

## I. METHODOLOGICAL INTRODUCTION

The publication "Economic Results of the Industry of the CR in 2010 to 2016" contains selected performance indicators from an annual structural statistical survey carried out in enterprises with principal (prevailing) industrial activities.

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

### CLASSIFICATION OF INDICATORS

The indicators are broken down according to the statistical **Classification of Economic Activities (CZ-NACE)**, in force since 1 January 2008, which breaks the industry into four sections: (i) Mining and quarrying, (ii) Manufacturing, (iii) Electricity, gas, steam and air conditioning supply, and (iv) Water supply; sewerage, waste management and remediation activities, broken further down into 34 divisions.

Selected indicators are broken down by size group according to the number of persons employed. (The enterprises are divided into size groups with 0-49, 50-249, and 250+ employed persons.)

### CONTENTS OF THE SURVEY

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

- natural persons in business under the Trade Act (and similar regulations);
- legal persons in business under the Business Corporations 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.

**Legal persons** and incorporated natural persons (using double-entry accounting as stipulated by the law) are sent the P 5-01 questionnaire.

**Unincorporated natural persons** have not been covered by any statistical survey since the year 2010. Results for these enterprises are based on administrative data resources (income tax, value added tax, data from the Czech Social Security Administration). Historical data until the year 2009 were based on the direct survey (the P 4-01 questionnaire).

### METHODOLOGY OF INDICATORS

The **number of active enterprises** is the number of enterprises, which were active at least for a part of the year. The given numbers of enterprises are numbers from the survey, grossed up to the basic population of enterprises. The basic population is generated from the Statistical Business Register.

The **number of persons employed** is the sum of registered number of employees (headcount), the number of working owners of companies and cooperating household members, for whom the work in the company is their main economic activity, and the number of persons working under various contracts for work.

The **number of active entrepreneurs and cooperating household members in principal activity** include active entrepreneurs and cooperating household members with self-employment as their principal activity.

The **average registered number of employees** (headcount) is calculated as the arithmetic average of the average number of employees in individual months. It covers all categories of permanent, seasonal, and temporary employees, who have contracts of employment with their employers.

The **average monthly gross wage** per employee includes all incomes from employment (direct wages and salaries, personal bonuses and other bonuses, company profit sharing, and wage compensations) charged to be paid to registered employees in compliance with regulations on wages and salaries.

**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. The content of the indicators corresponds to the chart of accounts for entrepreneurs.

**Not-own capital** includes trade liabilities, received advances and liability estimates, debt securities, warrants and financial derivatives, borrowing and financial assistance received, settlement of grants and since 2016 also liabilities to credit institutions. In purpose of year on year comparability, the years 2010-2015 were retrospectively recalculated in the 2016 methodology.

**Acquisition of intangible and tangible fixed assets** is a sum of expenses outlaid by reporting units on the acquisition of fixed assets (by purchase, through own activity, by acquiring of the right to the result of own intellectual activity). Things become fixed assets when they are put in use. Putting in use implies the provision of all technical functions required for the use and the meeting of all obligations laid down by legal regulations such as building, environmental, fire, occupational safety, and sanitary ones. The indicator does not include free acquisition and includes fixed assets acquired under financial leasing.

**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). The indicator does not include intangible fixed assets acquired for free.

**Acquisition of tangible fixed assets** does not include free acquisition and includes tangible fixed assets acquired under financial leasing.

**Net turnover** include the sum of turnover (sales of own goods and services and sales of goods for resale), other operating revenues, revenues from long-term financial assets, revenues from other long-term financial assets, interest income and other finance revenues. Revenues of natural persons are obtained as the sum of revenues from sales of own goods, services, goods for resale, other revenues, and closing adjustments to revenues. In purpose of year on year comparability, the years 2010-2015 were retrospectively recalculated in the 2016 methodology.

**Turnover** is the sum of sales (revenues from sale) of own goods and services and sales of goods for resale.

**Sales of own goods and services** are revenues from sale of own tangible and intangible production to external users.

**Sales of goods for resale** are revenues from sale of goods for resale, i.e. products bought to be resold in an unchanged state.

**Total expenses** include purchases of goods for resale, consumption of material and energy and services costs, change in internally produced inventory, capitalised output, personnel costs, value adjustments in the operating area, other operating expenses, costs spent for sold shares, costs related to other financial assets, value adjustments and reserves in the financial area, interest expenses, other finance cost, income tax and transfer of share on profit or loss to partners. 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. In purpose of year on year comparability, the years 2010-2015 were retrospectively recalculated in the 2016 methodology.

**Personnel costs** include all benefits of employees, persons working under various contracts for work, 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 debit 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 excl. other personnel expenses** include all incomes from employment (direct wages and salaries, personal bonuses and other bonuses, company profit sharing, and wage compensations) charged to be paid to **registered employees** in compliance with relevant regulations on wages and salaries. They contain also salaries of associates and members of cooperatives provided that they have contract of employment with the company and are kept in the registered number of employees. They include also remunerations from distributable profit and funds generated from profit. They exclude payments resulting from various contracts for work and remuneration of board members – i.e. payments to persons not included in the average registered number of employees.

**After tax profit/loss** is the difference between net turnover and total expenses for the reference period. It is either positive (profit) or negative (loss).

**Outputs incl. trade margin** include sales of own goods and services, trade margin (the difference between revenues from the goods sold and costs of goods sold), change in inventories of own production, and capitalization of material, goods, services, and fixed assets.

**Consumption of material and energy and services costs** includes consumed purchases (the value of consumed material and energy) and services (external services, costs of representation, and low-value intangible property not considered by the accounting unit to be fixed assets).

**Value added** is the difference between outputs incl. trade margin and consumption of material and energy and services costs.

**Trade margin** is the difference between revenues from sale of goods for resale and expenses spent on goods sold (i.e. on purchases of goods resold in an unchanged state).

**Value added per employee** (in CZK thous.) is the ratio of the value added to the number of registered employees (FTE).

**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, (%)** is the ratio of after-tax profit/loss to the sum of revenues from sale of own goods, services, and goods for resale.

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

**Expense-to-revenue ratio (%)** is the ratio of total costs (expenses) to net turnover.

*Inventories turnover time (days) is the ratio of inventories (total stock) to average daily sales (total sales divided by 360). It shows the number of days for which the stock of inventories would be sufficient.*

**In compliance with an amendment of the Decree No 500/2002 Sb with effect from 1 January 2016, names of some indicators have been modified. The indicator of “consumption of material and energy and services costs” has the same content as the previous indicator of “production consumption”. The indicator of “financial assets and cash and bank accounts” has the same content as the previous indicator of “financial assets”**

## **NOTE**

*The data provided in the publication represent the basic population of all **active enterprises**.*

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

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

*If the data released in the publication 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.*