

## **I. METHODOLOGICAL INTRODUCTION**

The publication "Economic Results of the Industry of the CR in 2004 to 2007" presents results obtained by the processing of an annual statistical survey taken in enterprises with prevailing industrial activities.

### **Organisation of the survey**

Beginning in 1997, the annual structural survey was prepared in cooperation with the French Statistical Office (INSÉE) as a transition project of production statistics, i.e. as a joint survey to be taken in all industries covering market activities in the area of agriculture, forestry, industry, construction, trade and part of market services. Separate surveys are taken for banking and insurance, primarily due to the application of different system accounts, but their processing is the same.

From the viewpoint of institutional sectors of national accounting, the joint annual survey embraces the non-financial corporations sector S.11, part of the financial corporations sector S.12, and subsectors S.141 + S.142 (entrepreneurs incl. own-account workers) of the households sector S.14.

The joint project implies that there is a single sampling plan, a common questionnaire, and a single grossing-up system. The project has been on until now and is primarily designed to be a major data source for compilation of national accounts, which also implies methods for selection of respondents, namely the economic activity aspect.

### **Reporting unit, sample/population size, and mutations of questionnaires**

The annual structural survey, **the results of which we are releasing here, is the only survey that provides results for the industry as a whole, disregarding the size or legal form of the enterprise.** Given the fact that it also provides input information for national accounting, its position is unique for year-on-year estimates of the development of the whole industry, too.

The basic reporting unit of statistics on industry is the enterprise - i.e. a legal person or a natural person in the position of entrepreneur. The enterprises are divided into two groups, irrespective of their prevailing activity:

- natural persons in business under the Trade Licensing Act (and similar regulations)
- legal persons in business under the Commercial Act – i.e. trade companies and partnerships (which also include incorporated natural persons).

As these two groups use different accounting systems, as laid down in regulations, adjustments had to be made to their questionnaires accordingly.

The population/sample of enterprises under survey is structured by industries (CZ-NACE two-character codes) and enterprise size groups. The group of medium-sized and large enterprise (with 100+ employees) are 100% surveyed, while about 55% sample is used to survey small enterprises (10 to 99 employees). The sample percentage in the group of micro-enterprises (0 to 9 employees) is about 2.6%. For the reasons of capacity, the survey taken in small enterprises has been the least extensive, which clashes with the requirement made by external users for detailed data on this sector.

Other factors that limit the provision of other requested breakdowns of data (e.g. local aspect) include (i) missing sources for the supplementing and updating of data in the Business Register (BR), especially where correct allocation of carried out activities to the CZ-NACE industries, (ii) locations where such activities are carried out, and even (iii) information on whether the reporting unit is active or not are concerned. This is why the data for individual years are influenced to a certain extent by gradual upgrading of the BR used as the sampling frame. The gradual obtaining of information on prevailing activities of enterprises and transfers between industries that followed also affected the results and especially year-on-year comparability.

## **Contents of the survey**

Unincorporated **natural persons**, irrespective of the number of employees, are sent the P 4-01 questionnaire.

The questionnaire includes the following items:

- identification part
- characteristic of the enterprise
- description of activities (used for classification to industries)
- information on whether the respondent is a VAT payer or not
- query about the number of locally separated plants
- query about the accounting system (single-entry, double-entry, calculation of expenses as a percentage of revenues)
- division on the number of employees and wages
- division on revenues and expenses
- division on assets and liabilities
- query about investment in fixed assets
- division on fixed assets

**Legal persons** and incorporated natural persons (using double-entry accounting as dictated by the law) are sent the P 5-01 questionnaire in three mutations, depending on the number of employees, namely:

- **questionnaire mutation (a)**, designed for enterprises with 0 to 19 employees (except for joint-stock companies)
- **questionnaire mutation (b)**, designed for enterprises with 20 to 99 employees (including joint-stock companies employing 20 to 99 people)
- **questionnaire mutation (c)**, designed for enterprises with 100+ employees (incl. joint-stock companies).

The questionnaire mutation (c) is the most extensive and includes queries in the following areas:

- identification part (including also queries about changes in organization structure, which is not asked from natural persons)
- number of employees and wages
- creation of profits
- structure of revenues
- structure of expenses
- summary division on of assets split into three groups: (i) net closing balance related to end of previous year, (ii) net closing balance related to end of current year, and (iii) gross closing balance of current year.
- intangible fixed assets (IFA) – indicators of amount and its changes in total, incl. by type of IFA
- acquisition of tangible fixed assets – indicators by type of acquisition and disposal
- tangible fixed assets (TFA) – indicators of amount and its changes in total, incl. by type of TFA
- acquisition of tangible fixed assets – indicators by type of acquisition and disposal
- valued tangible non-produced assets – indicators of amount and its changes by type
- financial investments – indicators of amount and its changes by type
- inventories – indicators of stock and its changes by type
- receivables – indicators of type of receivables by amount and changes in amount
- liabilities at the beginning and end of period by type
- valuation of securities in assets – indicators at acquisition and market prices
- supplementary indicators – taxes, contributions, external transactions affecting assets of the enterprise.

The total number of fields to be completed in the largest questionnaire is about 1 200 (but not all of them are to be always filled in). Besides, the questionnaire has an annex compulsory for legal persons, which has (i) an independent section itemizing turnover from own goods and separately also from merchandise (goods for resale in the same condition as received), work in progress including semi-finished goods, and data on exports by detailed CZ-CPA classification, and (ii) a section where similar approach is taken to describe consumption. The two sections are designed for compiling input-output tables in the system of national accounts.

We are well aware that the extent of the questionnaire arises problems such as low response rate, frequent mistakes in the questionnaires, and problems encountered in processing. This is why a structural survey has been incorporated for the nearest future into the programme of statistical priorities. Currently, work is under way to prepare new generations of the survey with the aim to also fully satisfy the requirements of Commission Regulation (EC, EURSTOM) No 58/97 of 20 December 1996, modernize the processing of the survey, and, of course, attempt to revise the extent of the survey.

## **METHODOLOGY OF INDICATORS**

**Average number of active enterprises** is the number of enterprises, which were active at least for a part of year. The given numbers are numbers from the survey, grossed up to the basic population of enterprises. The grossing-up takes account of identified activities of the enterprises included in the sample and the activities are assumed to be the same in the basic population. The basic population is generated from the Business Register, which also includes extinct and dormant enterprises as well as enterprises whose activities are not known.

### **Number of active enterprises**

**profit-making:** includes enterprises whose after-tax economic result in a given year was zero CZK or higher than zero CZK (i.e. it was not negative)

**loss-making:** includes enterprises whose after-tax economic result in a given year was less than zero CZK.

**Number of persons employed** includes **active entrepreneurs** (working proprietors of companies and cooperating family members, for whom the work in the company is the main economic activity) and **employees**. The number of persons employed under contracts for work or of service is not included, as it is not surveyed.

**Average registered number of employees** (in actual persons) is calculated as the arithmetic average of the average number of employees in individual months. It covers all categories of permanent, temporary and seasonal employees, who have contracts of employment with and receive wages for work from their employers.

**Average number of persons employed per enterprise** is the ratio of the registered number of employees to the average number of active enterprises.

**Values of assets, liabilities and components** thereof refer to end-of-calendar-year balances on balance sheets. For natural persons using single-entry accounting, they refer to the values of individual components of assets and liabilities as at the end of calendar year. Definitions of the indicators correspond to the chart of accounts for entrepreneurs.

**Acquisition of total fixed assets** is a sum of gross acquisition of tangible and intangible fixed assets.

**Acquisition of tangible fixed assets** - unlike the definitions laid down in accounting regulations, the indicator is free of the value of land, subsoil deposits or leasing-acquired investments.

**Acquisition of intangible fixed assets** includes acquisition costs, intangible results of R&D and similar activities, software expenses, and valuable rights (such as know-how, licences, objects of industrial rights, and other results of intellectual activities).

**Total revenues** include revenues from sales of own goods and services and of merchandise, changes in the stocks of own production, capitalization, other operating revenues, financial revenues, extraordinary revenues, accounting for reserves and adjustments to operating and financial revenues, and transfer of operating and financial revenues. Revenues of natural persons are obtained as the sum of revenues from sales of own goods, services, merchandise (goods for resale), other revenues and closing adjustments to revenues.

**Turnover** refers to the sum of turnover (revenues) from own goods and services and turnover (revenues) from merchandise.

**Turnover (revenues) from own goods and services** are revenues from sales of own tangible and intangible production to external users.

**Turnover (revenues) from merchandise** refers to revenues from sales of products purchased for the purpose of resale in the same condition as received.

**Total expenses** are accrual-based operating, financial and extraordinary expenses over the period under observation. They include expenses on consumed purchases, goods sold, and services, personnel costs, taxes and fees, other operating expenses, financial expenses, extraordinary expenses, depreciation, reserves and adjustments to operating expenses, reserves and financial expenses, income taxes on ordinary income, income taxes on extraordinary income, transfer of profit/loss to partners, transfer of operating and financial expenses. For natural persons, total expenses are the sum of expenses on purchases of material, goods, wages and insurance premiums (social and health insurance), overheads, and closing adjustments to expenses.

**Personnel costs** include all benefits of employees, persons working under contracts for work or of service, including income of partners and members of cooperatives from employment, remuneration to board members, and expenses on statutory and other social insurance. In the system of double-entry accounting, they are the difference between the turnovers of double and credit sides of Account Group 52 – Personnel costs. They also include payments in kind, provided they are part of wages. In the single-entry accounting system, they are the sum of expenses on wages and social and health insurance payments.

**Wages and salaries** refer to payments to employees having contracts of employment with their employers. They exclude payments resulting from contracts for work and contracts of services and remuneration of board members – i.e. payments to persons not included in the number of employees.

**Average monthly wage** (nominal) per employee is the ratio of wages and salaries to average registered number of employees divided by twelve.

**After tax** economic result is the difference between total revenues and total expenses. It is either positive (profit) or negative (loss).

**Production value** is the sum of turnover (revenues) from sales of own goods, services, merchandise, changes in the stock of finished products and work in progress, and capitalization minus expenses on merchandise sold.

**Production consumption** is the sum of expenses on consumed purchases of material, energy and other deliveries that cannot be stored.

**Book value added** is the difference between production value and production consumption.

**Margin** is the difference between turnover (revenues) from sales of goods and expenses on merchandise sold (i.e. on goods sold in the same condition as received).

**Book value added per worker** (CZK in thousands) is the ratio of book value added to the number of persons employed (workers).

**Return on assets, ROA, (%)** is the ratio of after-tax profit/loss to assets in total.

**Return on equity, ROE, (%)** is the ratio of after-tax profit/loss to equity.

**Return on sales, ROS (%)** (return on turnover) is the ratio of after-tax profit/loss to sum of turnover (revenues) from sales of own goods, services and merchandise.

**Return on costs (%)** is the ratio of after-tax profit/loss to total costs.

**Expense-to-revenue ratio (%)** is the ratio of total expenses to total revenues.

**Inventories turnover time (days)** is the ratio of inventories to turnover divided by the number of calendar days (365). It shows the time over which the stock of inventories would be sufficient.

## **ON TABLES CONCERNING THE CLASSIFICATION OF INDICATORS**

### **Classification by CZ-NACE subsection**

**An industrial branch** (hereinafter referred to as the industry only) is a grouping of enterprises, which produce manufactured goods of similar economic destination from the same or similar kinds of materials and supplies or the same technological procedures. The industry includes industrial activities of the whole enterprise. Where the enterprise manufactures goods falling under several industries (industrial branches), it is allocated to that industry, which prevails in quantity.

The statistical classification of economic activities (CZ-NACE) in force since 1 January 1992 breaks the industry into three sections: (i) mining and quarrying, (ii) manufacturing, and (iii) electricity, gas and water supply, broken further down into subsections.

### **Classification by institutional sector**

**An institutional sector** is a grouping of units of the same economic behaviour. In the system of national accounts it is made use of to analyse generation and distribution of incomes.

Sectorally, the annual survey includes the non-financial corporations sector (S.11) and part of the households sector (subsectors S.141 and S.142 of the S.14 sector), whose output is considered market output.

The non-financial corporations sector is split into the public non-financial corporations subsector (S.11001), the private non-financial corporations subsector (S.11002) and the foreign-controlled non-financial corporations subsector (S.11003).

The foreign subject's majority share in registered capital of the enterprise (equal to or higher than 50%) is the criterion for an enterprise to be classified to subsector S. 11003. In addition to these data, the publication also shows selected data on enterprises with mixed ownership. They are classified to the private non-financial corporations subsector (S. 11002), but the foreign subject's share in registered capital of the enterprise is a minority share (10% to 49%).

## NOTE

*The indicators shown in the publication are contained in both types of statistical questionnaires. The sample is grossed up to the basic population of **active enterprises**.*

*The year-on-year indices are calculated using current prices.*

*Financial data in the tables are given in millions of CZK. The calculations used source data in CZK or thousands of CZK. Differences between calculated and summed up data, if any, may be due to rounding off.*

*If the data released here are compared with data derived from other surveys with different periodicity (monthly or quarterly), they will differ in value even if the indicators are identical in terms of methodology. Differences are attributed to the state of the register on the day of generating samples for the survey (i.e. due to different samples), to the system used to gross up the results to the basic population, and, where annual data are concerned, to statement-of-accounts operations. These operations are reflected in neither monthly nor quarterly data, as the calendar year was the accounting period.*

*Registr of individual businesses filing tax return ( from administrative sources) was activated. New calculation of these administrative sources were used to grossing up to the basic population of enterprises.*