30%	28.77%	+1.08% / 25.49 %	-0.15% / 24.81 %
Accruals and deferrals	9.64%	10%	9.59%	+0.36% / 17.00%	-0.05% / 25.36%
Expenses	8.43%	10%	8.22%	+1.57% / 20.55 %	-0.21% / 21.093 %
Receivables	21.69%	0%	24.66%	-21.69% / 24.49 %	+2.97% / 17.34 %
Equity	10.84%	0%	12.33%	-10.84% / 29.15 %	+1.49% / 32.65 %
Revenues	3.61%	0%	4.11%	-3.61% / 25.49 %	+0.50% / 26.61 %

Tab. 4 – The risk of the error occurrence due to tax impacts. Source: own survey

Area of accounting	Portion of companies perceiving the risk			Aberration from mean value	
	Average	Foreign partner		Foreign partner	
		Yes	No	Yes	No
Long-term assets	14.46%	40%	10.96%	+25.54%	-3.50%
Financial assets	18.07%	40%	14.07%	+21.93%	-4.00%
Liabilities	19.28%	20%	19.18%	+0.72%	-0.10%
Inventories	4.82%	0%	5.48%	-4.82%	+0.66%
Accruals and deferrals	24.10%	40%	21.92%	+15.90%	-2.18%
Expenses	30.12%	30%	30.14%	-0.12%	+0.02%
Receivables	18.07%	20%	17.81%	+1.93%	-0.26%
Equity	8.43%	10%	8.21%	+1.57%	-0.22%
Revenues	26.51%	20%	27.40%	-6.51%	+0.89%

Tab. 5 – The areas which according to the respondents do not present the risk of the of error occurrence in accounting. Source: own survey

Area of accounting	Portion of companies NOT perceiving the risk			Aberration from mean value	
	Average	Foreign partner		Foreign partner	
		Yes	No	Yes	No
Long-term assets	55.42%	40%	57.53%	-15.42%	+2.11%
Financial assets	69.88%	60%	71.23%	-6.88%	-1.35%
Liabilities	75.90%	70%	76.71%	-5.90%	+0.81%
Inventories	66.27%	70%	65.75%	+3.73%	-0.52%
Accruals and deferrals	66.27%	50%	68.49%	-16.27%	+2.22%
Expenses	61.45%	60%	61.64%	-1.45%	+0.16%
Receivables	60.24%	80%	57.53%	+19.76%	-2.71%
Equity	80.72%	90%	79.45%	+9.28%	-1.27%
Revenues	69.88%	80%	68.49%	+10.12%	-1.39%

To prove the hypothesis, the comparison of the answers for the companies with an important foreign partner and the companies without an important foreign partner was made. The test dealing with conformity of two mean values was used. Two basic files of the normal distribution were compared. Selective average values were calculated from these files. For every examined area of accounting, the hypothesis H0 was tested. The value of the test criteria was determined and it was found out that it is necessary to reject the zero hypothesis for some questions because the value of the test criteria exceeds the critical value.

The results of the test at the level of significance 0.05 lead to rejection of the H0 for the areas of long-term assets, financial assets, accruals and deferrals and receivables. For other questions, the hypothesis H0 was accepted. It means that there are no differences in perception of the error occurrence of at the companies with an important foreign partner and at the companies without an important partner. These results can also be seen in the chart. The hypothesis H0 cannot be confirmed fully or rejected at the level of significance 0.05, however, it is possible to say that for some areas, the perception of error occurrence significantly differs. On average, the answers of two tested groups differ by 9.49%. The mean deviation for the companies with an important foreign partner shows that having an important foreign partner has no influence on the error occurrence, however, the mean deviations are high.

5. DISCUSSION

Several authors work on the examination of errors in accounting and the perception of the risk of error occurrence at companies, e.g., Christensen (2010), Clatworthy (2013), Burks (2015) and others. At the beginning of the study, the authors of this article were interested in determining if there are differences in the perception of the risk of error occurrence for companies with and without an important foreign partner. The discussion is focused just on a comparison of results of these two groups of companies, if they consider the same areas to be substantial, difficult, substantial tax impacts and relevance.

From the research, it was obvious that the opinions of respondents from both tested groups differ in terms of long-term assets, financial assets, accruals and deferrals, and receivables.

The following results of our investigation can be used for further discussion and research:

The companies with an important foreign partner placeemphasis on the tax impact of the errors in the area of long-term assets. On the contrary, the companies without an important partner do not find this area important from the risk occurrence perspective. This is confirmed also by the standard deviation, which is low at the companies with an important foreign partner.

The area of financial assets is not considered to be problematic and risky for the occurrence of errors by both groups. The companies with an important foreign partner do not consider the difficulty in valuation to be problematic, however, the companies without an important foreign partner consider the difficulty of valuation to be substantial. The standard deviation shows that the mean deviation is higher than 24.94%.

In the area of liabilities, the differences in the answers of both groups are minimal, but the standard deviation is quite high, and that is why a higher deviation from the average exists.

Also, the area of inventories is evaluated by both groups of companies similarly from the error occurrence perspective, but again there is a high standard mean deviation.

The area of accruals and deferrals is complicated, and it also affects perception of the risk occurrence. The standard deviation for the companies with an important foreign partner is only 17%, which confirms that this area is important from the risk of error occurrence perspective.

For both groups of companies, the area of expenses is considered to be the most problematic, and both groups of companies have a comparable standard deviation.

The perception of receivables is different for both groups of companies. The companies with an important foreign partner perceive this area as not that problematic, but companies without a significant partner perceive the risk of errors due to apprehension difficulties.

The companies with an important foreign partner do not consider the area of equity as an area in which errors are made. Both groups of companies indicate by a high percentage that this area in not affected by the risk of errors occurrence.

In the area of revenues, the standard deviation for the companies with an important foreign partner shows that it has no influence on occurrence of errors, however, the deviations from the average value are high.

6. CONCLUSION

The objective of this study was to evaluate the significance and risk of the individual lines in financial statements from an accounting perspective in Czech companies with a foreign partner and without a foreign partner. After a thorough literature study, we sought an answer to the following basic research question: Which area of accounting is perceived as the most problematic by respondents? The data for the quantitative research was obtained by means of a questionnaire survey.

The answers of respondents were processed statistically, and the question if there is a substantial difference in the perception of the error occurrence in the particular areas of accounting by the representatives of the companies with an important foreign partner and the companies without such a partner was evaluated. In the area of long-term assets, financial assets, accruals and deferrals and receivables, no differences were proved in perception of the risk of error occurrence for both types of companies. On the contrary, in the areas of the liabilities, inventories, expenses, receivables and equity, the dependence on foreign equity was demonstrated in the tested sample.

Based on of the results of the study, generally the most substantial parts of accounting are receivables, expenses and revenues. The respondents also consider inventories, long-term assets and liabilities as substantial areas. Regarding the areas with the highest possibility of making errors the respondents marked long-term assets, financial assets, accruals and deferrals and receivables. The receivables and long-term assets are marked as an important part of accounting, and at the same time they are perceived as one of the riskiest in terms of being prone to error occurrence. Both of these areas follow two basic principles in accounting - matching and the accrual principle. The area of equity is considered to be problematic by the lowest number of the companies, possibly because there were not many large companies in our research group. This area offers the possibility of continued research, mainly in large companies with foreign equity, which are presenting their results according to IFRS. The respondents most often indicate problems with tax impacts as the main reason for an area being problematic. According to the authors, these conclusions are typical mainly in the accounting and tax environment in the Czech Republic and, of course also this area can serve as a topic for further research. The second reason for the errors are problems caused by difficulties with valuation. This conclusion was expected at the beginning of the research by the authors of the questionnaire. The difficulty of the valuation is perceived by respondents mainly in the area of inventories, long-term and financial assets. The

difficulty in determination of allowances is evident only in the area of receivables, inventories and long-term assets, which complies with the principles of accounting. The problems caused by difficulty in calculation of depreciation were mentioned by few companies and practically only in the area of long-term assets.

The zero hypothesis about no relation between the perception of the risk of error in the accounting of the companies with an important foreign partner and the companies which do not have such a partner was neither fully rejected nor accepted.

Finally, the authors of the study are aware that the results presented are dependent on several subjective assumptions and limitations which are prompted in the study. To collect data for the study, a questionnaire was used, which is always connected with a certain rate of respondent subjectivity, mainly in the area of the quality of the accounting information.

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