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## Article

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Journal of Accounting and Management Information Systems (JAMIS)

## Provided in Cooperation with:

The Bucharest University of Economic Studies

*Suggested Citation:* Jindrichovska, Irena; Kubickova, Dana (2015) : Czech Accounting Academia and Practice: Historical Roots and Current Issues, Journal of Accounting and Management Information Systems (JAMIS), ISSN 2559-6004, Bucharest University of Economic Studies, Bucharest, Vol. 14, Iss. 2, pp. 328-361

This Version is available at:

<https://hdl.handle.net/10419/310593>

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## Czech accounting academia and practice: Historical roots and current issues

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**Abstract:** The purpose of this article is to investigate the development of Czech accounting research and education and their links to current practice. The paper uses the autoethnography method and deals with some of the main issues arising in current university research management practices. To this aim we apply our own experience and combine personal perspectives and existing literature (research papers on historical and contemporary academic environment and the current debates regarding management of academic research). The underlying premise of the analysis is that the actual status of accounting academics and accounting education in the Czech Republic is rooted in its past and is closely linked to practice. Characteristics of educational institutions involved in the process of accounting research and education are provided in the main body of the article. The paper also delves into current relations amongst academia, practice and training institutions. The article addresses the quality of Czech accounting research and financial support of universities and it ends with an analysis of current academic and research topics. We finally characterize major shortcomings of the Czech academic accounting research community which seems to be one of the results of changes in the management system of higher education and research. However, it must be stressed in this respect that most current published Czech accounting research reflects the needs of accounting practice rather than academic research as traditionally understood in western countries.

**Key words:** Accounting education, accounting profession, Czech Republic, development of accounting, historical analysis, transformation, IFRS

**JEL Codes:** M20, M40, G32

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## 1. Introduction

This paper presents an extensive overview of the past and present of the accounting profession and academia in the Czech Republic using historical analysis and autoethnography which combines personal experience of the authors with other available sources. Both authors have been working in Czech Academia for more than 20 years and both authors have experienced academic life at both public and private Czech universities. In addition, one of the authors has nine years of experience in British university culture – again at both private and public institutions, which allows for some comparison. This method is widely employed in papers dealing with academic life (eg. Gendron, 2008; Komori, 2014; Malsh & Tessier, 2014).

The paper first analyses the historical, cultural and institutional background out of which the accounting tradition has grown. The paper discusses changes to legal background and accounting laws in the post-war era and the recent introduction of new accounting rules and international accounting standards. The characteristic of historic roots forms the first part of the article.

A new era of accounting research and practice started in the 1990s, when the political system changed to a market based economy. Accounting research in cooperation with practice had to face two big problems – the first was to create the new accounting system which was adequate within the new social and economic arrangement and the second was to adjust the accounting system to reflect the influence of IFRS.

The major part of this article explains the current structure of accounting education, as it is taught at universities in the Czech Republic. It also explores links to accounting practice. With regards to accounting research, we point out a rather low quality of current Czech accounting research in comparison with western countries as measured by the number of papers published in high quality journals. This statement concerns the area of accounting and related fields such as business economics and management (finance may be an exception) where university research in western countries has a much longer tradition. The language barrier and organization of university research after the changes to university organization may be some of the explanation. Further, the introduction of private universities with a market-based approach to education had a major impact on accounting academia.

With regards to research aspects, there have been claims that it has become far removed from the interests of the profession in the field of accounting and it is very much separated from practitioners serving society (Moehrle *et al.*, 2009; Albu & Albu, 2012; Parker *et al.*, 2011). On the other hand, accounting researchers point out the shortcomings of current professional practice (Donovan, 2005; Tucker &

Lowe, 2011 and Evans *et al.*, 2011). Some of the accounting research community goes as far as to consider that many practical issues of concern to professional accountants do not warrant the attention of researchers (Tilt, 2010).

The relationship between scientific investigation and accounting practice, and subsequent practical application of scientific knowledge in the field of accounting is more complex. Accounting research also accrues from past practical experience, especially through quantitative research - verification of hypotheses using real data. Accounting belongs to social sciences, and thus it reaches beyond the development stage of society and is significantly influenced by the goals that determine the dynamism of society as a whole.

After analysing the historical context and current state of accounting academia in the Czech Republic it must be stated that the development of real economic processes and their needs are often left behind. Although current research projects focus on solving current problems that are practically relevant in the immediate term, other areas do not provide sufficient background for solving current practical problems (e.g. accounting in the public sector). Changing dynamism and developments in the Czech accounting research community in the past few years has its own features stemming from processes accompanying transformation to a market economy. Current developments create challenges for Czech accounting academia causing concern for further extension of accounting research and its ability to serve accounting practice as well as its development as an academic discipline.

This article is structured as follows: the first part is the introduction. The second part provides the historical context of accounting research and practice in the Czech Republic up to the early 1990s. The third part analyses the current structure of the Czech accounting academic community and introduces the main representatives of the broader accounting community including their research and other academic activities. The fourth introduces publishing activities after 1989 and develops the major shortcomings of academic life. Finally, the fifth part concludes the article.

## **2. Historical context of Czech accounting research and practice**

Accounting is a purpose-designed model. It is a subsystem of a broader economic discipline, which is concentrated in the many diverse applications of accounting. These applications start from their targets, detection and identification of goals, including their place in the hierarchy of society-wide objectives and appropriate benchmarks for description and measurement. Scientific concepts and tools enable

creation of an agreed formula to a particular kind of factual resource file defined qualitatively and quantitatively. Need for analysis and evaluation of the effectiveness of a particular accounting model is based on current needs for immediate solutions for particular practical problems from the broadest perspective.

Needs for practice and purposes of both scientific research and practical applicable results are related to the current state of society and production. Further needs are determined by management and political structures and by interests of respective national governments. This standpoint is reflected not only in development of accounting as a practical discipline, but also in development of accounting as a branch of science.

Accounting is considered a complex socio-economic activity whose evolution is closely linked with the development of human civilization and development of industry. "It is argued that the rise of global capital would not have been possible without the existence of organized and institutionalized accounting practices" (Baker & Barbu, 2007: 603).

The concept of accounting as a scientific discipline has not been uniform throughout time. As accounting theoretician M. Janhuba states:

"...up to now accounting does not have any single, compact and consistent theory. Accounting system is co-determined by broader economic reality of particular period and it puts into practical use a structure that respects relevant composition and data (theoretical paradigm), which is valid at that particular time period and in terms of particular conditions. Each change of conditions raises new paradigms, which then re-determine the final form of a new set of accounts that are currently used ..." (Janhuba, 2005: 7)

The distinction between accounting research and accounting practice is not exactly clear. Accounting practice is usually understood as solving practical problems, which are generally applied as the formulation of binding rules for creation of financial statements to solve problems of application in specific conditions. Traditionally, accounting research is defined as

"... Applied research in that the focus of study is made up of technologies and technical practices used by accounting practitioners in social and organisational context" (Evans et al., 2011: 9)

The relationship between accounting (and any) theory and accounting (or any) practice is a problem of epistemology, which will be always characterized differently - depending on a relevant philosophical, resp. epistemological context.

"There is a longstanding debate against the so-called mainstream scientific accounting methodology, that is perceived as producing repetitive non-innovative research and that is inaccurate for explaining the complex interactions developing in social settings where accounting is produced and used" (see e.g. Tomkins & Groves, 1983: 361)

In this article we will consider accounting theory and theoretical investigation as an analysis of reality and attempts to find solutions to problems that go beyond the immediate application of current accounting regulations as applied in corporations for processing of accounts (Baker & Bettner, 1997).

“...current and future development of accounting and periodized presentation summary of outputs is firmly based on knowledge of the past. Today we build on what has been done by a lot of unknowns and by a few celebrities, our predecessors. Our current students ought to be to a reasonable extent informed about the evolution of the discipline...” (Janhuba, 2004: 7)

Accounting education at the tertiary level (university education) commenced in the early 19th century at the Prague Polytechnic Institute. At that time accounting was taught as part of other subjects (mathematics, theory of economic governance). The first state Department of Accounting was established by 1830 at the Karlo-Ferdinand University in Prague. It was chaired by professor Amman, and later by professor Schrott, founder of Austrian Cameral science. After 1850 accounting lectures began in Brno and at the Mining Academy in Příbram. Creation of Czech accounting terminology was the work of professor Antonín Škrivan, who published the first Czech textbook on written accounts by 1864 (Janhuba, 2013).

The most important personality and a founder of Czech accounting science can be considered a younger professor, Josef Pazourek, from a generation further. He was born in 1862 and began his professional involvement as a professor at the Business Academy in Chrudim. After habilitation he joined the Czech Technique, where he founded the College of Business, the forerunner of today's University of Economics. In 1900, he started publishing a journal entitled “Accounting Letters”. Here he tried to disseminate knowledge from different areas of business management. He wrote over 2000 scientific papers and contributed to development of constituent Czech business and accounting science at a European level. His most important publication is his college textbook “The Theory and Practice of Accounting Systems”, which became the basis of Czech accounting science. Other accounting theorists were professors at so-called business schools, or authors of textbooks for business academies (secondary schools): Kubeša, Fuksa, Kheil and following in a similar manner (Janhuba, 2013).

Further development of accounting education is associated with the establishment and progressive development of the University of Economics in Prague. There, three or maybe four generations of prominent personalities were developed, contributing to solving current problems of economic practice and also to developing accounting as a theoretical discipline since its establishment in 1953.

In the 1950's, professors Fiala and Fuksa, who worked at the College of Business, further developed accounting education. In the 1960s and 1970s, major personalities were professors Pilný, Křozar, Svoboda, and Báča. Representatives of

the third generation in the 1980s and 90s were professors Schroll, Müllerová, Kovanicová, Vomáčková and Janhuba. After 2000 came yet the next generation of young academics: Dvořáková, Krúpová, Žárová, Mejzlík, Králíček, Zelenka, Ištvánfyová, Bokšová, Procházka and Vašek.

Important personalities currently working at other Czech universities and having contributed to the development of the science include H. Bohušová (Brno), M. Paseková (Zlín), V. Šebestíková (Ostrava) and many others.

Until 1993, the Czech Republic was a part of Czechoslovakia, so development in Slovakia was an important part of the evolution of accounting both in academia and as a profession. Originally, until the establishment of Czechoslovakia, Slovak accounting developed in a different environment. The first reason was mainly the agrarian nature of the country, where the need for detailed information about operations and performance of companies were not as demanding. The second reason was the different legal environment: In Bohemia, accounting books were driven by the Austrian Commercial Code from 1862, whilst practices were applied in Slovakia under the Hungarian Commercial code from 1875, although differences in maintenance of accounting information and bookkeeping were not significant. Overall resolution was based in general on prevalent conditions in Hungary and Slovakia. Unification started only after World War II, as accounting in a centrally controlled economy started to take shape.

At this stage, significant works in the field of clarification of accounting standards and general bookkeeping principles were authored by Vladimír Stripský and Alexander Novomestský (Šlosár 2008). They responded, in particular, to problems of relationships between accounting and taxation introduced in that time. As advisors to the Ministry of Finance, they participated in generating explanations of accounting rules and terms. Subsequent development of the accounting system after World War II was linked to these clarifications.

Amalgamation of accounting rules and emphasis on generating basic information for a centrally controlled economy generated a need to prepare qualified accounting professionals. The need for qualified managers for state enterprises led to the establishment of the University of Economics in Bratislava in 1960. This university had its own Department of Accounting. Its role was to systemize academic activities in the area of Accounting.

Different conditions of the accounting function between the Czech and Slovak parts of the country gradually merged. The agrarian nature of the country gradually shifted towards industrialization – both in the years of the planned economy and after 1989. The demand for better quality in financial information therefore gradually increased.

Subsequent transformation of the planned economy to a market economy was accompanied by gradual creation of a capital market. These specific conditions led to the Slovak Republic adapting accounting to IFRS to a much greater degree than the Czech Republic. However somewhat contrary to this development was the relatively low attention paid to training experts for the accounting profession: from among Slovak universities, only the Economic University of Bratislava and Agrarian University in Nitra prepare students in the accounting profession and only Bratislava has a master's degree. Accredited programs in accounting at the doctoral level are only at the Economic University in Bratislava. Significant academic research and authorship of monographs, studies and textbooks in accounting belong to R. Šlosár, M. Tumpach, A. Baštincová, Z. Juhászová, A. Šlosárová, Z. Laučík.

### **3. The current structure of the Czech academic accounting community**

The role of academia has traditionally involved teaching, development of theory, and cooperation with practicing accountants. The impact of research on professional practice must include education in the equation. A research/practice/teaching triangle has induced a range of research around these connections. Tilt captures the "schism" between the interests of academics and the interests of practitioners as follows: (Tilt, 2010: 37).

- Academics are considered elitists as they speak with their own jargon; they use complex mathematical formulae; they shut out potential practicing readers by doing this; the aim of the game is to publish at all costs, not to disseminate knowledge or improve practice (Baxter, 1988).
- Practitioners are seen as not being interested in any challenge or debate or changing the status quo; they are reluctant to disclose their data, so they want academics to help them but they will not let the latter break into their firms (Bricker & Previts, 1990).
- Practitioners often regard jargon as pretentious. Academics suggest that when you have new ideas and exciting things, new terminology appears. Mathematical formulae are really useful because they are a form of shorthand and enhance clarity of thought (Baxter, 1988; Bricker & Previts, 1990; Leisenring & Johnson, 1994: 74).

Research activities in the field of accounting and preparation for the accounting profession were performed mainly at universities in the Czech Republic. Several other institutions are involved in research activities and in preparation for the accounting profession. The most important are the professional organizations: Union of Accountants of the Czech Republic, and as well as the audit firms, and a



subsidiary branch of the International Society for the preparation of the financial ACCA.

A historically significant position in preparation for the performance of the accounting profession was given to irreplaceable secondary schools - business academies. Historically significant teachers at these schools came from these institutions, including a number of prominent figures of accounting science. This corresponds to the fact that historically prominent teachers of these business schools have made important contributions to development of accounting science.

A list of current institutions which are involved in preparing for the accounting profession should be extended to other educational institutions, such as VOX and Verlag Dashöfer, AV economics, and NOTIA amongst others. Other institutions are predominantly involved in accounting and tax advisory services, and are also engaged in preparing courses for the accounting profession. These, however, are not directly connected with academia. They offer tailor-made courses on demand based on market requirements. The majority of tuition is organized by individual experts in accounting and auditing practice.

### **3.1 Universities**

The chief body of scientific researchers in the field of accounting is recruited from tertiary educational institutions in the Czech Republic, i.e. universities and colleges.

Currently (in 2014) there are 72 universities (including 26 public, 2 state owned and 44 private) in the Czech Republic<sup>1</sup>. A program in economics is delivered at 49 universities. Degree plans that prepare graduates for the accounting profession are currently offered at 10 universities. Some of these universities, however, offer only studies at the bachelor level - see table 1.

**Table 1. Universities and colleges offering degree courses  
for the accounting profession in the Czech Republic**

<b>University name</b>	<b>Study scheme at the bachelor level</b>	<b>Study at the master's level</b>
<b>1 University of Economics, Prague</b>		
Faculty of finance and accounting	Accounting and	Accounting and
Department of financial accounting,	Financial Management	Financial Management
Department of management accounting	of an Enterprise	of an Enterprise
<b>2. University of South Bohemian, České Budějovice</b>		
Faculty of economics	Accounting and	Accounting and

University name	Study scheme at the bachelor level	Study at the master's level
Department of accounting and finance	Financial Management of Enterprises	Financial Management of an Enterprise
<b>3. Masaryk univerzity, Brno</b>		
Faculty of economics and administration	Finance and Accounting	Finance and Accounting
Department of finance	<i>(currently only Finance specialty)</i>	<i>(currently only Finance specialty)</i>
<b>4 Mendel university, Brno</b>		
Faculty of Business and Economics	--	Accounting and Taxes
Department of Accounting and Taxes		
<b>5 Silesian University, Opava</b>		
Faculty of trade and enterprise	Accounting and Taxes	--
Department of finance and accounting		
<b>6 Tomáš Baťa University, Zlín</b>		
Faculty of management and economics	Accounting and Taxes	--
Institute of finance and accounting		
<b>7 Technical University, Ostrava</b>		
Faculty of economics	Accounting and Taxes	Accounting and Taxes
Department of accounting		
<b>8 Technical university, Brno</b>		
Faculty of enterprising	Accounting and Taxes	Accounting and Financial Management
Institute of finance		
<b>9 Private university college of economic studies, Prague</b>		
Department of accounting and finance	Accounting	--
<b>10 Private university college of economics, Znojmo</b>		
Department of finance and accounting	Accounting and Financial Management	--

(Source: www.msmt.cz and author's research)

The actual teaching of accounting courses is realized by specialized departments or institutes, which are responsible for the field of accounting either as a specialty or as part of a general curriculum for other branches or broader disciplines (Corporate Management, Corporate Finance, Finance, etc.). These departments or institutes are not usually specialized in accounting specifically, but have a much broader focus: e.g. finance and accounting or accounting and financial management).

Teaching plans for individual subjects are not identical since their preparation is at the discretion of each college. There is no compliance requirement with professional exams in the field of accounting for the accounting profession (offered and organized by the Union of Accountants), but each school can optionally apply

for recognition of a subject taught, or some subjects for examination structure within the accounting certification.

Young accounting scientists (PhD in the field of accountancy) are prepared only at the University of Economics in Prague. Only this university has an accredited program in accountancy at the PhD level. PhD studies at the other universities are usually offered as a part of a broader educational program such as Business Management or Finance or Business Finance, and not solely as specialization in accounting. At other universities, candidates prepare their theses on broader topics e.g. finance or financial management. Accounting is generally subsumed to finance or economics.

In these institutions, research activities are performed along with teaching responsibilities. Research work is considered to be a part of academic work at the university. Research performance also forms a part of the assessment of each academic fellow and serves as an indicator of quality of the educational department and of the whole university. It is perceived as one of the indicators providing fundamental information for decision making on funding and accreditation for the Ministry and Czech Accreditation Committee. Fulfilling this criterion serves as an incentive for setting up individual compensation. Research activity is performed by undertaking research projects funded either from internal resources of each individual university or from external resources.

The intensity and the scope of research activities of departments or institutes usually depend on the size of the institute, its speciality, staffing levels and on the overall management interests of the university. Only the Department of Financial Accounting and Auditing at the University of Economics in Prague fully concentrates on the issue of finance and accounting, and has devoted a whole faculty to accounting (named Faculty of Finance and Accounting). This department is also generally considered as the only leading department which develops accounting theory. In this department there are researchers working on projects focused on both theoretical (fundamental) problems of accounting science and on specific areas, e.g. the applied accounting for businesses, accounting in non-profit sector, accounting in securities, insurance and others. At the same faculty a separate department of management accounting continues to operate, focusing on managerial reporting and on in-company processes.

There is also the Department of Didactics of Economic Subjects operating within the same faculty. This department prepares teachers for secondary schools of economics (so-called Business academies - Obchodní akademie), including accounting to teach the subject in secondary schools as already mentioned.

The Department of Accounting and Auditing at University of Economics in Prague was one of the leading contributors to the process of reconstruction of accounting after the changes in 1989. To strengthen scientific research capacities, other units and working groups dealing with current issues were established (e.g. Center for Financial and Accounting Studies (CEFIUS) in 2003). This center was created by representatives of the Ministry of Finance, The Union of Accountants and university professors, who have also instructed in practice – in business corporations. The main idea was to concentrate research activity under one roof.

Other Czech universities also operate departments or institutes that, in addition to teaching, also perform research activities. Cooperation amongst them is, however, an exception. The Agricultural Mendel University in Brno and their Department of Accounting and Taxes is very successful with regard to publications. Major publications in the field of accounting practice and IFRS implementation were created also at the Institute of Finance and Accounting at the Faculty of Management, Tomáš Baťa University. Specific accounting problems in capital companies are dealt with at the accounting department of the Technical University of Ostrava.

Accounting is therefore one of principal study programmes at the University of Economics. In other Czech universities, accounting programmes are rather a by-product of core fields of study. These factors preclude both valid comparisons across Czech universities and derivation of general conclusions on the state of the art in the Czech Republic. The number of students per teaching programme is very difficult to find. We estimate that there are about eight thousand students currently enrolled in all programmes of the University of Economics in Prague, which is a state university and at the same time the biggest provider of education in the field.

### **3.2 Science and research activities at other (non-Prague) universities**

New universities were established after 1990 in several major cities in an effort to decentralize education. The result was the emergence of a number of universities - both public and private - in different regions outside Prague (i.e. West Bohemian University in Pilsen, Masaryk University in Brno, and University of Tomáš Baťa in Zlín). Departments of accounting with their own faculties were established only at some new universities. They were usually involved in broader specialisations – Tax, Finance or Management. New workers arrived in academia, usually accounting practitioners and business people that started lecturing, conducting exercises and writing text books. Therefore, at the second stage, when the research activities focused on IFRS, other relatively new universities also appeared. The main focus, however, remained the application of legislative regulations to specific conditions, especially in the area of changing tax laws.

Projects resulting in major publications were conducted at Mendel University in Brno. There is, for example, the Convergence project of US GAAP and IAS / IFRS to create a single financial reporting system with regards to adaptation of the methodological procedure of financial analysis proposed by Bohušová. Another project called Harmonization of Financial Reporting for SMEs in relation to the construction of the income tax base has been proposed by Nerudová. A project focussing on the use of IAS / IFRS in small and medium-sized enterprises and the impact on their performance measurement was proposed at the Institute of Finance and Accounting at UTB Zlín, Mendel University and Prague University of Economics (the main representatives were M. Paseková, H. Bohušová and L. Mejzlík). At the same time, other universities (VSB-TU Ostrava, Brno ESF MUS etc.) produced interpretative publications (study materials) on IFRS or portions thereof, or areas of practical application of Czech standards (mergers, valuation, leasing, etc).

Topics addressed were from areas that were still not yet researched: from environmental accounting, accounting in non-profit sector, accounting for financial institutions and insurance, field of tax harmonization in the EU etc. These projects resulted in many different publications. In this case the research was not just about the application of existing laws, but about their analysis, which has the character of primary research - defining the common elements and principles in the area of financial reporting.

The remaining universities remain somewhat outside the main stream, although even these include of knowledge of IAS / IFRS and write educational publications. Private colleges occupy a specific position, because they have just started to build their structures. Research activities were realized more administratively according to requirements for accreditation or for generation of financial resources if research activities were a condition for funding. Here, more than in other schools, this system leads to the formal implementation of the required points to support the implementation of research activities. Even here, however, research projects are realized by both internal and external assignments focusing on various areas of accounting issues (e.g. VSFS, SVSE). A competitive environment and competition for students tend to offer a body of knowledge that will ensure immediate employment of students in the labour market. Knowledge of IFRS is not yet a required common practice, and this is causing a pragmatic focus closely on content preparation and lack of interest in IFRS. Interpretation of accounting issues are also focused on the current treatment of Czech accounting standards and their practical applications in close relation to the tax consequences and use of all legal options to reduce tax liability. Implementation of IFRS in accounting content is implemented to varying degrees, depending on the individual teachers - accounting teachers who, in their effort, are rather alone.

### **3.3 Role of professional institutes**

#### **Auditing firms**

An institutional framework for auditors was gradually created after 1989 at a time when gradual creation of auditing firms was commencing. The Chamber of Auditors was established in 1992 after passing the Act no. 524/1992 Coll. on Auditors. The act defines the status of auditors. Although further development of this aspect has undergone many changes, audit firms have become part of the accounting environment.

After 2002, scientific and research activities started to be focused on auditing firms, especially the "Big Four". This move is a consequence of EU Decree No. 1606/2002 and adoption of IFRS for the preparation of consolidated accounts of companies listed on capital markets. Auditing firms started various training courses offering explanations of reporting under IFRS. At the same time, auditing firms began to use company data with which they performed research and analytical activities. They also offered professional education to accountants and published research and study materials, and began cooperation with the ACCA in the field of professional education of their staff.

#### **The Union of Accountants**

The Czech Union of Accountants has represented the interests of the accounting profession since 1992. A working team from the Union of Accountants initiated preparation and implementation of a system of certification for the accounting profession. The original version of the certification structure was created in collaboration with experts designated by the European Commission in cooperation with the ACCA. The first certification system originally distinguished three levels of certification, which required achievement of a study program and completion of a specific set of tests. Later on, this system proved to be de-motivating and too complicated. The original model was therefore simplified to a two-stage model - level of certified accountant and level of accounting expert.

The introduction of certification to the accounting profession was an important step forward in preparation of managerial positions in finance. One of the factors that contribute to this situation is that a legal requirement of professional qualifications is not compulsory in the Czech Republic.

The Union of Accountants performs important functions within the accounting profession. Not only does it prepare and ensure continuous training of practicing accountants, but it also publishes a magazine entitled „Methodological Perspectives”. Its goal is to disseminate new information, especially in the area of the current accounting regulation. It also organizes, even if only on a selective

basis, research projects that contribute to the overall development of financial performance and teaching within the accounting profession. It is very important that methodological activity is aimed at solving specific problems in practice, systematic work in the accounting field, related legislation and accounting methodology.

In January 1999, the National Accounting Council was founded. Its function is mainly to coordinate and streamline procedures in the accounting field. The founders are important bodies in professional accounting: namely Union of Accountants, Chamber of Auditors, Chamber of Tax Advisers and the University of Economics, Prague, represented by the Faculty of Finance and Accounting.

### **The ACCA**

The ACCA (the Association of Chartered Certified Accountants) started to operate in the Czech Republic in 2003. It offers training for the accounting profession with multinational and international recognition. The ACCA certification is implemented at two levels, the Fundamentals level and Professional level divided into two modules, Knowledge and Skills.

ACCA's office in Prague provides services to its members to enable them to grow and develop along a career path within the accounting profession. Central to this is the creation of a community of professionals who can share their expertise and experience as finance professionals.

ACCA cooperates with universities and works within their established curricula in the field of accounting so that when some of the subjects are taught at the accounting institute, it recognizes a pass based on certain criteria for an exemption in the international certification system.

### **3.4 The role of the Business Academy (cz. Obchodní akademie)**

An important role in preparing for the accounting profession is performed at the secondary level of education by the so-called Business Academies. Business Academies have existed historically for a long time as almost the only institution that prepared accounting practitioners for placement in various positions within the accounting profession. They were mostly engaged in preparation of clerical staff (bookkeepers) and did not concern themselves with managerial or decision making functions.

The need for specialized education of staff at management levels as a result of the rapid development of enterprises and the national economy emerged in the first half of the 19th century. The reaction to this need was the appearance of German business schools.

National efforts then resulted in establishment of the first Czechoslavonic business academy in 1871. Until the 1960s this type of secondary school was responsible for preparation of public administration staff to act as accountants in lower executive positions. The concept and scope of preparation was continuously responsive to recent changes in management practice (including changes that brought the development of technologies and modern information technology). Even then, preparation of accountants and bookkeepers at business academies was seen as systematic preparation for immediate engagement in accounting activities. Business school graduates are, with almost no additional preparation, able to start with competence and understanding in the accounting department of a medium or large enterprise, or even to maintain comprehensive accounting for small and medium-sized businesses as an external accountant. The problem still remains the introduction of IFRS into the course content of business academies. Analyses and research on the method and form, and implementation strategy to introduce this knowledge into the curricula of business schools has also been carried out.

Regarding Business Academies, the aim of the Department of Financial Accounting at the University of Economics in Prague is to intensify cooperation with schools and teachers of accounting courses. This cooperation existed in the past in 1980s and 1990s; however it has weakened in the past ten years due to an increase in other forms of education. This concerns how accounting field helps teachers to convey the latest information regarding changes in accounting rules, as well as methodological materials and teaching methods in the field. This area has also implemented research activities focused on innovation of content, methods and methodological tools for teaching accounting subjects at secondary schools (Berková, 2014).

#### **4. Research activities after 1989**

Since 1989, research activities in the field of accounting theory and practice were associated almost exclusively with the reconstruction of the accounting system and its role in the new economy. Two significant stages can be distinguished in terms of scope of problems with scientific research. The first stage (1990-2003) was associated with the preparation of new legislation and regulation in response to conditions within the newly emerging market economy (privatization, capital market, debt load of companies, etc.). The content of the second stage was mainly a response to the accelerating process of transnational harmonization of accounting. The main issues solved by scientific-research are in this second stage, which was related mainly to the implementation of IFRS as part of Czech accounting.



#### 4.1 Stage I - modification of rules and regulations (1990 to 2003)

Research work focused on the preparation of amendments to accounting rules, to correspond to the new economic conditions. The economy underwent a radical transformation in forms of ownership. Ownership of formerly state-owned enterprises was transferred under privatization to small shareholders (voucher privatization) and later owned by individuals or small groups. Conditions suitable for development of a capital market, however, were not created, even though the Prague Stock Exchange was reopened in 1993.

The redesigned Accounting Act of 1991 fully enacted on January 1, 1993. It was conceived as a system suited to the market economy. A feature of the new system is that only financial accounting would be regulated. The legal framework for the new accounting system introduced by the new Accounting Act used the continental accounting system based on similar approaches in France and Germany. These accounting systems are more bank-oriented than investor-oriented due to the traditional structure of their financial markets. It was also consistent with the long history and character of the accounting system in Czech regions and the actual situation. Although, until 1953, the Czech accounting system had been influenced by German accounting, the German system was not chosen as a basis for this accounting reform. Instead the French system was selected. The most important argument for selecting the French system was the relatively high proportion of the French economy that had been nationalized, and there was a requirement for centralized regulation of accounting (Schroll, 1995; Daniel *et al.*, 2001; Jindrichovska *et al.*, 2014).

The Act determined the extent and method of accounting, which were substantially different from the previous adjustment, thus requiring a different mindset. It established requirements for ultimate standards, determined timing and competencies regarding who should keep accounting records and established obligatory audits of financial statements. Some more detailed provisions of the Act were developed and refined by further legislative regulations and amendments. The objective of accounting within these new conditions was to provide a true and fair picture of the financial position and profitability of companies.

Responsibility for the preparation of the new accounting system was then with the Czechoslovak Federal Ministry of Finance, which at that time seemed to be the most competent institution. After introduction of this new system, practical application revealed a set of fully centralized accounting standards which caused several problems. These problems, however, could not be solved centrally by the Ministry of Finance. This led to creation of a broadly based semi-governmental body Národní účetní rada (National Accounting Board) in the 1999.

At this stage, the main representatives of academia involved in creating the new concepts of accounting came from the Department of Financial Accounting of the University of Economics in Prague. The National Accounting Board was created at the end of the first stage to coordinate work on editing and preparation of relevant regulations. The National Accounting Board was created in collaboration with the Union of Accountants and methodical department of the Ministry of Finance to synchronize work regarding editing and preparation of related accounting regulations. In addition to work on this text document, its research and publication activities focused mainly on sharing information about the new accounting concept. It was necessary to introduce the new type of accounting to professional accountants and to students in universities and secondary schools. Of the many other publications in this phase, the greatest recognition has been given to the work of D. Kovanicová *Abeceda účetních znalostí pro každého* [Alphabet of accounting knowledge for everybody], which was first published in 1993, and subsequently republished in twenty other editions. Financial reporting from the perspective of users of financial data was published in three volumes by Kovanicová D. and P. Kovanic *Poklady skryté v účetnictví* "Treasures hidden in accounts" (1995-1997). The main topic of these scientific publications was use of the new accounting and its interpretation under different conditions. Many publications have been devoted to new tax legislation, which was closely linked to the financial data. Frequent changes in accounting rules oriented publishing activities of academia to create publications to interpret these changes. Some changes in accounting rules meant that accounting was about explaining accounting practices more closely associated with taxes and tax obligations (e.g. possibility of accelerated write-off of newly purchased assets, change in depreciation classes, changes in asset valuation etc.) Interest in professional accountants in practice shifted from the creation of a full and fair representation of the financial position of a firm, which should be respected, to use of existing tax and accounting rules to reduce tax liability - so-called tax optimization.

Apart from accounting for individual entrepreneurs, business individuals still used so-called single entry bookkeeping, also the subject of many publications. These explanatory publications were also published in Slovakia which was formerly a part of ČSFR.

In addition to financial accounting, attention gradually shifted to the use of financial data - financial analysis. E.g. Mrkvička J., *Financial Analysis*, 1997, Kovanicová D., Kovanic P., *How to understand financial statements* 1996-8. Assessing the financial situation dominated the requirements of the company and its managers, rather than the needs of investors and capital market.

In summary, we can say, that at this stage science and research activities of academic staff focused on mediation and summary of findings of new accounting system with all adjoining areas to their users (tax, audit, and their individual areas

of accounting). At that time there were only several research projects and publications which differed from the mainstream. A publication which significantly overreached contemporarily discussed issues was the book by D. Kovanicová *Financial Accounting in the Context of Globalization*, published in 1997. In the same year, the first domestic publications in the field of audit of financial statements was published (Králíček V., *Auditing*, 138 pp., Praha: VSE 1997)

#### **4.2 Stage II – implementation of IFRS (2003 to present)**

The second stage of academic research activity in the field of accounting was associated with the implementation of European Parliament and Council Regulation (EC) no. 1606/2002 on the application of international accounting standards in the Czech accounting environment. According to this regulation, all companies listing marketable securities were obliged to publish consolidated financial statements in accordance with International Financial Reporting Standards from 2005 onwards.

The beginning of this phase of development of scientific research activities can be seen in the upcoming completion of the translation of IAS / IFRS into the Czech language, which was published previously in 2000. Following the adoption of the EU regulation in 2002, the Ministry of Finance, in cooperation with Pricewaterhouse Coopers, organized courses to prepare enough teachers to have in-depth knowledge of IAS/IFRS and who could explain the new principles to a broader audience. From this, the first wave of publications familiarizing interested parties with new accounting procedures emerged.

Further research activities at this stage were concentrated on different aspects of implementation of IFRS in the Czech economy. There were several general projects linked to this topic within a different encompassing field - see table 2 below.

**Table 2. Research topics related to different aspects of the implementation of IFRS in the Czech economy**

<b>Name of project</b>	<b>Chief investigator</b>
University of economics, Prague	
US accounting standards (US GAAP) and their role in the global harmonization of accounting	Müllerová 2001-03
Analysis of the measurement and reporting of securities listed and unlisted companies in Czech Republic	Mejzlík, 2003
Cost-benefit analysis of transition to IFRS in Czech publicly traded companies	Mejzlík 2008-10

Name of project	Chief investigator
The concept of financial accounting for the true and fair view of acquisitions and mergers	Vomáčková 2003-05
Accounting theory and practice in relation to the introduction of EURO currency and the consequences of its implementation in the economy of enterprises in the Czech Republic	Roubíčková 2003-05
Analysis of the accounting rules for reporting income: new approaches in the world and the possibilities of their application in CR	Procházka, 2009-11
Comparative analysis of national accounting and tax system in the EU with an emphasis on cross-border mergers	Žárová, 2010-12
Impact of IFRS implementation on spatial mobility of capital and labour	Procházka D. 2011
Analysis of ways of dealing with debt relief of individuals in relation to individual groups of creditors by regions in the Czech Republic	Randáková 2014-15
Mendel University, Brno	
Impacts of financial reporting harmonisation on SMEs in relation to the construction of the income tax base	Nerudová 2007-09
Convergence of systems US GAAP and IAS/IFRS for a single financial reporting system the creation with regard to the adjustment of financial analysis methodologies	Bohušová 2011-2012
Quantification of the impact of introducing a common consolidated corporate tax base on the revenue side of the budget of the Czech Republic	Nerudová 2013-2015
FAME University T. Bata, Zlín	
Usage of IAS / IFRS in small and medium-sized enterprises and the impact on their performance measurement	Paseková 2009-2011
Masaryk University, Brno	
Effect of accounting policies for reporting business performance	Sedláček 2004-2005
The analysis of tax and accounting procedures in mergers	Sedláček 2011-2013

(Source: websites of the universities: available at <http://kfua.vse.cz/o-katedre/pracovnici>, [http://www.pef.mendelu.cz/cz/veda\\_a\\_vyzkum](http://www.pef.mendelu.cz/cz/veda_a_vyzkum), <http://www.utb.Cz/fame/veda-a-vyzkum/resene-projekty>, <http://www.muni.cz/research>)

In addition to these projects, the attention of academics turned to conveying knowledge of new methods of financial reporting, i.e. methods of interpretation. Performance of financial activities in terms of regulated accounting (continental system) is based on detailed knowledge of rules that determine the financial positions to the smallest detail. International standards are based on principles whose applications in fundamental accounting activities allow a practicing accountant, his/her design and formulation of a financial position that respects established principles. The results of these discussions were gradually reflected in courses for the department of financial accounting and the introduction of new

subjects (international accounting). This approach is significantly different than the previous concept. However, the wider use of results of these discussions and experiences with a new solution has not yet occurred at other universities and/or secondary schools.

### **4.3 Practice oriented research**

#### **Audit firms**

After 2002 the status of audit firms has increased considerably. The increase in importance of the audit was an effect of the transformation of the Czech economy to the principles of a market economy. The same effect led to a new reporting format. These companies gradually expanded their range of services. In addition to auditing services, they also offered a wide range of training courses in accounting, taxation, financial management and other areas. Some of audit firms (KPMG, Pricewaterhouse Coopers) also run their own practice- oriented research and surveys, which they used both for activities and all users. Their staff also became trainers of IAS / IFRS, especially in the years 2003-2009, and authored the interpretation of the new standards IFRS (e.g. R. Loja, A. Šrámková, P. Kříž - PwC).

#### **Union of Accountants**

Union of Accountants collaborates within the established structures on the preparation of Czech accounting standards and participates in the ongoing training of Certified Accountants. In cooperation with a private college (Private University College of Economics, Znojmo), it seeks to combine vocational and university training in accounting, but the plan faces a number of challenges. It conveys the interpretation of current regulations and solving problems on the pages of professional magazines. It does not take part in the scientific-research activities separately (members and teachers are mostly academics or practitioners).

#### **ACCA**

Presently, the activities of ACCA focus on training for the accounting profession. It prepares several Czech universities for students wishing to attain an international certificate used in interconnection to their fields of study. The condition for university programmes is separate from content subject to methodological consistency in teaching ACCA accounting principles. Thus the system delivers a preparatory element in the form of content and also the methodology used in profession to selected universities. This offer is open to all colleges (universities). However, the problem remains that universities are either not interested, they do not have the required quality of teaching or they do not have adequate syllabi.

Professional interest is not a pre-requisite in practical application for the recognition of subjects for the use of students. At this time neither an international certificate nor a certificate obtained in the Czech Republic is a requirement for obtaining employment status in an accounting or financial position.

#### **4.4 Accounting profession and Business Academies**

Currently, Business Academies can also preserve their role in preparing students for bookkeeping positions in control or accounting systems of large companies and in small companies. The purpose of teaching accounting at these schools thus focuses on the needs of practical accounting, including a detailed introduction to the current regulations governing accounting. Within this framework the preparation of students for practical accounting activities is realized - often, even for complex bookkeeping for small firms. We can say that the educational style of Business Academies concentrates on practical application of current regulations governing Czech accounting system.

Familiarization with broader views of accounting or other methods of reporting under IFRS still have not penetrated the accounting curricula at business schools. This is because, amongst other things, reporting in accordance with International Financial Reporting Standards is not yet required by those businesses in which the graduates of business academies usually find their employment. One way to introduce this subject to curricula is the regular conference organized by the Department of Financial Accounting of the University of Economics in the Prague. This conference has been organized every year since the year 2000. This teaching conference is organized with the aim of disseminating knowledge of IFRS to a broader audience, including teachers at Business Academies. Contributions and presentations at this conference present the latest developments and new accounting procedures - including developments in IFRS. Unfortunately the teaching methodology and methodology of interpretation of new rules do not call for much attention. At the University of Economics, the shift in objectives in accounting courses with regard to accounting requirements of IFRS was already successfully implemented. This, however, was not entirely achieved in teaching accounting at Business Academies. Projection of teaching requirements of IFRS in both content and teaching methods has not yet been successful at Business Academies. Pressure to address this situation is created by several factors that do not support the adoption of new findings:

- Lack of awareness about IFRS (which does not allow self-study) and overloading teachers,
- Limited support in terms of methodological materials
- Traditional orientation to prepare graduates for immediate job application in practice,

- Thus far, limited practical usability of the IFRS system in Czech companies. (IFRS is only sporadically applied in Czech enterprises – most of them are SMEs.)
- The age demographic of teachers and lack of attractiveness of the teaching profession for young teachers.

Intensified efforts to extend the notion of teaching accounting in the issue of IFRS did not appear until two years ago in 2013. The Department of Didactics of economic subjects, which is fully devoted to this issue, began to seriously focus on IFRS only in 2012. Research projects that were dealing with this issue examined it deliberately, but only as a minor issue. This concerned other points of innovating teaching methods as well as using modern methods of pedagogy. These were addressed only marginally.

Starting only in 2012, new content and methods started to be experimentally verified at three selected Business Academies. The experiment included comprehensive instruction of IFRS within the curriculum of accounting. These selected Business Academies are being closely monitored and analyzed with regards to achieved results and potential problems.

During 2013, the Department prepared and released a rather extensive didactic publication "*Theoretical aspects of rationalization of business education*," which could become a broader and more general foundation document on this issue. However, even this publication deals with much broader problems than the issue at hand - requirements for interpretation of the principles of IFRS in terms of procedure and method of interpretation (E.g. Králová, Novák *et. al.*, 2014).

#### 4.5 Current Czech academic research and its major challenges

The majority of current challenges result from the process of rapid change in education system after 1990, changes in the Labour Code and haphazard establishment of private universities lacking academic and financial resources. Furthermore, there is no consistent educational strategy, because direction changes every four years due to political elections.

In terms of research, there is little stress on academic quality due to poor academic standards. The quality of students has also declined as competition private universities increases to keep enough students to boost revenues. This is also caused by demographic wave. Some of the major challenges can be identified as follows:

a) The low salary level which universities offer compels teachers/researchers to look for additional sources of income. A senior lecturer earns about the average salary, which is 27 thousand CZK in 2014 (about 1 thousand Euros). Further, the majority of teaching contracts are only part time contracts, or so-called "Dohoda o

provedení práce” (Employment agreement). With this contract, academics are so-called “external workers”. Under this type of agreement, the employer (in this case the university) does not have to pay taxes and health contributions for a part time employee. Taxes and health insurance paid for each employee represents about 30 per cent of the salary. Therefore, this arrangement leads to considerable “savings” on the part of universities. The share of external workers is relatively high at private universities (60-95 per cent). At public universities the share is much lower (15-20 per cent). At public universities the academics are usually employed on a five year contract, which can be renewed upon successful re-application.

Employment agreements in effect do not create stable conditions for academic work - neither for teaching nor for research. From the perspective of employees - university lecturers - this, obviously leads to restricted attention to certain aspects of their university job (usually research). On the other hand even though accounting is a practical discipline, Czech academics are rarely involved in practical accounting – which is to say bookkeeping. External workers very seldomly work as practicing accountants at accounting firms. They are most often involved in teaching at more than one university to make up for low salaries.

Presently, the Ministry of Education is gradually tightening requirements for staffing at private universities, so the share of external workers is now declining albeit very slowly.

b) The role of academia has been traditionally characterized as a trinity: teaching, development of theory and cooperation with practitioners; however, the research function is sometimes lagging behind. Next, we characterize some specifics of the Czech context. There is an ongoing discussion about whether university academics should perform academic research. - Argument: the main focus should lie in teaching activities, the intensity of which increases with an increase in the number of students and concurrent decrease in their grades. Scientific research should be realized by specialized, authorized university personnel. There is no separation of research and teaching positions.

c) The work conditions that influence private universities stemming from demographic conditions influencing the population curve have deteriorated. This has lead to efforts to "streamline" activities in response. There are, for example, considerations that teaching obligations of academics should increase (recalling that working time in other professions is 42 hrs. per week). The argument is that, if the teacher prepares a quality educational material, he/she can handle more than regular, prescribed load per week (there are accustomed norms for individual ranks in terms of number of direct contact hours: 18-tutor, 16-lecturer, 10-assistent professor, 6-professor). Research activity is a part of teaching duties and it is standardized by scores and classifications.



d) Normalization of performance of academic staff is in line with efforts of government agencies to increase the efficiency of use funds for research and academic activities of universities. Normalization should ensure that private universities show a comparable level of quality in all areas of activity (teaching, research and practice) compared to public universities. The system of evaluation of scientific research activities of schools and teaching staff through points awarded for various forms of outputs serves this purpose. The starting point is the idea that research is a part of the university activities. And this must be within a certain range. The range is determined by the number of points for the outputs of scientific work, which is timed according to semesters. I.e. research work is parallel to normal teaching time (see above). At some universities (Zlín, Ostrava) the scheme is more sophisticated: the regular workload per week depends on the research results in the previous year.

Evaluation of results part of academic work assessment puts pressure on individual interests (number of points which are attained for article publication is divided by the number of authors. Thus collective output reduces effect for individuals). This contradicts the current character of research activities (complexity of the problems requires the cooperation of experts from many areas and team solutions).

#### **4.6 Funding of research activities**

Public universities are gaining activities subsidies from the state budget to finance educational, scientific and research activities and also for their development and innovation and student food and accommodation. The contribution is derived from the scale and intensity of economic performance of universities and their quality (indicators A and K). In addition, they can obtain subsidies from public funds (Ministry of Education) to support research, experimental development and innovation. The provider is a Grant Agency of the Czech Republic, which started operations in 1993. It provides financial support to scientific projects within the announced programs. For support of projects, academics, research teams and individuals can apply. The project proposal is reviewed by three independent persons. The main criterion for acceptance of the proposal is "the quality publishing activities" of the chief applicant and his scientific (citations). The quality of the contributions is determined by the quality of journals and anthologies, i.e. in journals with impact factor, registered in international databases (SCOPUS, ERIH, and Web of Science). Universities can obtain other means from targeted national resources or from the EU, or from their own specialist activities.

Private universities receive funding for their activities from the payment of tuition fees and from sources that may be based on proven results obtained from the state budget. And under the same conditions, may raise additional funding from the public - on the basis of projects adopted by the Agency CSF, an EU funded project from its own expert work.

Academic research activity in the field of accounting can be financed in several ways. The main and the most highly regarded funding is by obtaining financial support through the Grant Agency of Czech Republic (GAČR), a state body. This agency supports basic research. Availability of funding depends on evaluation of submitted projects. This is then decided by small group of CAČR leadership. Even though the committee asks for external reviews, this group can still influence whether the grant will be given or not. Project selection (interpretation of the general criteria of what is and what is not 'basic research' and its contribution) is the responsibility of this group. This creates wide-open conditions for dishonesty and possibilities of credits for preferred acquaintances. In the end, this does not support the expected development of basic research. Additionally, the previous publication record of applicants is - ideally - only possible to achieve with extensive research and has great importance in the assessment of these projects. This also creates a closed circle from which there is no exit.

Another source of research funding has been created in 2010 under the name Technical Agency of the Czech Republic (TAČR). The aim of this agency is to support applied research with focus on development of practical techniques and methodologies. A condition of acceptance of the submitted project is to identify the user of such new methodology. The goal of this project is immediate application of the results in practice and seeing the impact of research on the effectiveness of the economy. From the perspective of the researcher, it brings other activities that he/she must ensure next to at full-time teaching load and somewhere increasing supervisions of final works and theses.

In recent years, other sources of motivation for scientific activities emerged within universities – so-called “internal grant agencies”. They are not equipped with a large volume of resources, often do not cover anticipated expenses and are based on the current financial situation curtailed or restricted under various pretexts. They are also influenced by informal relationships within the University. However, this form guarantees at least some link of research activities with the current needs of the University. The local focus, however, is also its limitation.

#### **4.7 Evaluating the research output**

At Czech universities, measuring of scientific output is usually performed with quantitative scoring: number of articles, number of points (the mechanism of transfer of articles to points: is available at "Methodology for evaluating the results of research organizations and evaluation of results of completed programs (valid for years 2013 -2015)"<sup>2</sup>

- **Journal rating** – in the Czech Republic, journals were categorized to following categories: -  $J_{imp}$  – journal article registered in Web of Science (WoS),

- J<sub>SC</sub> – article in resources Registered in SCOPUS that is not registered in WOS
- J<sub>neimp</sub> – article in a peer-reviewed journal in the database ERIH that is not registered in WoS or in Scopus
- J<sub>rec</sub> – article in Czech peer-reviewed journal that is not registered in WoS, Scopus or ERIH.

In 2012 the categorization was as follows:

- a) journals with impact factor, including 4 in Economic Sciences:
  - Czech journal of Economics and Finance (Finance a úvěr, UK),
  - E+M Ekonomie a management
  - Politická ekonomie
  - Prague Economic Papers
- b) 524 peer-reviewed journals, out of which 29 are in economics and only 1 is specializing in accounting.

Inclusion of the journal to a certain category is a subject of the review of the Board of Science, Research and Innovation (RVVI) which is carried out once a year and is valid for the following year (starting from 2014 previously the procedure was not regular). This way the journal can be included in the database for one year, and not in the following. This brings up the problem of recognition of the outcomes of research activities. In the Czech environment, there is no specialized accounting journal with impact factor. There are only peer-reviewed journals. Czech journals are more generalist.

The transfer of the journal to the higher category depends on the number of citations of published articles in other articles of the same or another journal - it is a practice common in the Web of Science and Scopus and others. However, this is the source of many inequities. In the Czech Republic there is frequently a group of mostly permanent contributors who accept the contribution of another author very sporadically. But this is not done with regard to the quality of the paper.

Although there are many works published by the Czech academics, these outcomes typically do not reach the Western European standard of publication. This can be documented by the low number of publications of Czech authors in world-renowned journals. Several possible reasons for this situation can be explained. One may be the language barrier; another is time-demanding teaching and administrative duties - inadequate conception of teaching commitment and its reflection in the legislation governing the status of academic worker; poor availability or unavailability of funds; and poor mathematical knowledge of the academics or inadequate skills in the use of statistical software. (A separate research project could be focussed on analysis of the conditions for scientific activity in different conditions.) It is not easy to penetrate a good international

journal for a Czech author. This situation can be alleviated if the Czech author cooperates with another academic from some Anglo-Saxon institution or works temporarily at a British or American university.

**- The language barrier**

Low productivity in terms of publications in foreign journals lies not only in its classification but also the language barrier. For the older generation of academics, it is difficult to write and express their own ideas in English. This is not about an ordinary ability to communicate, or even routine technical terminology. It is the ability to formulate new ideas. To use a vocabulary that allows expression of new intellectual connections which have no lexical form – in short, the ability to think in a different language. Many members of the middle generation of academics learned this skill especially through foreign trips and lectures abroad. It is still, however, a small percentage. For most mid generation experts, it is an obstacle to overcome – to effectively (i.e. quickly and concisely) grasp the information about the articles published abroad. Also, it is a challenge to produce and express their thoughts in another language, especially in English. Nevertheless, the situation in the context of a whole generation of academics is gradually improving. The language barrier is a major problem for inclusion in the development of international accounting scientific community. Here the language barrier bias may also play a role in publishing non English speaking authors in recognized journals (Carmona *et al*, 1999; Evans, 2004, and Raffournier & Schatt, 2010).

**4.8 Non-conceptual nature of research activities**

An effort access financial resources through research captures the attention of decision makers to research topics that are interesting from a marketing point of view. Topics which are so called „in“ have a chance of being published in reputable journals. They may not be consistent with the needs of the development of scientific disciplines and have with very little to do with current economic needs of the country. In the Czech Republic this trend was slowed down after 1989, when it was necessary to educate the broad economic community with new accounting principles, as well as principles of management, financing and valuation. The main topics of publications of various kinds were the interpretation and dissemination of new knowledge. This situation arose again after 2004, with the adoption of IFRS for reporting in selected companies– attention focused again on interpretation of new procedures. However this episode had a shorter duration, since the adoption of IFRS concerned only a very small number of companies. The focus of interest - not research, but explanatory - became the single amendment or new legislation– amendment to the Companies Act, an amendment to the Accounting Act, of partial depreciation of fixed assets, some of the amendment, which enabled faster economic recovery (possibility of faster depreciation of PPE),

which ties accounting even more closely to taxes (faster depreciation was interpreted as advantageous not for economic revival, but to reduce tax liability). The research papers are very often based on a sophisticated statistical method, that could encourage the shift to emergent quantitative research, but in many cases the use of these methods becomes an end in itself (Scapens, 2008; Hopwood, 2008 in Guthrie & Parker 2014).

Evaluation of results as part of academic work assessment puts pressure on individual interests (number of points which are attained for article publication is divided by the number of authors. Thus, collective output reduces affect for individuals). This is in contradiction to the current character of the research activities (complexity of the problems requires the cooperation of experts from many areas and team solutions).

#### **4.9 Private universities**

At the end of the 1990s, the legal conditions for the establishment of private universities were created in the Czech Republic. The first private colleges were founded in 1999. This caused a number of problems and new situations in the academic sphere in the coming years. The need to equip newly established universities with academics with the necessary skills caused an increasing number of academic staff to work at more than one university. On the other hand, state universities have responded with the attempt to measure the quality of scientific activities by tightening the requirements for the qualification process of university staff. All this led to gradual changes throughout academia. Access to scientific and educational activities has changed and reflected on its quality (Matějů *et al.*, 2009; Kalous *et al.*, 2007).

Contrary to original expectations, Czech private universities did not bring Czech education more profitability, flexibility or effectiveness. Expectations that these schools will respond with high flexibility to increased levels of education in all fields, and offer a new type of education in economic and management sphere, did not materialize. Tuition still plays an important role in the budget of students, and therefore students prefer public schools, where they continue to exceed demand over supply. While private schools are struggling with the reduction of students as a result of demographic wave (a lower number of children that were born in 1994-2000). Founders of private universities tried to transfer their business risk to the State requesting contributions and pointing to the wastage at public universities. All this together with global developments (Lisbon Agreement etc.) led the efforts to streamline processes at the university, for the introduction of KPIs, which even public universities did not avoid. As a result, the whole academic world is burdened with more paperwork and possibly higher costs than before the emergence of private universities.

Typically the founder of a private university was or is an entrepreneur, who follows a "business plan" and often does not know the academic environment or how to run colleges or universities. He only expects to find a "profitable business" with high capital appreciation due to the high demand for education. The management system, implemented with these institutions, often brings entirely opposite effects to the processes which must be carried out at universities (Guthrie & Parker, 2014). The education system has to fulfil its role in society; however the frequent use of KPI measures leads to restrictions of lectures and exercises in the course curriculum. Sometimes to 10-12 hours per week. On the other hand, there is an increase in the mandatory weekly teaching load for lecturers up to 16 or 18 hrs per week, which hardly differs from teaching-time at secondary schools. The increasing number of students in study groups has similar purpose and implications. Setbacks and problems then are solved by hired "successful business managers" who are often unfamiliar with the operation of such institutions, they are only convinced of the proven character "of their managerial skills" which they seek to apply under entirely different conditions. We consider this one of the reasons for adopting the so-called KPIs for teaching and research activities at universities, which was decided a few years ago, with all the negative and bureaucratic consequences.

The above mentioned problems in the management of the educational and scientific process at universities have been introduced by the adoption of profit criterion and application of the "market" principles, which did not lead to increase their efficiency, but completely degraded the educational process to performance of bureaucratic norms. Instead of greater care for development of conditions for teaching and research, which determines the quantity and quality of outputs, the activity was replaced by mindless collecting of points and credits. Required connection with the current needs of practice has narrowed to the most profitable projects for the acquisition of leaders, negotiating their allocation, willingness to make concessions, alliances and mutually beneficial agreements. It is clear that the education system must respect the requirement of efficiency and effectiveness. But in creation and application of new approaches, one must always respect specifics of educational process. It needs to support research and cooperation between companies and universities.

## **5. Summary and conclusion**

This paper contributes to the current literature on accounting academia providing a thorough outline of development of accounting theory and practice and conditions of academic work in the Czech Republic – as one of the new member states of the EU.

Historically, Czech modern accounting evolved as a practical discipline rooted in the needs of industrial practice. Accounting education or merely accounting training firstly had to satisfy the needs of Czech industrialists and subsequently provide information for tax authorities. Accounting theory and research emerged only much later.

The role of accounting changed during the era of the centrally-planned economy. During that period, accounting (which was at that time specifically labelled “national economic evidence”, or “accounting evidence”) was predominantly a record-keeping function and its role was to provide an account of economic activities of individual industrial companies, sectors and economy as a whole for the purposes of state planning.

In terms of research, it needs to be said, that the mainstream of Czech accounting investigation was historically concentrated around the personalities in the Department of Financial Accounting and Auditing at the Prague University of Economics. This department has the longest tradition in teaching and research, and it has the best staff and experienced academics. In the beginning, the majority of publications represented mainly normative and qualitative papers. This was partially due to the lack of consistent empirical data and partially due to lack of the tradition of empirical accounting research.

Research at other Czech universities is at different levels and does not have the same focus especially with regard to attention to the IFRS. There is almost traditionally much bigger emphasis on local Czech accounting standards and tax implications of accounting. Even this, however, relates mainly to the field of tax harmonization. In general, Czech accounting research is not coordinated or focussed and depends on the individual interests and conditions of academics. The topics depend more or less on personal contacts and interests.

At public universities, financial support for accounting research is more stable, although the subsidies decrease through the time even here. In general, support usually depends on external sources, and chosen research topics. Most current research projects focus on solving current problems that are immediately practically relevant (application of the Czech accounting standards, IFRS application in specific conditions). Only some research projects, mostly conducted by the Department of Financial Accounting at the University of Economics in Prague, focus on general problems of accounting theory and overreach the current state of affairs.

Different subjects (universities, professional organizations, audit firms, capital market) now go through a process of clarification of their role and activities. The development of real economic processes and their needs are often left behind by

the accounting academics (e.g. user needs of IFRS for SMEs, needs for IFRS on capital market). In other areas accounting research does not provide sufficient background to solving practical current problems (e.g. accounting in public sector).

Parallel to this, there is an ongoing process on setting up a system of assessment of academic and research activities conducted at universities, the goal of which is to increase effectiveness of conducted investigation activity. The recent criticism of Gendron (2008) implies that the approach to increase the performance leads to superficiality. A further critique of new research practices leading to standardization was expressed by Hopwood (2008). This is similar to Guthrie and Parker's (2014) point that the procedures and criteria used (KPIs for assessment Research Activities) often act in the opposite direction than intended and cause much greater negative impact on the entire development of scientific knowledge and academia than what is obvious at the first sight. In the end, this could ultimately induce even greater disconnection of the worlds of profession, government, business, policy and practice.

Finally it must be stated that changing dynamism and developments in the accounting research community in the last few years have unique features stemming from the processes accompanying transformation to market economy. At the same time this current development, entirely different in the realm of accounting academia, creates challenges for Czech accounting research and causes concerns for the further extension of accounting theory and its ability to serve the accounting practice.

## Acknowledgements

Authors acknowledge the support of Research project IGA VŠFS Prague No 7762 "Historical and cultural aspects of accountancy as a factor determining the implementation process of IFRS (with the focus on CEE countries)" funded by the institutional support for long-term strategic development research organization University of Finance and Administration, Prague. This research has been also supported by the Anglo-American University in Prague. The authors would like to thank one anonymous referee and the guest editors of the journal for insightful advice.

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