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DIFFERENCES IN FINANCIAL STATEMENTS OF BUSINESS ENTITIES IN THE CZECH REPUBLIC

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Abstract

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Ministry of Finance in the Czech Republic identifies and defines four types of accounting entities that are engaged in business activities. These are the "normal" business entities, business entities as banks, commercial insurance companies and health insurance companies. For each of these types of entities the Ministry of Finance issued relevant regulations that contain specific accounting policies arising mainly from the specifics of the scope of business activities of these entities. The effects of these specifics are ultimately shown also in the individual parts of the financial statement closing. In contrast the International Financial Reporting Standards (IFRS) and also generally accepted accounting principles of the United States (U.S. GAAP) are valid for all listed entities regardless of their size and scope of activities. The ongoing globalization of the world, transnational mergers and acquisitions of various companies brings the requirements for unification of accounting policies in order to achieve comparability of financial statements closing of companies from different countries, their transparency and completeness of published information in the individual countries. This paper deals with the definition of significant differences in the items of financial statement closing of different types of business entities in the Czech Republic and with the formulation of proposals for individual types of entities, which would contribute to easier orientation and grater comparability for the needs of different users of accounting information.

financial statement, accounting principles, accounting statements items, content comparability of the accounting statements items, formal comparability of the accounting statements

Financial statement represents the final output from the accounting in the form of a large structured complex of information required for all users, whether internal or external. The scope is to explicitly provide information for economic analyzes, that are the basis for various decisions, to these users.

Financial statement is formal, verified and approved basis of economic data, on which basis it is possible to evaluate, analyze and assess the quality and financial position of the accounting entity. The financial statement is an integral complex of the financial statements and notes which are arranged in the annex. Dusek (2010) even says that the financial statement closing should be understood as a structured representation of the financial information.

In the current model the accounting is based on the respect of each accounting principles. Therefore also the basic requirement for the financial statement closing is to give a true and fair view of the facts that occurred in the entity in the course of the reporting period.

The main function of accounting – hence the financial statement closing, as already noted, is the information function. Therefore the appropriate attention should be given to a structure of individual items of financial statement closing and also to a content definition of these items. The reason is simple, easy and understandable orientation in different parts of the financial statement closing of all users of accounting information.

Ministry of Finance in the Czech Republic currently defines six types of entities that are subject to specific accounting practices, given by the relevant regulations of the Ministry of Finance. The four mentioned types of entities are engaged in business activities, the other two types of entities are non-business entities and public units.

From the above mentioned results that there can arise a certain contradiction between the requirements for a simple, easy and understandable orientation in the items of financial statement closing and between the effort to record the specifics in the accounting of different types of accounting entities resulting from their operations. This cannot be in any case against individual accounting principles, particularly against the principle of true and fair view of reality.

The financial statement and its correct formation are even one of the principles of accounting according to the Accounting of entrepreneurs (2009). Without the fulfillment of this principle the accounting would not be complete. Since the financial statement is public document, that is source of information for a variety of users, therefore the information contained therein must be correct, complete and indisputable.

AIM, MATERIAL AND METHODS

the aim of the present paper is to identify significant differences in the financial statement closing of the individual types of business entities in the Czech Republic in accordance with the relevant regulations of the Ministry of Finance. "Common" business entities (i.e. business entities operating in accordance with the Decree of the Ministry of Finance No. 500/2002 Coll., as amended – hereinafter only business entities), businesses entities – banks and commercial insurance companies will be reviewed here. Also basic components of financial statement closing and balance sheets and profit and loss statement will be examined. The differences will be defined both in terms of content of each balance sheet items and profit and loss statements items and also from a formal point of view of the organization of these items. Level of this examination will be given by the level of items defined by the Ministry of Finance in the form of annex to the various decrees for the following types of accounting entities. Based on the definition of these differences there will be formulated potential proposals for the individual types of accounting entities with appropriate justification, which would contribute to easier orientation and greater comparability from the side of different users of accounting information.

The starting point for exploring the outlined problem is mainly the analysis of legislation governing observed issues in the Czech Republic, in particular the Accounting Act No. 563/1991 Coll. in the current version, and also the relevant regulations of the Ministry of Finance of the Czech Republic – for business entities, for business entities – banks and commercial insurance companies. These decrees contain annexes that represent by the Ministry of Finance defined content and structure of the items of the balance sheet and profit and loss statement.

Other used sources are mainly specialized publications dealing with the observed issue in the Czech Republic.

Apart from the methods of description, comparison and analysis there are mainly used methods based on the principles of reasoning, especially method of deduction in this paper. In the final part of the paper there is used the method of synthesis for the formulation of proposals and own conclusions.

The financial statement closing is primarily governed by Accounting Act No. 563/1991 Coll., in the current version. § 18 of the Act defines cases of its formation and also it sets its components, which are in any case – balance sheet (balance), the profit and loss statement and annex which explains and supplements the information contained in the balance sheet and in the profit and loss statement and also contains other required information.

The financial statement may include a cash flow statement or statement of changes in equity. Selected entities compile cash flow statement and statement of changes in equity whenever at the balance sheet date and for the previous financial period fulfill these two criteria out of a total of three, given by the Accounting Act.

§ 19 of the Accounting Act defines moments in which are the entities liable to compile financial statement, i.e., there is exactly defined the balance sheet date. There are also shown the different types of accounts (ordinary, extraordinary).

§ 20 of the Accounting Act sets out the conditions under which the business entities are liable to let verify the accuracy of its financial statement closing by an independent auditor. These entities are also liable to prepare an annual report whose purpose is to give comprehensive, balanced and comprehensive information on the development of their performance, activities and current economic status.

Accounting Act exactly defines to the accounting entities the liability to prepare financial statement closing in the full or simplified range. Furthermore § 19 also clearly defines the use of international accounting standards for accounting and complying the financial statement closing.

As a result, § 21 of the Accounting Act establishes to entities the liability to publish financial statements closing, including the methods of publishing and time limits.

The financial statement is further regulated by the relevant regulations of the Ministry of Finance of the Czech Republic for the various types of accounting entities. These are the following decrees: No. 500/2002 Coll., which implements certain provisions of the Accounting Act No. 563/1991 Coll., as amended, for accounting entities that are entrepreneurs accounting in the double-entry bookkeeping, No. 501/2002 Coll., which implements certain provisions of Accounting Act No. 563/1991

Coll., as amended, for accounting entities that are banks and other financial institutions, the Ministry of Finance No. 502/2002 Coll., which implements certain provisions of Accounting Act No. 563/1991 Coll., as amended, for accounting entities that are insurance companies.

These decrees contain in its annexes specific organization of individual parts of the financial statement closing and their classification into the relevant groups as they are defined by the Accounting Act, including any possible alternative solutions.

Kovanicová (2006) justifies that the financial statement is not designated only for business managers, but also for a number of external users, so therefore its content and to some extent also formal organization cannot be left to the will of the company.

Despite it since 2002 the Ministry of Finance have left in practice from the used and officially approved forms of financial statement closing with fixed defined format by providing the minimum extent of items in the financial statements and their organization in the annexes to the relevant decrees.

Decrees of the Ministry of Finance also defines which items must be reported separately, and which can be contrarily combined. They also define the way of expressing the decrease of value of active items and the liability to report also the data for the previous financial period. Also the method of reporting the amount of individual items in monetary units of the Czech currency is defined, the liability to verify the correctness of financial statement closing, including the deadlines and methods and time limits of mandatory publishing of financial statement closing. According to double entry accounting (2009) the verification of the financial statement closing by an auditor serves for the increase of its credibility, because all users of accounting information will find in the auditor's report his opinion on the quality and relevance of accounting and financial statement closing. However positive statement of the auditor does not mean that the accounting is completely free of errors, since the audit is performed by selection methods with an emphasis on the importance of each item.

In addition to the fact that accounting is clearly determined by generally accepted accounting principles, Ryneš (2011) emphasizes that recording in the financial statement closing is considered to be true and honest, if the content of items of financial statement closing corresponds to the actual situation in accordance with the methods of evaluation of depreciation, with the creation and use of provisions and reserves and other accounting methods, accounting principles and policies given by the Accounting Act and accounting standards, respectively by decrees and these accounting methods and accounting procedures are used in a way that leads to the reality when reporting and they do not hide the actual situation.

As mentioned above, each item of the balance sheet and profit and loss statement also contains information on the amount of this item listed for the previous financial period. Comparable data for the asset are given in net values in the balance sheet. According Ryneš (2011) accounting regulations (Accounting Act and the implementing decree) do not provide a systematic and exhaustive manual for reporting the comparable figures for the previous accounting period in the financial statements. When reporting comparable data for previous period there are these problematic situations: comparability during beginning of the activity, liquidation, insolvency, split and merges, also comparability during other methods for reporting items for each accounting period, the comparability during the change in the method and in the profit and loss statement with compared periods with different length.

Sůvová (1999) joins the requirement for the comparability of financial statement closing as well, according to her the financial statements are an essential source of financial analysis, even in a limited (closer) concept of financial analysis they can become the exclusive source. Therefore it is necessary to pay sufficient attention to the financial statements both in terms of their reliability and in terms of comparability.

The necessity of this requirement also emphasizes Krupová (2009) claiming that it is not difficult to justify why it is necessary to develop a uniform system of financial reporting. In today's world of ongoing globalization, transnational mergers and acquisitions of various companies which do not allow effectively use of the accounting rules of each country, as this would caused confusion for investors and would increase its transaction costs when comparing and performing various analyzes for a final investment decision. Introduced reasons of unification efforts of accounting rules have origins back in the sixties of the last century. The reasons were dissatisfaction of users of accounting information with insufficient possibility of comparison of financial statement closing of companies from different countries and also the lack of transparency of financial statement closing of the individual companies or eventually incompleteness of published information in different countries.

Also Jilek, Svobodová (2011) argue that used accounting methods must be identical for all users because all users want to simply compare the financial statements without examining accounting procedures in detail. Lack of comparability is of particular concern especially among investment analysts, despite the fact that all important indicators of economic activities of company are based on comparable data from the financial statements. Therefore the International Financial Reporting Standards (IFRS) and also generally accepted accounting principles of the United States (U.S. GAAP) are valid for all entities regardless of their size. This results from the fact that certain operation has the same economic benefits and risks for any of the entities. The accounting therefore must correspond to characteristics of operations and not to the type of entity. According to Jilek, Svobodová (2007) Czech accounting has not fulfilled yet these attributes, since it is divided into six directions according to the six groups (entrepreneurs, banks and other financial institutions, insurance companies, health insurance companies, non-business entities and public entities). The fact that in the Czech Republic, banks, entrepreneurs, insurance companies and other groups of subjects may account for the same facts differently does not have any logical or economic sense.

RESULTS AND DISCUSSIONS

1. Differences in content aspect of items of balance sheet

1.1 Business entities

Deferred tax claim, that is not present as an item in the balance sheet of banks and neither insurance companies, is separately listed in frame of **assets of the balance sheet**. Otherwise in frame of **liabilities of balance sheet** there is an item of **deferred tax liability**, which is not present in the balance sheet of banks and insurance companies.

1.2 Banks

Petrjánošová (2002) considers the balance sheet as the most important part of the financial statement closing of the bank as it represents the cash summary of the state of the bank assets and the way of its financing.

Specific item in frame of assets of the balance sheet of the bank are **treasury zero coupon bonds and other securities accepted for refinancing by the central bank**, which represent securities including accrued interests. They are listed in the balance sheet of bank on the asset side as specific items furthermore subdivided by the issuer (government institutions and other institutions).

Receivables to banks and credit unions (mainly receivables from loans and other receivables to banks including accrued interests) **and receivables to customers – credit union members** (mainly receivables from loans and other receivables to customers, credit union members including accrued interests) are also specific items of the balance sheet of bank on asset side, furthermore subdivided in accordance with the maturity on application and other receivables.

Specific items of **liabilities of the balance sheet** of bank arising from the core business of banks - from financing activities – **are liabilities to banks and credit unions** (in particular the loan liabilities and other liabilities to central banks, other banks or credit unions, including accrued interest) and **liabilities to clients – members of credit unions** (in particular the liabilities from financial activities including accrued interests that are classified according to the individual banking products and also in terms of time to payable on application and others).

Another typical item of liabilities of balance sheet of bank are **subordinated liabilities**, which are received loans, deposits and issued debt securities, about which were contractually agreed that in the case of liquidation, bankruptcy or compulsory settlement they will be paid off after the full satisfaction of all other claims of other creditors, with the exception of claims that are bound by the same or a similar condition of subordination.

Reserve fund for revaluation also represents a specific item of liabilities of the balance sheet of bank. It includes changes in evaluation on assets based on decisions of state authorities, and specifically during declaration of General evaluation of property.

1.3 Insurance companies

Main content of the insurance company are insurance, reinsurance of the compensation of the damage and inhibition of their formation. It is clear that these specifics also influence the financial statement closing of the insurance company. The most important and therefore the most specified items in the financial statement closing of the insurance companies are received premiums, costs related to insurance benefits and technical reserves.

In the insurance companies there is property divided into two, in terms of purpose of use of entirely different groups – it is a financial placement and other property.

Important, it can be said, and substantial and specific part of the assets of insurance companies in relation to the object of their activity is so-called **financial placements (investments).** It is a property that is used by insurance companies to cover realized insured event. The most often it is in the form of financial, i.e. securities, but it may also be in the form of tangible or intangible assets. Financial investments are also internally divided into land and buildings, financial investments in business associates, other financial investments and deposits with active reinsurance. With this property the insurance company cannot dispose freely as the priority objective is to preserve the value and liquidity of these assets in order to properly and timely satisfy customer requirements and claims of customers of the insurance company. Since 2004 financial placement (investments) cannot be depreciated and also it is not possible to create provisions to its individual components. In the accounting it is included in the fair value. Source of the coverage of financial investments are mainly the technical provisions.

Another equally important specific item of asset of insurance company is the item of **financial placement (investments) of life insurance if the insured person carries the investment risk.** It is a similar item that contains investments whose source of funds is the specific technical reserves shown in liabilities.

Special item of assets of the balance sheet of an insurance company represents **receivables from direct insurance operations** (internally classified to insured persons and to the insurance intermediaries) and **receivables from reinsurance operations**, whose existence is resulting again from the specific object of activities of the insurance companies.

Also the item of assets of insurance, **deferred acquisition costs for insurance contracts**, monitored separately in the field of life and non-life insurance, which incurred as a result of the specific activities of insurance and within the assets of balance sheet of the insurance company are components of the temporary asset account. They represent the given facts which are deferred expenses whose amount is determined by actuarial methods.

As well as in the liabilities of the balance sheet of banks there are typical items of **subordinated liabilities and reserve fund for revaluation**, a similar situation also exists in the liabilities of balance sheet of insurance companies.

Absolutely essential, critical, and therefore a very important part of the liabilities of the balance sheet of the insurance companies represent the **technical reserves** which result from the securing the main object of the insurance as a response to business risks. They are often referred as special accounts of actuarial reserves. They represent a source for covering the financial placement. From an accounting perspective they are the evaluation of the future liabilities of the insurance company arising from its insurance and reinsurance activities. They are probable or certain, but uncertain are their amount or a moment in which they incur. For this reason their amount is determined so that in any times it would be sufficient to that extent that the insurance company would be able to meet its liabilities arising from insurance contracts.

Reserves of the insurance companies are distinguished to the technical reserves which are directly related to the main activities of the insurance companies and to the reserves for life insurance, if the insured person carries the investment risk and also reserves for other risks and losses.

Closely they are very detailed classified in terms of the material point of view to the reserves for unearned premiums, reserves for the premium of the life and non-life insurance, reserves for bonuses and discounts, the equalization reserve, reserves for fulfillment of liabilities arising from the used technical interest rate, technical reserves for life insurance, if the insured person carries the investment risk and to the reserves for other risks and losses. In essence these reserves are resources for covering the financial placement in assets of the insurance company.

Also the item of liabilities of the balance sheet – **deposits with passive reinsurance** – is a typical item of liabilities only in the insurance companies and includes liabilities from warranty deposits deposited by reinsurer at the primary insurers or took over from him under reinsurance contracts that cannot be offset against each with other liabilities of primary insurers against reinsurers nor they can be thus settled with the claims of primary insurers, for reinsurers. They include also accrued interests.

Of course the specific items of liabilities of balance sheet of an insurance company include **liabilities from direct insurance operations and liabilities from reinsurance** where the insurance company records its liabilities to customers based on insurance contracts, or to the reinsurance companies, that arise under reinsurance contracts.

Typical items of liabilities of balance sheet of the insurance companies can also include **loans secured by bonds** that contain amounts of loans

I: *Selected significant differences in the balance sheet from the content point of view*

No.	Definition (item) of difference	Business entities	Banks	Insurance companies
1.	Deferred tax receivable (tax) and liability	Item is separately reported in the balance sheet	Item is not separately reported in the balance sheet	Item is not separately reported in the balance sheet
2.	Classification of receivables and liabilities	Long-term and short-term from business relations	To banks and cooperatives, to clients and others	From operations from direct insurance, from reinsurance and others
3.	Classification of assets (accounts) according to the way of use	None	Internal and client accounts	Financial placement and other assets
4.	Subordinated liabilities and reserve fund for the revaluation	None	Specific items	Specific items
5.	Treasury bonds and other securities accepted by central bank for refinancing	None	Typical item	None
6.	Technical reserves and deposits with passive reinsurance	None	None	Specific items

Source: Own processing

determined to deal with the lack of funds for reasons of non-payment of the claims from issued bonds.

The last specific item of liabilities of the balance sheet of the insurance companies is an item of **guarantee fund of Bureau.** It is a Czech office of insurers, which is the professional organization for insurance companies that are in the Czech Republic authorized to carry out the liability insurance caused by the operation of motor vehicles. This organization lists Guarantee Fund in the liabilities of the balance sheet, which is created and used according to § 18 of Act No. 168/1999 Coll. on liability insurance caused by the operation of the vehicles in the current version.

2. Differences in the formal aspect of the items of balance sheet

2.1 Business entities

In the balance sheet and in the profit and loss statement there are items in accordance with the annexes to the Decree MF CR No. 500/2002 Coll., in current version, reported separately in the defined order. More detailed classification of these items can be made provided that the defined organization will remain the same.

Items marked with Arabic numerals, may be combined, provided that:

- it is not a significant amount in relation to the liability of a true and fair view of the object of the accounting and the financial situation of the entity, or
- if their combination contributes to the greater clarity of the information on the condition that the combined items will be listed individually in the annex.

Assets in the balance sheet are structured in terms of liquidity of the asset from the least liquid assets to the most liquid. In the **liabilities** there are reported initially own resources and afterwards foreign sources.

2.2 Banks

The financial statements of banks and results of financial process in the bank are in substance the same as in the accounting of other businesses entities. Since however in accordance with the Decree of the Ministry of Finance No. 501/2002 Coll., in current version, they are reflecting more complex operations of banks, they **have certain particularities and their structure is more complex.**

In the balance sheet and the profit and loss statement there are items and subitems according to the annexes no. 1 and 2 to the Decree of Ministry of Finance No. 501/2002 Coll. presented separately in the defined order and they cannot be combined. More detailed classification of these items and subitems can be done provided that defined organization will remain the same.

In terms of the classification of assets and liabilities in the balance sheet of banks compared with balance sheet of common business entities can be identified substantial differences in the structure of the organization of these items. The **assets** of the bank are listed in terms of liquidity in the reverse order, i.e., first are the most liquid items successively to the least liquid. Similarly items of **liability** of balance sheet of bank have a structure just opposite, first are listed substantial financial resources of the bank – a foreign sources and then own resources, including the capital.

In terms of classification of accounts in relation to the ownership of assets and liabilities recorded on them there can be distinguished accounts both internal (show the normal operating activities of the bank) and clients, where the bank records all deposit and lending operations in relation to its clients, compared to the common businesses entities in the bank. Classification of accounts for internal and clients respect also the items of financial statements.

2.3 Insurance companies

In terms of content classification of items of assets and liabilities in the balance sheet of insurance companies in comparison with balance sheet of common businesses entities there can be defined following differences in the structure of organization of items of assets and liabilities.

The **assets** of insurance companies are listed in the balance sheet in terms of liquidity in the same order, i.e., so first the least liquid assets gradually to the most liquid. Items of **liabilities** of financial statement closing of insurance companies have a similar structure compared to the structure of liabilities of common business entities.

II: *Selected significant differences in the profit and loss statement from the formal point of view*

No.	Structure of items	Business entities and banks (identical organization)	Banks
1.	Structure of assets	Assets from the least liquid to the most liquid	Assets from the most liquid to the least liquid
2.	Structure of liabilities	Own resources first, then foreign sources	Foreign sources first, then own resources

Source: Own processing

3. Differences in the content aspect of the items of profit and loss statement

3.1 Costs and profits of business entities

Businesses entities may decide whether they will compile the profit and loss statement according to classification by nature of cost and profit items or according to purpose (functional) classification. If they choose purpose (functional) classification of cost and profit items so they have to introduce profit and loss statement in classification by nature in the annex to the financial statement closing.

Classification by nature of cost and profit items is in a whole a classification to the operational, financial and extraordinary field and income from operation is determined successively within these fields and as a consequence the profit or loss for the accounting period is defined.

Profit and loss statement in the purpose (functional) classification contains items mainly from the operations classified according to the function. Profit or loss is determined consequently as in the case of classification by nature.

3.2 Costs and profits of banks

The fundamental difference from the profit and loss statement of the entrepreneurs is the classification of introduced cost and profit items. Entrepreneurs respect primarily the classification by nature of costs and profits (operational, financial and extraordinary field), banks compile the profit and loss statement according to individual banking activities.

Decisive banking activity is the **financial activity**, which represents the major operations of the bank (interest income and similar incomes and interest expense and similar charges, yields from stocks and shares, yields from fees and commissions and expenses on fees and commissions). Another activity is the **general operating activities**, including other operating incomes and other operating costs and administrative expenses (mainly employees), depreciations and the creation and use of provisions and reserves. These two activities together constitute the common activity of bank. **Extra operations** complete the overall activity of the bank. This field is already consistent with common business entities. Profit or loss is gradually determined according to these individual activities.

Unlike entrepreneurs the banks account the creation and use of reserves and provisions to the assets by gross method (i.e. creation as a part of the cost and use, whether using or cancellation, as a part of profit) and thus they report both the creation and the use of reserves and provisions in the profit and loss statement. Entrepreneurs and insurance companies as well (despite the use of gross accounting method for creation and use at the insurance companies – see below) present the items “Change in reserves and provisions” in the profit and loss statement so only the balance between creation and use of these facts.

3.3 Costs and profits of insurance companies

Like in the bank also in the insurance company the profit and loss statement contain cost and profit items classified according to purpose (activities). It consists of three components that have specific designations. These are technical account for non-life insurance, technical account for life insurance and non-technical account. These “accounts” concentrate costs and profits from three insurance activities – activities related to non-life insurance, activities related to life insurance (as a whole it contain the main activities of insurance) and other activities not related to the fulfillment of the main object of business activity of the insurance company but serving for securing the normal operation of insurance companies, including extraordinary expenses and income, taxes and fees.

It is obvious from the above mentioned facts that the life and non-life insurance is therefore monitored separately and individual accounts of life and non-life insurance have the same content.

Similar procedure of financial statement closing within the closing of the result accounts of insurance company precedes such compiled profit and loss statement. First of all cost and profit accounts related to non-life insurance are closed, then costs and profits associated with life insurance and at the end costs and profits which are not directly related with the provision of the core object of business activities of insurance are closed.

Another typical fact within the accounting of cost and profits of insurance is reinsurance accounting which means that within the non-life and also life

III: *Selected significant differences in the profit and loss statement from the content point of view*

No.	Surveyed fact	Business entities	Banks	Insurance companies
1.	Primary point of view of classification of costs and profits	Generic	Purpose (Functional)	Purpose (Functional)
2.	Structure of costs and profits	operational, financial, extraordinary	Financial, general operational, extraordinary	Life insurance, nonlife insurance, other
3.	Creation and use of reserves and provisions	Mentioned as balance (accounted by net method)	Mentioned creation and use (accounted by gross method)	Mentioned as balance (accounted by gross method)

Source: Own processing

insurance are of course taken into account the contractual relationships with reinsurers.

Profit and loss statement in insurance companies therefore quantifies the amount of profit or loss of insurance companies, but also it shows what items and to which extent they influenced its creation.

Although the insurance companies due to the risk of their activities create many types of reserves and they use the gross method when reporting, they report their reserves in the profit and loss statement in "net" amount, thus only the balance (difference) between the use and creation of these items.

4. Differences in the formal aspect of the items of profit and loss statement

Profit and loss statement in terms of form is compiled identically in all examined subjects, i.e. in the vertical form of organization of individual costs and profit items.

5. Own proposals and conclusions

Above mentioned differences, both from the content point of view of individual items of surveyed parts of the financial statement closing, as well as from the formal point of view, arise from the results of the comparative analysis of balance sheets and profit and loss statement of the surveyed accounting entities. Differences in terms of content point of view can be seen in the balance sheets and also in profit and loss statements, differences in terms of formal point of view of the organization of the individual items can be seen only in the balance sheets. The formal organization of the items of profit and loss statement of all three types of studied entities is the same.

The observed difference in reporting is given clearly by the focus on specifics of the object of business activities of the studied types of business entities. In this context it is absolutely primary and necessary to ask the question how big discrepancy between the general requirement for comparability of the items of the financial statement closing of all examined types of business entities and between emphasizing the specifics, which brings the object of business, can be regarded as acceptable in relation to compliance with generally accepted accounting principles. It is therefore an effort to find a degree of current mutual existence of some accounting principles and rules (the precautionary principle, used methods and their stability, the comparability requirement) in order to achieve high quality of provided accounting information.

On the basis of the above introduced facts and the results of performed comparative analysis I suppose that it would be appropriate in these cases to keep strictly typical items in balance sheets that are arising from the object of business activity of a specific type of business entities. I mean a typical classification of receivables and liabilities, classification of assets according to the way of their use and also the typical items arising only in banks and insurance companies, which are subordinated liabilities, the reserve fund for revaluation and technical reserves in liabilities in insurance companies.

In contrast in these cases I would recommend to unify the identical facts in individual business entities that are reported differently.

In the balance sheet in terms of content it is therefore in the case of banks and insurance companies the reporting of deferred tax receivable (tax) or liability on a separate line, as it is in the balance sheet of business entities. Justification results from the fact that all banks and insurance companies are liable to account (but not all businesses entities) the deferred tax in accordance with Czech accounting legislation.

In terms of form of balance sheet I would suggest the unification as following (assets – from the most liquid assets to the least liquid and liabilities – foreign sources first and then equity), therefore in such structure which is used by banks.

As regard the profit and loss statement I would recommend the unification of reporting the cost and profit items and so in terms of purpose, therefore individual activities (progressively also more activities if the entity performs them) so it would be definitely clear which activity is profitable (loss) and how much.

I believe that in the insurance companies there is not appropriate to use the terms "technical and non-technical accounts", these terms should be replaced by the name of a specific activity (life, non-life insurance and other activities).

The last proposed change contributing to the unification of the reported costs and profit items in the profit and loss statement is the reporting of the creation and use of provisions to the assets and reserves. These facts are very important, they represent the practical application of the precautionary principle in the accounting and therefore there should be given relevant attention to them. I consider the method of gross accounting on the creation and use of provisions to assets and reserves and to record separately a creation in costs and use of these accounting instruments in profit, as a way that best shows the reality in this field.

SUMMARY

The paper identified and discussed significant differences in the items of financial statement closing of different types of business entities in the Czech Republic (business entities, banks and insurance companies). Essential parts of the financial statement closing – balance sheets and profit and loss statement are the scope of the analysis. Identified differences are defined both from the perspective

of the content of individual items of balance sheets and profit and loss statements and from a formal point of view of the organization of these items. The level of the details of this examination is given by the level of items defined by the Ministry of Finance in the form of annexes to various regulations for the relevant introduced types of accounting entities. Based on the definition of these differences there are formulated proposals for the individual types of examined entities with appropriate justification, which would contribute to easier orientation and mainly to higher comparability especially for the needs of different users of accounting information. Reporting of deferred income tax in the form of special item for banks and insurance companies, also unification of structure of assets and liabilities in the balance sheets of all examined subjects belong to these proposed facts. In the profit and loss statement it seems to be appropriate to use the functional aspect of reporting the cost and profit items and also for the accounting and reporting of provisions to assets and reserves using gross method of accounting with separate reporting of costs for the creation and profits from the use of these facts.

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