

THE IMPACT OF CHANGES IN ACCOUNTING REGULATIONS ON AGRICULTURAL ENTITIES AND THEIR BUSINESS ACCOUNTS SINCE 2016

Milena Otavová¹, Jana Gläserová²

¹Department of Accounting and Taxation, Faculty of Business and Economics, Mendel University in Brno, Zemědělská 1, 613 00 Brno, Czech Republic

²Department of Accounting and Taxes, PEF Mendel university in Brno, Zemědělská 1, 613 00 Brno, Czech Republic

Abstract

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Financial accounting in the European Union is harmonized through directives. In 2013 Directive 2013/34/EU of the European Parliament and the Council was issued. It aims to improve the performance of micro and small entities by reducing their administrative burden. The primary requirement of the Directive is to introduce entity size classification. The paper identifies the impact of the transposition of the Directive on the size distribution of agricultural enterprises in the V4 countries and some other countries of the European Union using data from the Amadeus database. In the Czech Republic obligations which are part of financial reporting are determined for agricultural enterprises and their impact on fundamental accounting principles is detected. The implementation of the Directive in the Czech Republic significantly influenced valuation, accounting for and specially reporting of inventories of a company's own activity and capitalization, which are typical for agricultural enterprises. A comparison of the regulation effective until the end of 2015 with the new regulation showed the impact on the amount of profit and turnover, which are also quantified. The degree of harmonization with IAS/IFRS is also examined.

Keywords: accounting harmonization, European Accounting Directive, financial reporting, categorization of entities, inventories of a company's own activity, agricultural enterprises

INTRODUCTION

Interconnection and convergence of national economies, which are essential features of the present time, increase the importance of financial accounting and its output – financial statements.

With regard to comparability of financial statements it is necessary to regulate accounting and financial reporting in terms of content and form. This regulation cannot, therefore, be based only on national standards; it must be conceived more broadly. In order to improve and ensure better comparability of accounting information, the International Accounting Standards (IAS/IFRS) have been gradually developed. In the US national accounting standards US GAAP were adopted.

According to Svoboda, Bohušová (2014) US GAAP is more detailed as it is based on accounting rules, unlike IAS/IFRS, which is based on principles.

Also in the European Union financial accounting is harmonized through directives. Previously, these were mainly the Fourth Directive and the Seventh Directive of the Council of the European Communities, which, however, were replaced in 2013 by a new directive – Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements, and related reports of certain types of undertakings (hereinafter the Directive). According to Glogar (2015), the aim of the EU is to propose high-quality legislation respecting the principle of subsidiarity and proportionality. At the same time it is necessary to ensure

that administrative burden is proportionate to the benefits, especially in small and medium-sized enterprises. Administrative burden reduction for these companies will contribute to their internationalization.

According to Rabine (2015), the Directive was proposed by the EU in an effort to increase the competitiveness and performance of SMEs, which could dramatically affect the economy and economic growth throughout the EU. Small and medium-sized enterprises are a substantial part of companies operating in the EU member states. Low participation of small and medium-sized enterprises doing business in the single market in comparison with large companies is caused by various factors. These may be barriers arising from the inconsistent regulation of accounting systems mostly for small enterprises in various countries.

Also Žárová (2013) considers administrative burden reduction for SMEs vital because these companies prevail in the business environment; and according to the EU they should not be unnecessarily burdened. These simplifications, however, must not be in conflict with accounting principles which are the basis of specific provisions of the Directive.

An important concept of the Directive is the principle of "substance over form" when reporting items, which means that the economic substance of transactions and events should be recorded in the financial statements. The importance of this accounting principle is also pointed out by Deloitte (2014). Member states, however, have the option to relieve enterprises of the application of this principle and they are also given the option to limit the compulsory application of another essential principle, the principle of materiality, only to reporting and disclosure.

The Directive also allows Member States to exert their own volition in the implementation of some of its provisions into the national regulations; nevertheless the purpose of this implementation must be to achieve the objectives and requirements of the Directive. Březinová (2014) considers it important that the Directive lays great emphasis on the principle of true and fair view and the principle of continuity. Müllerová (2014) adds that it is also necessary to observe the principle of prudence and to respect the accrual principle. Also the principle of non-compensation of assets with liabilities and expenses with revenues must be respected. In exceptional cases Member States are permitted to allow this compensation. Member States were required to implement the provisions of the Directive into their national legislations. The effective date is 1 January 2016.

From this date, Act 563/1991 Coll. on accounting, as amended (including implementation regulations) and some other acts which implement the above-mentioned Directive into Czech accounting regulations are changed. According to

Pilátová (2015) these changes apply to all business and non-business entities.

By implementing the Directive, for the first time in its history the Accounting Act introduces categorization of entities by size which is followed by the categorization of consolidation groups. The importance of the amendment to the Accounting Act in the Czech Republic unambiguously arises from the total number of approximately 400,000 registered entities. In compliance with the Directive most of the entities are micro and small enterprises, a small proportion of them are medium-sized enterprises. Large enterprises account for a very small proportion. (Explanatory memorandum of the MF ČR)

The amendment to the Accounting Act and the Decree of the Ministry of Finance of the Czech Republic 500/2002 Coll. (hereafter referred to as the Decree) also has impact on accounting and reporting in agricultural enterprises. A majority of agricultural enterprises in the Czech Republic in accordance with the new categorization are classified as small and micro entities. The amendment to the Decree significantly changes accounting for and reporting of inventories of a company's own activity, which is an area that is essential for agricultural enterprises. By this change the accounting practices in this area got closer to the procedures recognized by IAS/IFRS. Now, it is important to point out that the issue of agriculture is not specifically addressed in Czech accounting legislation. This is different from IAS/IFRS, where there is a separate standard for this area (IAS – 41 Agriculture).

MATERIAL AND METHODS

In this paper there are two basic objectives set. The first is to determine the impact of the transposition of the Directive on size distribution of agricultural enterprises of the Visegrad Group (hereafter V4) as well as Germany, Belgium, Austria, France and Croatia after implementing the Directive into their national accounting rules. For comparison the V4 countries and some founding countries of the European Union and Croatia, one of the last countries that joined the EU, were deliberately chosen.

The second objective of the paper is to identify and evaluate the changes brought about by the new regulation of accounting rules in the Czech Republic in valuation, accounting for and especially reporting of inventories of a company's own activity and capitalization, which is an essential business activity of agricultural enterprises. Subsequently, the impact of new accounting rules on their profit and turnover is examined and quantified.

The analysis of the Directive is the basis for identification of the new factors which affect the legal environment in accounting. The extent of implementation of the Directive into the national accounting rules of the countries surveyed in this

area will be determined and on its basis differences between the countries will be defined.

Accounting rules applicable in the Czech Republic to valuation, accounting for and reporting of inventories of a company's own activity and capitalization effective until the end of the year 2015 compared with the new regulation in this area and the provisions of IAS/IFRS will be subjected to further examination.

The impact of changes in accounting for inventories of a company's own activity and capitalization is demonstrated on average data, which are calculated from actual values of 120 micro and small agricultural enterprises. Data were obtained from the public register, the Collection of Documents, and specifically Profit and Loss Account. The agricultural enterprises were selected from the Amadeus database.

The way of addressing these problems is related to the objectives. A prerequisite for processing is gathering of information sources about the issue. Theoretical findings were based on Czech and foreign scientific literature related to the topic but predominantly on the analysis of amendments to the Accounting Act and implementation regulations which had been developed on the basis of mandatory implementation of the Directive. The information was also gathered from the Internet. The proportion of entities operating in agriculture in each size category was determined using the data from the Amadeus database version 13.01, updated 16 December 2015.

Besides scientific methods such as description, comparison and analysis, methods based on the principles of logical thinking, particularly the method of deduction were employed. The results obtained are shown in tables and graphically represented. The conclusions were drawn using a method of synthesis.

RESULTS AND DISCUSSION

Size categorization of agricultural enterprises of the V4 and other EU countries

The Directive distinguishes four categories of enterprises and three categories of consolidation groups. Size criteria are:

- **Total balance sheet** net worth.
- **Net turnover**, which is defined in accordance with the Directive as a sum of money received from the sale of goods and services net of discounts, value added tax and other taxes related to turnover. However, Member States may require the inclusion of other incomes from other sources for enterprises, in which the net turnover criterion is not relevant.
- **Average number of employees during the accounting period.**

The table shows the values upon which the Directive divides the enterprises into size categories. A micro, small or medium-sized enterprise comes under the relevant size if it does not exceed the limits of at least two out of the three criteria and simultaneously it must not fall into a lower category. Large enterprises are those which exceed at least two out of the three criteria (Farkaš, 2014).

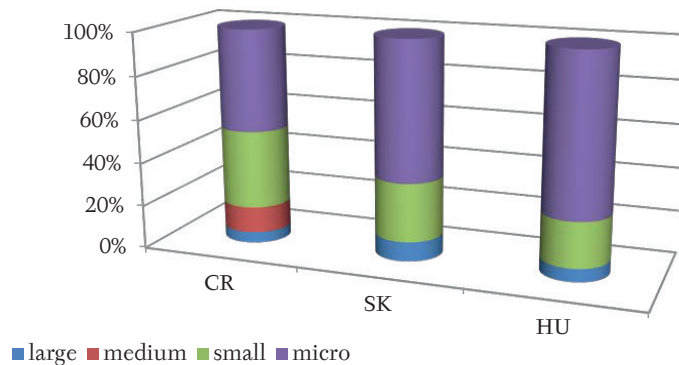
The Directive also gives the Member States the opportunity to change the thresholds for micro and small enterprises but the balance sheet total must not exceed 6,000,000 EUR and net turnover 12,000,000 EUR (Dubský, 2014).

The Czech Republic implemented the value criteria corresponding to the values set out in the Directive into the national rules. The values for all criteria for the V4 and some other EU countries were obtained by examining national accounting rules. Some EU countries have different criteria, compared with those of the Czech Republic. An example might be the other V4 countries, which did not establish the category of medium-sized categories. This means that they did not avail themselves of the opportunity offered in the Directive and introduced only micro, small, and large enterprises. A fundamental difference between these countries and the Czech Republic is in the average number of employees; in contrast to the Czech Republic, the threshold for large companies is above 50 employees, and also in accordance with the recommendations of the Directive the limit is 250 employees. In other EU countries a significant difference can be seen in the criteria for small entities, i.e. net turnover and total assets whose limits are higher than those in

I: *Categories of enterprises and consolidation groups*

Category	Balance sheet total (in EUR)	Net turnover (in EUR)	Average no. of employees
Micro enterprises	≤ 350,000	≤ 700,000	≤ 10
Small enterprises Small groups	≤ 4,000,000	≤ 8,000,000	≤ 50
Medium-sized enterprises Medium-sized groups	≤ 20,000,000	≤ 40,000,000	≤ 250
Large enterprises Large groups	> 20,000,000	> 40,000,000	> 250

Source: Prepared by the authors in accordance with the Directive



1: Size distribution of agricultural enterprises of the V4 countries

Source: By the authors. Based on data from the Amadeus database

the Czech Republic. For examples, in Germany and Austria these thresholds are about one-third higher. Higher criteria values are also in Belgium and France, however, the difference is not so significant.

Up till now, agricultural enterprises have been categorized predominantly by the amount of farmland, as e.g. Bašek, Kraus (2009) reported in their study.

The following graphs, however, illustrate the percentage distribution of agricultural enterprises of the countries surveyed in accordance with national accounting adjustments after the implementation of the Directive. The percentage distribution of entities (except Poland) is based on data obtained from the Amadeus database. The reason for excluding Poland was the fact that there were not enough entities in the database (only 518) for which the necessary criteria were published.

The graph shows that a majority of agricultural entities within the V4 countries are micro and small enterprises. For this reason, it can be said that the new Directive has been a great benefit in terms of administrative burden reduction for entities operating in agriculture. Furthermore, it can be stated that only the Czech Republic has introduced

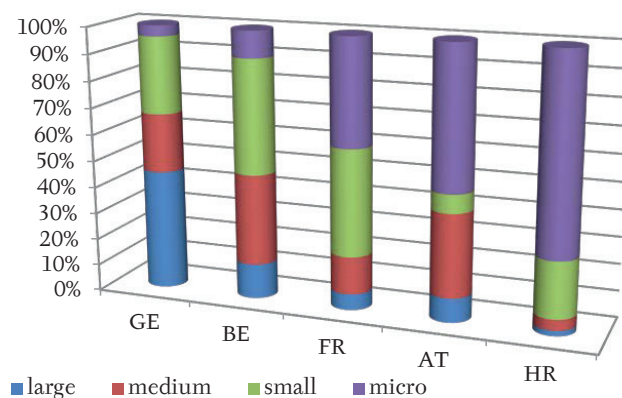
all size categories of entities recommended by the Directive.

The size distribution of the entities operating in agriculture in other countries surveyed is shown in Fig. 2, which clearly reveals the distinct differences in the size distribution of these enterprises.

The graph shows a markedly higher proportion of medium-sized and large entities, compared with the V4 countries and also Croatia. All these countries have introduced the category of medium-sized enterprises as well as the Czech Republic.

Changes in accounting procedures in the Czech Republic due to the transposition of the Directive with an emphasis on agricultural enterprises

The implementation of the Directive in the Czech Republic has also brought about changes in accounting procedures for entrepreneurs. This is an amendment to the Decree. The fundamental changes effective from 1 January 2016 include a change in start-up costs, goodwill, inventories of a company's own activity, including their valuation, extraordinary costs and revenues, inventory and property capitalization, received donations and



2: Size distribution of agricultural enterprises of other EU countries surveyed

Source: By the authors. Based on the data from the Amadeus database

grants. In this paper, which deals with agricultural enterprises, attention will be paid to changes in valuation, accounting for, reporting and also capitalization of inventories of a company's own activity. Agriculture has a number of specifics that are also reflected in accounting. This is because of the biological character of production (Dvořáková, 2012).

Definition of inventories of a company's own activity

In the Czech Republic specific procedures related to inventories are defined by Czech Accounting Standard 015 Inventories. In the international context inventories are dealt with in IAS 2 Inventories and inventories in agriculture in IAS 41 Agriculture, which defines biological assets.

In Czech accounting standards, as emphasized by Valder (2008), Louša (2007) and Neplechová (2007), inventories of a company's own activity are split into work-in-process inventory, semi-finished goods, products and animals. Work-in-process inventory in agriculture in the context of plant production is winter crops; in animal production it is e.g. poultry hatching. Products include items that the company produced by itself and which are intended for sale, or for consumption within the company. Animal inventory is young animals and other animals and their groups. These are purchased animals and animals from their own production except animals which are classified as fixed assets, materials or goods. These include e.g. young breeding animals, fattening animals, geese for meat production, fish and bee colonies.

In IAS/IFRS, inventories of a company's own activity include products, work-in-process inventory and also services which have not been finished, the so-called unfinished orders (Dvořáková, 2014).

Unlike Czech accounting legislation (ČÚL), IAS/IFRS does not define animals as part of inventories, yet both Czech accounting legislation and IAS/IFRS consistently report animals in the balance sheet as part of current assets. Under IAS/IFRS animals are reported as separate items, which is a result of their specific properties as biological assets, which are adjusted, as mentioned above, by a specific standard and also their valuation is determined differently than under ČÚL, as will be shown further in this paper.

Valuation of inventories of a company's own activity

Methods of inventory valuation in the Czech Republic are defined by Czech accounting standard for entrepreneurs 015 – Inventories, Section 3, which is further specified in § 25 of Act 563/1991 Coll. on accounting and § 49 of the Ordinance.

In compliance with Czech accounting regulations, the moment of valuation of assets and liabilities is the moment of transaction and also the balance sheet date. The new legislation did not bring any changes in measuring inventories of a company's

own activity. Entities may use their own expenses in the actual amount or apply the method of production calculation. So far the entity has had a choice in valuation of inventories of its own activity, either only at the level of direct costs or including legitimate overheads. The new legislation, however, requires the inclusion of direct costs of production as well as a proportion of variable and fixed indirect costs, causally attributable to the performance and relating to a period of activity. The method of valuation is chosen by the entity with regard to the obligations laid down by law, complying with the principle of materiality and true and fair view of assets. For this reason, from the start of this year, the entity has to reconsider the methodology of the calculation of production so that it complies with the new requirements. Froschová (2015) points out that from the valuation of inventories of a company's own activity the cost of sales are excluded, which covers the cost of storage, packaging and shipping.

Under IAS/IFRS the valuation basis for inventories of a company's own activity are their costs including fixed and variable production overheads incurred in direct connection with their production. Different from Czech adjustments is the allocation of fixed production overheads that are based on the level of current production capacity and unallocated overheads are included directly in operating expenses (IAS 2).

There is a big difference in inventories of a company's own activity for agricultural enterprises acting in accordance with Czech accounting legislation or IAS/IFRS. Czech accounting regulations disregard the specifics of certain inventories and therefore, there are the same rules and requirements for reporting all types of inventories. With respect to the specific nature of some assets belonging to inventories, separate standards were developed within the international accounting standards which take their specific characteristics into account. These include IAS 41 – Agriculture which focuses on a specific type of inventories – biological assets. IAS 2 does not allow measuring inventories at fair value. Therefore, IAS 41 was developed for inventories in the form of biological assets (animals and plants), which requires measurement at fair value (less the estimated cost of sales). Czech Accounting legislation does not specifically define biological assets and the rules are the same as those for inventories in general.

In agricultural enterprises which apply IAS/IFRS, biological assets must be measured on initial recognition and balance sheet date at fair value less estimated costs of completion and selling expenses, and changes in fair value are recognized loss. In Czech accounting regulations there is no specificity for the valuation of biological assets; therefore, it is not possible to apply measurement at fair value above cost.

In the Czech Republic in accordance with the amended ordinance there is higher compatibility

II: Comparison of adjustments of accounting for inventories of a company's own activity

Legislation	Increase in inventories	Decrease in inventories
Czech accounting legislation to 31 December 2015	Revenues	Revenue reduction item
Czech accounting legislation as of 1 January 2016	Cost reduction item	Costs
EU Directive 2013/43/ES	Not specifically defined	Not specifically defined
IAS 1	Cost reduction item	Costs

Source: By the authors.

with IAS 2 in the part which determines the method of valuation of inventories of a company's own activity and orders entities to include all attributable indirect costs to the activity. In the case of micro and small entities which are not audited it is possible to assume in this context that mistakes in inventory valuation will occur. This may consequently have impact on net income and also on an income tax base.

Procedures for accounting for inventories of a company's own activity

The procedures for accounting for changes in the levels of inventories of a company's own activity and capitalization under IAS/IFRS and Czech Accounting legislation were different up until 2016. The change in inventories of a company's own activity according to Czech accounting legislation was accounted for on income accounts and in financial statements this accounting treatment was on the revenue side. With the increasing value of inventories of a company's own activity there was an increase in revenues. Under IAS/IFRS inventories of a company's own activity and capitalization are not accounted for on revenue accounts but on cost accounts. An increase in inventories is reflected as a reduction in costs.

As of 1 January 2016 as part of the process of convergence with international regulations there is a change brought about through an amendment to the Accounting Act and now also in accordance with Czech accounting legislation the change in

inventories of a company's own activity is accounted for on cost accounts. According to Strouhal (2016), the new adjustment is logical because there is a shift in inventory change items and capitalization from operating income to operating costs.

It should be noted from 2016 that the method of accounting for increase and decrease in inventories of a company's own activity is in agreement with the procedures set out in IAS/IFRS, which is certainly a positive fact. However, Čížek, (2015) points out that this change can cause some problems in accounting practice in the Czech Republic, ranging from accounting software used for generating financial statements to various predefined year on year comparative analyses.

Reporting inventories of a company's own activity in the Czech Republic

The inventories of a company's own activity are reported in the balance sheet as current assets. A change in inventories of a company's own activity is recorded in the profit and loss account. As of the year 2016 there is a fundamental change in reporting changes in inventories of a company's own activity in the profit and loss account, whereas reporting inventories of a company's own activity in the balance sheet remains unchanged.

Important is the change in the character of reported items "Change in inventories of a company's own activity" and "Capitalization". These items were part of proceeds, now they are included in the costs. "Change in inventories of

III: Profit and loss account – reporting changes in inventories of a company's own activity and capitalization in 2015 and 2016

Parts of the profit and loss account – a company's business activity			
Until the year 2015		From the year 2016	
Item code	Item name	Item code	Item name
I	Revenues from selling goods	I	Revenues from selling products and services
A	Cost of goods sold	II	Merchandise sales
+	Margin	A	Consumption from production
II	Performance	B	Change in inventories of a company's own activity
I	Revenues from selling their own products and services	C	Capitalization
2	Change in inventories of a company's own activity	D	Personnel costs
3	Capitalization	E	Value adjustments to operating activities
B	Consumption from production	III	Other operating income
+	Added value	F	Other operating expenses
		*	Operating profit

Source: By the authors. Based on the Decree of the Ministry of Finance of the Czech Republic No. 500/2002 of Coll.

a company's own activity" can have positive or negative values, whereas "Capitalization" only negative values (it is a cost-reducing item, thus increasing profit from operating activities).

Another change is lesser importance of reporting information about the company's business activities. Until the end of the year 2015 the first items in the profit and loss account were sales revenues and cost of sales of goods including margins. As of the year 2016 the first item in the profit and loss account is revenue from selling products and services, however, margins are no longer reported. Yet, it is an important assessment indicator of business activities and for these reasons margins have to be quantified separately, outside the profit and loss account.

Also starting from 2016, in contrast to the previous period, "Added value", which represented the difference between the revenue from business activities and the costs incurred, is no longer reported as a separate item in the profit and loss account. On the contrary, the new report contains "Net turnover for the reporting period". This change can be regarded as positive as it is a significant figure, which is used for the evaluation of the result of an enterprise's business activity.

Identification of the impact of changes in accounting for inventories of a company's own activity and capitalization brought about by the implementation of the Directive

Changes in accounting for inventories of a company's own activity and capitalization in the Czech Republic did not have any effect on profit, it remained unchanged. Unlike the previous accounting treatment, which had impact on the amount of turnover, the new regulation does not have any effect on turnover.

As a result of changes in accounting for inventories of a company's own activity, the amount of turnover in the following period may affect the size class of the entity; it may be transferred into another size category in comparison with the previous period.

Historically, the first categorization is based on data as at 31 December 2015, when the change in inventories of a company's own activity and

capitalization was also part of turnover. In the subsequent accounting periods, turnover will not be affected by the method of accounting for inventories of a company's own activity, as pointed out also by Líbal (2016). The amount of turnover is still essential for compulsory registration for VAT and a tax period type.

The amount of turnover may also have a substantial impact on the obligation of entities to get audited, predominantly micro and small entities. Agricultural enterprises, as stated above, are classed, with a few exceptions, into these categories.

Quantification of the impact of changes in accounting for inventories of a company's own activity and capitalization caused by the implementation of the Directive

As Fig. 1 shows, most agricultural enterprises in the Czech Republic fall into the category of micro and small entities. The following table shows the changes brought about by the implementation of the Directive in inventories of a company's own activity and capitalization. The data about agricultural enterprises were retrieved from the Amadeus database and the actual values of the profit and loss obtained from the Public Register, specifically from the Collection of Documents were added. Although a large number of small and micro agricultural enterprises were examined, the financial statements for 2015 were published by only a small number of them, especially micro companies. The data in the table are average values of actual data concerning 120 micro and small agricultural enterprises.

As mentioned above, the changes in accounting for inventories of a company's own activity and capitalization in the Czech Republic did not affect the economic result, but had an effect on turnover. The new legislation does not have any effect on turnover.

On the basis of the values shown in the table, it is possible to state that as a result of accounting for changes in inventories of a company's own activity and capitalization, the profit is increased by about 3,000,000 CZK both in small and micro agricultural enterprises. By the end of the year 2015 (as shown

IV: Reporting of inventories of a company's own activity and capitalization (in thousands of Czech crowns)

Category	Micro entities			Small entities			
	Period	2014	2015	2016 (estimate)	2014	2015	2016 (estimate)
Change in inventories of a company's own activity		-649.27 (revenues)	384.14 (revenues)	215.57 (costs)	981.35 (revenues)	133.04 (revenues)	-557.19 (costs)
Capitalization		3285.40 (revenues)	2915.43 (revenues)	-3116.17 (costs)	2147.79 (revenues)	2744.95 (revenues)	-2446.37 (costs)
Impact on profit		2636.13	3299.57	2900.60	3129.14	2877.99	3004.32
Impact on turnover		2636.13	3299.57	no effect	3129.14	2877.99	no effect

Source: By the authors. Based on data from the Public Register and the Collection of Documents.

in the table) turnover was affected by the same amount, which has, however, changed since 2016. The amount is not negligible with respect to other implications such as audited financial statements, size categorization of a company and possibly registration for VAT and a tax period type, as stated

above. Of the items surveyed, turnover is logically more affected by capitalization.

CONCLUSION

The transposition of the Directive compulsorily required individual Member States to introduce amendments into legislation concerning accounting. Member States of the EU fulfilled this obligation differently. In the Czech Republic the Accounting Act was amended with effect from 1 January 2016. It can be said that the Czech Republic has adopted simplification or exemption to the maximum extent, as permitted by the Directive with a view to reducing administrative burden on micro and small entities.

The research revealed that the majority of entities operating in agriculture in all the countries surveyed except Germany are micro and small entities. The proportion of these entities in the V4 countries in comparison with other EU countries under study is significantly higher. However, it is necessary to note that not all EU countries adopted the recommended criteria values for size distribution of entities from the Directive.

On the basis of different implementation of the Directive into national legislations of the EU countries surveyed it can be concluded that the categorization of entities will not lead to comparability of data of financial statements of micro and small entities, including their accounting obligations. This may seem to be a limiting factor for mutual business relationships on a global scale. There is a considerable administrative simplification in reporting for micro and small companies that do not have to get audited in the Czech Republic. This could be good for administrative burden; on the other hand it may have a negative impact on some basic accounting principles, i.e. a true and fair view of reality and the principle of prudence.

In connection with the transposition of the Directive there are some changes made in the Decree in the Czech Republic. The most significant change for agricultural enterprises is in valuation, accounting for and reporting of inventories of a company's own activity and capitalization. A change in inventories of a company's own activity and capitalization is newly recorded through costs, not revenues, as it was until the end of the year 2015. This leads to a higher degree of harmonization in this area with IAS/IFRS provisions, while turnover is not distorted.

A new method of recording the inventories of a company's own activity and capitalization does not have any effect on profit, it will remain unchanged, but there is a change in turnover, compared to the previous years, particularly in micro and small agricultural enterprises of about 3,000,000 CZK, which is not a negligible amount in relation to the impact of turnover on the previously mentioned accounting and tax liabilities. In subsequent years turnover will not be affected by this fact. This implication arises from the above mentioned method of accounting for a change in inventories of a company's own activity and capitalization through costs.

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Contact information

Milena Otavová: milena.otavova@mendelu.cz
Jana Gläserová: jana.glaserova@gmail.com