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Importance of Customer Support in Terms of Social Networks

Mgr. Richard Fedorko, PhD.,
PhDr. Radovan Bačík, PhD. MBA,
JUDr. Pavel Hagyari MBA

Faculty of management - Department of Marketing and International Trade - University of Prešov; Konštantínova 16, 080 01 Prešov, Slovakia; richard.fedorko@gmail.com, radovanbacik@yahoo.com, pavel@hagyari.sk

Abstract
The aim of the article is to describe the specific aspects of social networking as a marketing communication tool. In assessing the direction of the issue the article summarizes the theoretical background of the issue of social networks as a part of social media. Based on the analyzes the article describes the current situation using social networks as a tool for customer support, and focuses on the most significant social networking site Facebook. Another aim of the article is to evaluate the opportunities this issue brings for marketers in terms of using regional governments while pointing out the pitfalls of the issue.

Key words: Social Networks, Facebook, Customer Support, Regional Governments

1. INTRODUCTION

Technologies and social networks are intensively dominating the marketing field. If an entity wants to sell itself or its product, it must be able to reach potential customers in places where they usually gather. Social networks create specific form of visibility only very few media provide, and influence people through communities in which they belong and feel good. Marketers working for companies that provide services, offer products, and even government entities, are increasingly starting to use social networks as an effective marketing communication tool and also as a form of customer support. One such a tool is Facebook, which is in our domestic conditions the most popular social network. This social network can now be considered a breathing ecosystem with a diverse range of user communities, organizations and brands seeking to exploit the potential of this platform and communicate effectively with their target groups.

2. THEORETICAL BASIS

Social media are tools enabling users to exchange ideas and opinions and to discuss and share their experiences online (Beal - Strauss 2008). A concise view is provided by Treadaway - Smith (2011), who define social media as a set of technologies that capture communications, content etc. between individuals, their friends, and their virtual relationships. Thanks to these technologies, Internet users can easily create content and share it with others. Social media form an infrastructure thanks to which users can become publishers of a content that they themselves and their friends are interested in.

It is necessary to emphasize the fact (Van Dijk 2012) that through social media, especially social networks, customers or the general target audience can exchange views on the brand and its products, or describe specific experience that may not always be positive in a matter of a few seconds. It is just natural that people particularly focus on negative phenomena. Regardless of the truth or falsity of the content created by consumers, these posts get attention of other users and can significantly influence or change their views and attitudes towards the brand.

In practice, social media can be divided according to different criteria and different perspectives. As the most accurate we consider Janouch's division (2011):

- Social networking - blogs, video, audio, photos, chats, discussions, etc..
- Business networks - connecting people from business, mainly senior management.
- Social bookmarker systems - information sharing - mainly articles - through public bookmarks.
- Sites where a vote is taken on the content quality - by voting, articles can climb up to the top position and thus more people read them and more voting takes place.
- Reports - web sites where comments are displayed and people can share the content and also add comments.

According to Blanchard (2011) social networks are a communication tool like phone or email, which is used for stem corporate functions including public relations, marketing, networking management, customer service and market research. Aspects of social networks such as precise targeting and social filtering allow organizations to reach the right people with the right conversation at the right time. Social networks allow people more control over their work with the web and use friends to find content that is interesting and important (Shih 2011).

Based on the above, we can summarize the key features of social media (Bednař 2011; Tredaway 2011; Bačík - Fedorko 2013):

- provide feedback,
- social media are not only a source of information but also a way to exchange and search for information or to create links between members of social networks,
- are a place for applying various types of advertising,
- help to generate new customers,
- spread the reputation and feedback on products.

Peacock (2010) adds that today, social networks are one of the most used aspects of the web and in a span of just couple of years they have expanded significantly. Many businesses, organizations, communities and families use social networks to promote themselves and their interests and to communicate with each other. Social networks rely on users who build their own network of contacts on this network. Social networks have two main functions. First, they allow users to connect with each other and thus build a network of contacts and, secondly, they allow people to build communities where they can cooperate and share posts. These features allow the dissemination of information and content by users themselves.

Facebook, as the most popular global social networking site, has become a universal communications application. For its popularity it is used by many traditional media to communicate with their audience. At the same time it is now an essential platform for promotion and public communication. Companies, institutions, non-profit organizations, they all are now on Facebook. The presentation here becomes more and more necessary (Cooper 2011). As reported by Porterfield et al. (2013), Facebook can change existing marketing efforts of companies by offering them a platform to grow their audience and fans, allowing them to create deeper connections with customers and discover new possibilities for strengthening relationships with loyal customers.

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Janouch (2011) states that thanks to these options, this social network is a unique marketing opportunity for any company. As a number of fans grows, it is possible to obtain more and better information about products, services and a company's image. In terms of marketing it is very important to communicate and gather views, wishes, and demands of the followers. Facebook is a good place to chat about the products and brands. Through this interaction, companies can build better relationships with customers, and customers can provide a valuable feedback.

3. CUSTOMER SUPPORT IN A SOCIAL NETWORKING

Social media marketing success goes hand in hand with the quality and possibilities these communications platforms offer to their users. This global trend has not spared Slovakia, where the amount of active Facebook users reaches more than 2 million users, representing 37.6% of the total population and 47.57% of internet users (Socialbakers, 2013).

Nowadays, social networks are used by almost every fourth person on earth (around 1.73 billion users). There is a clear growing trend of the user base, where in 2013 the annual increase by 18.00% is expected. It should be noted that in 2013, 67.70% of Internet users worldwide will use social networking at least once a month, prospects for 2017 predict 78.80% of Internet users using the services of social networks at least once a month (eMarketer 2013).

The results of the survey dealing with the customer support in the area of social networking, conducted by the marketing agency Conversocial (2013), and published in October 2013, supports the idea of social networks as a relevant communication tool in the field of customer support. Published data indicate that 81% of the top 100 online retailers response to customer support stimuli through the social network Twitter. Nearly 80% of companies consistently deal with customer support ideas through Facebook.

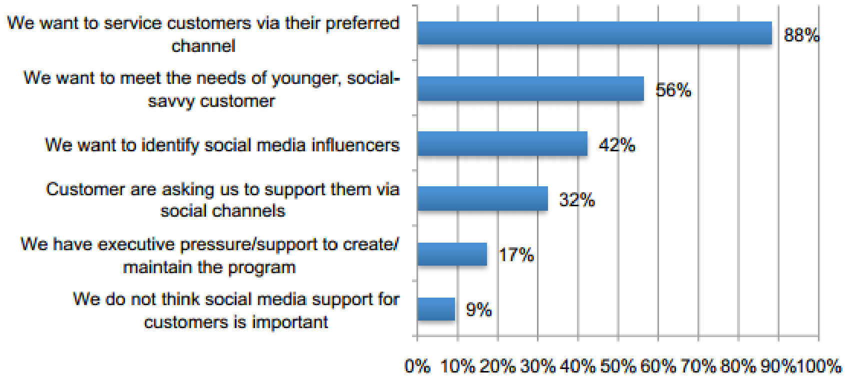

Figure 1 Why is it important to offer customer support in an environment of social networks
Source: TSIA, 2014

The analysis published by Technology Services Industry Association (2014), based on 1900 responses of globally operating B2C subjects, answered questions about the reasons what led the organizations to provide customer support on social networks. 88% of those surveyed said they want to be closer to their customers - target audience for their communication channel. 56% of those surveyed said they wanted to be closer to younger customer groups.

4. FACEBOOK AS A CUSTOMER SUPPORT TOOL

The current marketing importance of Facebook is emphasized by the results of a study conducted by Forrester Research, whose author, Gina Sverdlov (2012), using regression analysis, shows that the value of Facebook fans as customers is higher than the value of those who are not fans. The study also points out that in the case of Facebook fans, they are more likely to realize a purchase in up to 79% of cases, those who are not on Facebook are likely to purchase a product in 41% of cases. Also, in our opinion, a significant finding is that 74% of Facebook fans are more likely to recommend a product or a brand to their friends while there is a only a 38% probability that non-fan would recommend a product or a brand.

The general meaning of the Facebook in terms of marketing activities is to be found in the analysis of the organization Platt Retail Institute (2013), which aimed to highlight the importance of individual communication channels as cost items in comparison with the perceived importance of the communication channel. As a basis for the analysis was chosen a survey conducted in 2013 on a sample of 859 respondents from among members and non-members of the AMA (American Marketing Association), regardless of geographic location of the company. According to the results of the analysis, Facebook ranked at the top of the social networks in terms of the level of interest (Chart 2). Social networks like LinkedIn, Twitter recorded the numbers above 30%. YouTube recorded a significant gap when compared to remaining social media with more than 25%.

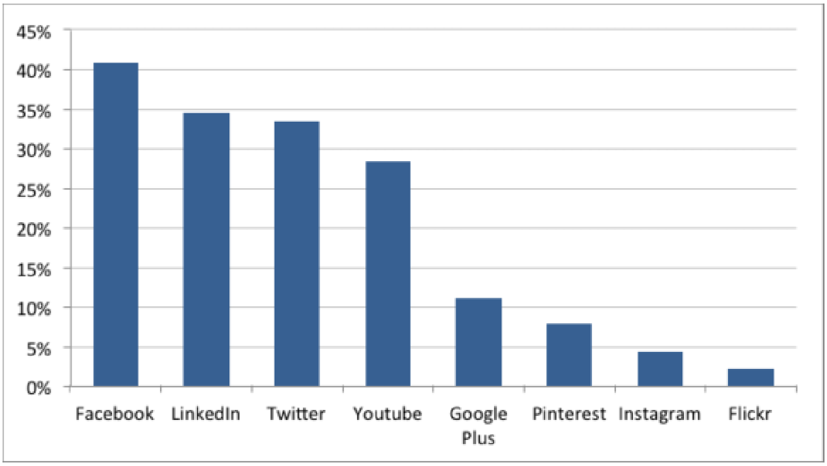

Figure 2 The importance of individual social networks
Source: Platt Retail Institute, 2013

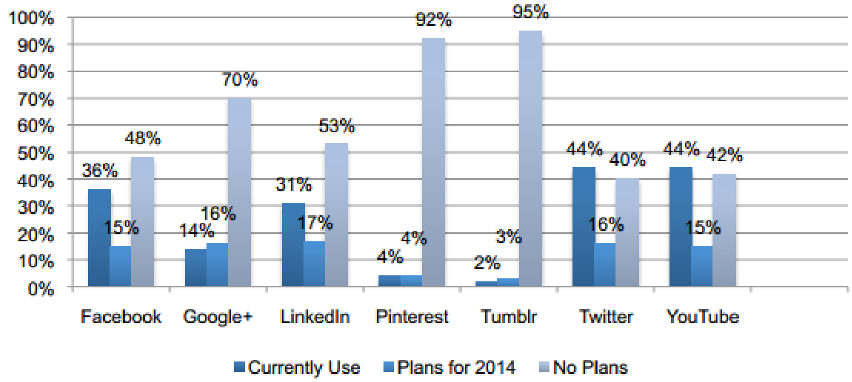

Figure 3 Social networking in relation to customer support
Source: TSIA, 2014

The aforementioned analysis of the company Technology Services Industry Association (2014) provides an insight into the approach of B2C entities to various social networks as tools for customer support (see Chart 3). At the time of data collection, Facebook was for the purpose of customer support used by 36% of respondents. 15% of respondents plan to implement Facebook in a portfolio of communication channels for customer support. It should be pointed out that Twitter, which use is in our conditions negligible, was at the time of data collection used by 44% of researched entities.

5. CONCLUSION

Customer support is an important instrument in a competitive struggle and also a factor affecting customer satisfaction, which with the advent of social media takes on a new dimension. Social networking in relation to customer support should be seen as a part of building a positive image and also as a deeper insight into their views and attitudes and how the interaction with target groups works. This fact is really valuable for organizations in their further decisions not only in the sphere of business but also in the case of general government - regional authorities. It should be emphasized that at the global level brands are becoming more and more aware that mere presence on social networks is no longer enough. The current trends and analysis results show that providing customer support, or even the existence of individual customer support profiles of brands on social networks, is now more than a competitive advantage. We dare to say that in the near future, with the changing preferences of the target audience when choosing the right communications channels, the online environment and especially social networking environment will in some cases be an essential part of brands' marketing strategies.

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ECONOMY & SOCIETY & ENVIRONMENT

Inventory management of an economic entity - selected aspects

Prof. nadzw. dr hab. dr h.c. Andrzej Limański
Wyższa Szkoła Zarządzania Marketingowego i Języków Obcych w Katowicach, Department of Marketing, ul. Gallusa 12, 40-594 Katowice, Poland, E-mail: rektor@gallus.pl

Dr. Bożena Sowa
University of Rzeszow, Faculty of Economics, Department of Finance, ul. M. Ćwiklińskiej 2, 35-601 Rzeszów, Poland, E-mail: bozenas@univ.rzeszow.pl

Assoc.Prof. Eng. Stanislav Szabo, PhD., MBA
Czech Technical University in Prague, Department of Air Transport, ul. Horská 3, 128 03 Prague, Czech Republic, E-mail: szabo@fd.cvut.cz

Abstract

Inventory management plays an important role in the enterprise. Every entrepreneur regardless of the size of the company is in contact with the materials. The materials are part of the inventory or tangible current assets. The purpose of this article is to present an outline of theoretical issues relating to inventory management, i.e.: processes carried out in the warehouse, tangible current assets, documentation, material accountancy and valuation of tangible current assets.

Key words inventory management, economic, effectiveness of inventory management.

1. INTRODUCTION

The components of current assets change their natural form in a relatively short time. While running a business the components of current assets are in constant motion, passing through the successive phases of activity and adopting different forms. (Olak, A., 2001 p. 117-120)

Inventories of materials are an important part of the assets of the entity. Therefore, there is a need to develop appropriate organizational and technical conditions that would enable comprehensive protection of stocks of materials and proper expenditure.

Current analysis and evaluation of the effectiveness of inventory management is one of the most important elements of business management. Maintaining inventories above the amount necessary to the smooth running of business causes the freezing of funds and thereby increases the operating costs of the plant. On the other hand, too low inventory level can cause downtime and contribute to a loss. Efficient management of inventory related to costs and supply has a significant impact on the economic performance of each company.

2. PROCESSES AT THE WAREHOUSE

Warehouse is a functional-organizational unit, designed for storage of inventory, occupying a separate space, equipped with appropriate technical means, managed and operated by a team of people. (Niemczyk, A., 2009, p.9)

Processes at the warehouse are the set of activities generally called the storage. (Coyle, E. et al., 2010, p.312) These activities are related to the manipulation of inventory (tangible) and temporary storage. In contrast, inventory management refers to finding and practicing methods of maintaining inventory, raw materials, semi-finished or finished products in the amount adequate to provide the maximum level of customer service at minimum cost.(Stępnicka, N., Bąkowska, P., 2013)

Storage process is divided into four basic phases:

- receiving,
- storage,
- completing,
- releasing. (Niemczyk, A., 2008, p.139)

Receiving material goods by the warehouse is an operation that begins upon delivery from the outside from the supplier or from the inside from another cell of the company. Existing internal transport and handling equipment is necessary to conduct an unloading procedure. The identification of the obtained materials is followed by quantitative and qualitative control. (Ibid.)

Quantity control is based on a general inspection of the external object of delivery and compliance of the various ranges of quantities declared with the amount received. Verification consists in weighing or counting individual packages and determining if they are not affected.(Matuszewicz,J., Matuszewicz, P., 2005,p.15)

Quality control depends on the legal requirements and procedures. This is usually a visual inspection. It is verified whether the materials and their protection (e.g. film) do not have any signs of damage (e.g. dents, tears). After completion of the inspection the material is transferred to the storage and formally adopted at the state of a warehouse.(Niemczyk, A., p.140)
Storage is the location of the material goods in a designated storage space under the conditions provided for specific groups of stocks. (Surzycka-Mliczewska, Z., 1989, p.468)

Completing involves taking the existing stocks of such materials and in such quantities that result from the ongoing order. The phase of completion is the most difficult part of the process at the warehouse. Typically, the warehouse staff dealing with completing, works under time pressure. Most of the complaints related to the issuance of materials from the warehouse is due to the mistakes made while completing. (Niemczyk, A., p.141)

Releasing goods are physical activities associated with the release of the goods from a warehouse to a fixed recipient with the confirmation of both, the issuer and the recipient. Release of goods is an operation that completes the process of storage.

Essential tasks performed while releasing goods are:

- packaging and forming transport units in a release zone. This applies to load units that have arisen in the process of completion and have not been packed and formed in the phase of completion,

- release control is checking the prepared goods with the release documents. The completeness of prepared transport units is verified,
- loading follows a positive result of the inspection. Loading units are grouped in batches of releases according to directions, routes, buyers.(Sitko, J., Gajdzik, B., www.ptzp.org.p)

3. TANGIBLE CURRENT ASSETS

Tangible current assets, as defined by the Act of 29 September 1994, as amended on Accounting (article 3 paragraph 1 item 18, lit. a and point 19) are intended for sale or use within 12 months from the balance sheet date or within the normal operating cycle appropriate for the activity, if it lasts longer than 12 months. They are materials purchased to be used for individual needs, finished products processed or produced by the entity (goods, services) that are suitable for sale or in the course of production, or semi-finished products and goods purchased for resale without further processing.(Zeszyty Metodyczne Rachunkowości Nr 6/2012, p.3)

Materials are part of the inventory, i.e. tangible current assets. In accordance with the Accounting Act materials are assets acquired or produced by the entity, intended for use as raw materials for the manufacturing of products (i.e. goods, works and services) or for general economic purposes, including advertising or representation.

Materials are characterized by the fact that they wear during a production cycle and transmit their value as a whole to a manufactured product. Due to the short period of use, within 12 months, or within the normal operating cycle expected for the industry, they are classified as tangible current assets.(Padurek, B., 2007, p.6-12)

The materials are mainly used in basic operational activity, and thus in the production and while providing services (directly in the processes of production and manufacturing), although their use is also associated with the necessity of maintenance of machinery and equipment, repairs, heating of the premises, maintenance of cleanliness, sales of products (packaging), as well as the ongoing work of the administrative and office character.(Kuzior, A., 2007, p.313)
No matter the designation, materials are characterized by single-use and transferring their value to the products or to the financial result. (Dyduch, A. et al., 2004, p.45-48)

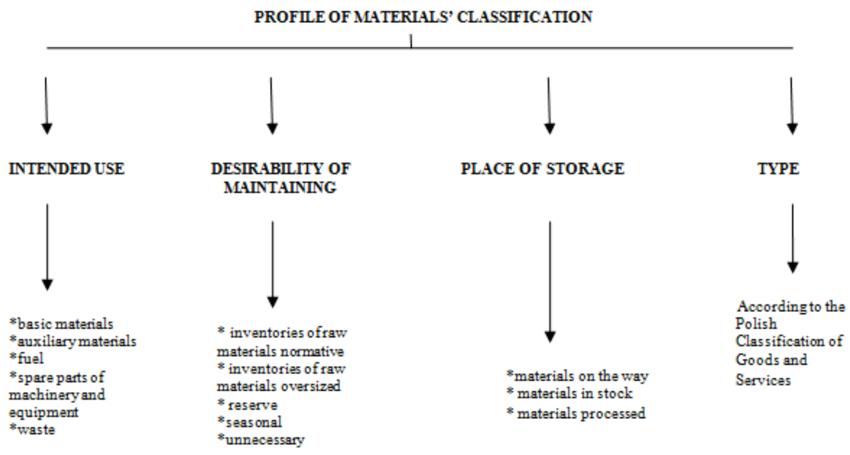

Figure 1 Classification of materials
Source: A. Kuzior, Ewidencyjne ujęcie zakupu i zużycia materiałów, [in:] Rachunkowość Finansowa z uwzględnieniem MSSF, praca zbior. pod red. Z. Messnera, PWN, Warszawa 2007, p. 314.

Due to the intended use, materials are divided into:

a) *basic materials* – materials directly used in the manufacturing process of products. They are a component of manufactured product called resource. They can also be ordered and semi-finished products, manufactured by another company, that are an integral part of the manufactured product. These are also the basic packages, without which a particular product could not be sold, e.g.: cans, jars, cartons,
b) *auxiliary materials* – materials, which are used for purposes of administration, sale or general manufacturing processes. These include, for example, oils and lubricants for machinery and equipment maintenance, working and protective clothing, office supplies,
c) *fuel* – for example, fuel oil, coal used for heating,
d) *spare parts of machinery and equipment* – materials used during repair and maintenance,
e) *waste* - defective materials or materials formed by cutting the basic materials. Usually they are not suitable for use.(Gierusz, B., 2002, p.37)

Standardization of supply of materials is associated on one hand with the need to hold stocks that allow maintaining the liquidity of production, on the other hand with the desire to have only the necessary quantities, so as not to freeze the funds nor lead to a situation where excessive stocks could for example be broken or damaged. It is, therefore, necessary to continuously monitor and analyse the condition of materials.(Kuzior, A. 2007, p.330)

Due to the desirability of maintaining, the inventories are divided into:

a) normative inventory of materials – means such an amount, which will ensure the proper functioning of the processes carried out by the unit. The best solution for the control of inventories is the use of the purchase method defined as 'just in time'. Purchase of materials is made then right before their release.
b) oversized supply of materials – may include inventory reserve, purchased in the event of unforeseeable circumstances (e.g. natural disasters or other acts), seasonal inventories associated with their production cycle (e.g. crops), as well as redundant supplies. Redundant stocks may consist of nutritious materials whose number far exceeds the needs of the unit (excessive shopping or change or restriction of activities) and defective materials, i.e. those that have lost their properties as a result of various events and factors (were broken, expired, damaged).(Maćkowiak, E., 2011, p. 189)

Due to the place of storage, the materials can be divided into:

a) *materials in stock* are divided into: own - materials received from suppliers, tested both quantitatively and qualitatively, delivered to the person responsible for them and stored in the warehouse, external - materials, the adoption of which the recipient refused or materials held in escrow or under a pledge),
b) *materials processed*, i.e. conveyed to processing in order to adapt them to the needs of production,
c) *materials on the way*, i.e. the materials that have been shipped and invoiced but not received by the recipient, or are already received, but have not yet been entered into stock.(Zeszyty Metodyczne Rachunkowości)

Polish classification of products and services (Rozporządzenie Rady Ministrów z 6 kwietnia 2004) in conjunction with the classification of economic activities divides materials according to their type, depending on the kind of activity, as a result of which it arose. PCGS gives each material the digital code helpful in the identification of materials.

Finished products are produced by the entity in its production plant, products not subject to further processing, responding to specific technical, commercial and quality standards, accepted during quality control process, intended for sale to external customers or in their own retail outlets. (Waśniewski, T., Gos, W., 2002, p.141-143)

Products in the course are products started, incomplete in terms of technology, that are still in the course of production, requiring further treatment.

Semi-finished products have already undergone particular, technologically closed production phases, primarily intended for assembly or processing in the later stages of the production of the finished product in a manufacturing plant, as the components of this product.

Goods are tangible current assets produced by other entities, purchased for resale in an unaltered form. Goods can also be companies' own products when stores are located in the factory and are sold by the producer in their own retail outlets. Goods also include current assets outside the entity, but being its property, stored in foreign magazines, for example, by written request by the contractor or transmitted by the entity for further processing. Goods are also products which are the subject of buying, for example, agricultural products, forestry products, raw materials, as well as products acquired and held for real estate trading (land, buildings, structures), and the rights to properties acquired for resale, which are not fixed assets. The classification of the asset to the goods depends mainly on how to use it in the enterprise. The same property may be treated as goods by one entity, and as a material (raw material) or a finished product by another entity.

4. DOCUMENTATION AND RECORDS OF MATERIALS IN INVENTORY MANAGEMENT

In order to ensure the continuity of the production process, entities shall keep in stock a certain amount of materials. Keeping large quantities may contribute to the freezing of funds in the company and increase the cost of doing business. On the other hand, too low, not enough stocks may cause production downtime and expose the company to losses.(Sowa, B. 3/2011, p.119-122) Therefore, an important element of the operational activity is the correct procurement policy, which does not expose the company to unnecessary expenses and losses and allows to carry out business activity without disruption. (Charakterystyka materiałów i ewidencja ich zakupu,2010)

With each received delivery there are two basic documents:

– proof of materials' purchase- Invoice,
– materials' acceptance document – receive receipt (*Pol*. Pz)

Pz is the evidence of delivered materials – receive receipt. By this evidence the acceptance of materials from the supplier is documented. It provides both the command to accept materials to the warehouse and confirmation of acceptance by a warehouse of materials purchased from suppliers.(Matuszewicz, J., 1993, p. 49)

The purchase of materials is documented by an invoice. This document is the basis for conducting settlements with a supplier and settlements of purchased materials. The invoice is received by the recipient.

Invoices for the purchase of materials shall be checked for:

– *formal aspect* (whether it contains all the necessary elements, such as NIP number, supplier and recipient addresses, stamps, signatures, date of issue, number, etc.),
– *substantive aspect* (compliance with the order or the cost estimate, the accuracy of the prices, discounts, mark-ups),
– *accounting aspect* (the accuracy of the ratios, summing).

Invoice control is usually carried out by a purchasing department and accounting department. If the accounting department has all the documents relating to the supply (Sowa, B., 2008, p.17-21) - correct invoice and Pz print, the materials are accepted by the store or delivered to the production in the following way, illustrated in the diagram below:

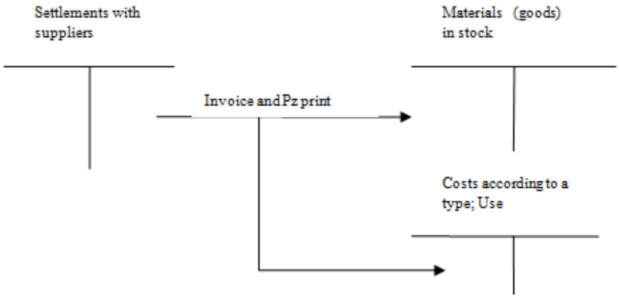

Figure 2 Accounting for purchase of materials

Source: J. Matuszewicz, P. Matuszewicz, Rachunkowość od podstaw, F-S, Wyd. Finans-Servis Zespół Doradców Finansowo-Księgowych, Warszawa 1995, p. 158.

In practice the supplier's invoice and Pz print are not always in possession of the accounting department. Often, one of these documents is available earlier. For proper records of purchase, it is advisable to introduce an additional account, which allows to link and compare the invoice with Pz print, that is the settlement of a batch of materials (goods). This account is called the Settlement of purchase and allows separate recording of incoming invoices and incoming supplies (Ewidencja zakupów i rozchodów materiałów, 2012), as shown below:

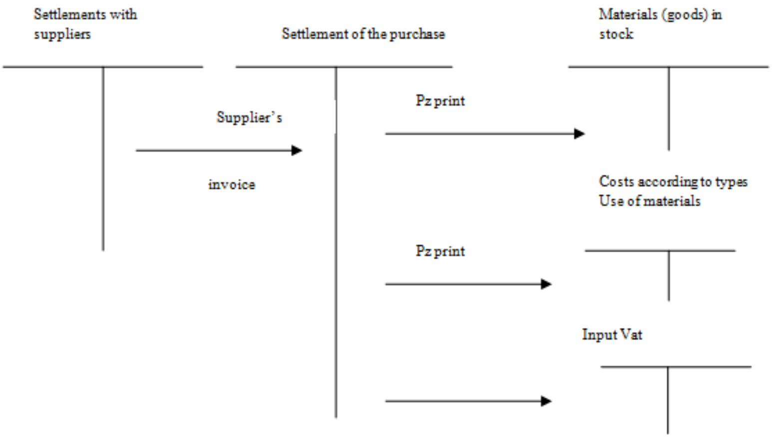

Figure 3 Settlement of the purchase

Source: Ewidencja zakupów i rozchodów materiałów, Zeszyty Metodyczne Rachunkowości Nr 14 from 2012.

Settlement of the purchase is based on verification:

- if the invoice received from a supplier is covered in supplies received and accepted by the entity on the basis of Pz print, or if materials are on the way and Pz print could not be issued,

- if delivery accepted on the basis of Pz print are covered by the invoice received, or if delivery was received before the invoice.

The purchase transaction is considered to be settled, if the invoice and Pz print, for a given supply, are held by the accounting department and have been accounted for. If at the end of the month there are invoices that are not covered by the supply, the materials (goods) from those invoices are treated as being on the way. Conversely, there are off-invoice supplies, that are equivalent to the supply accepted on the basis of Pz print, and for which the invoice was not received up to the end of the month. (Matuszewicz, p.51)

The reception of delivery to the warehouse consists of checking whether the delivery is in accordance with the contract in terms of the amount, e.g. by counting the units and to determining whether the received materials are not damaged. (Ibid)

Accepting and releasing materials is based on the relevant inventory documents. The basic ones include:

a) receipt documents;
- invoice documenting the purchase of materials,
- *Pz* print – *acceptance from the outside* – documenting the acceptance of materials to the warehouse and constituting the basis to verify the amount of materials taken to the warehouse with the amount shown on the invoice of purchase,
- *Zw* print – *return of materials* – documenting e.g. the return of materials to the warehouse in connection with the excessive amounts of it;

b) release documents:
- R*w* print – *internal release* - confirming the release of materials for internal unit,
- *Wz* print – *external release of materials* – confirming e.g. the release of materials from the warehouse in connection with the sale to foreign contractors or delivery of materials for further outside processing;

c) receipt-release documents, e.g. Mm print – shift between warehouses – documenting the movement of materials between warehouses.

An important element of inventory management is record of materials. Its purpose is to allow current control of acceptance and release of materials, determine the amount of inventory of materials according to the assortment and storage, and the settlement of the persons responsible for the assigned property. (Zeszytów Metodycznych Rachunkowości, 2011)

Changes in the materials are primarily the subject of the synthetic records of materials carried on 'Materials' account (or multiple synthetic accounts existing as a result of a horizontal split) in terms of value and amounts. In addition to the synthetic records, the materials are also subject to the analytical records.

Depending on the type and value of the stocks in terms of changes in the amount of materials, the records can be carried out: (Kuzior, A., p.330)

a) according to *quantity* – i.e. for particular ranges of materials only in natural units (pieces, kilograms, meters). Quantitative record is led by a warehouse manager, who is required to keep up to date records of acceptance, release and inventory of all the materials;
b) according to *quantity and value* – i.e. for particular ranges of materials or groups that have the same registration price (for each range or group the turnover and values in physical and monetary units are applied). Quantity and value records allow quantitative comparison of records conducted in the warehouse with records included in the analytical accounts,

c) according to *value* – records are carried out in the accounting department in the system of synthetic accounts established in the company's plan of the unit's accounts.

Accepted materials classification rules are reflected in the list of materials used in the unit, or in the material index. (J. Matuszewicz, p. 44)

Goods and materials index - is a structured list of items in inventory storage and turnover of a specified organizational unit, comprising: a digital symbols, names and parameters that uniquely identify items in the records and data processing. (Z. Surzycka-Mliczewska, 1989, p.151)

Material index determines a specific classification of materials, facilitates the identification of the material and prevents confusion when releasing materials. At the same time the use of standardized names and symbols facilitates communication between employees and setting records in different registration devices. *Material index* fulfils its task if it contains the following data:

- the name of the material, along with any symbols and its technical characteristics (type, brand, features, dimensions, material),
- unit of measure that is the basis of the records of acceptance and release of materials,
- numerical symbol of each type of materials, which facilitates the identification,
- the price of each material that will be used to determine the rotation of the material in all registration devices.(J. Matuszewicz, p.45)

Unit's plan of accounts is a formal document which is a part of the accounting system, which determines the list of synthetic accounts of the general accounts for the records of business transactions, accepted principles of classification of events, principles of leading subsidiary accounts (analytical accounts) and their relationships with the accounts of the general accounts. (M. Hass, 2012, p.35)

Examples of such accounts are:

- *team 3 Materials and goods* - which are used to record the inventory of materials (accounts 310 and 340) and goods (accounts 330 and 340) and the settlement of the purchase of materials, goods and services (account 300);
- *Team 4 Costs by type and their settlement* - which are used to record expenses by nature and their settlement. Incurred expenses are recognized in the accounts when they arise, regardless of their due dates. Reduction of previously accrued costs shall be based on documents that correct the costs (e.g. credit memos),
- *Team 6 products* - which are used to record the goods produced by the entity, and the costs settled in time,(Zeszyty Metodyczne Rachunkowości, 2013)

Account 300 - Settlement of purchase - which is used to record the settlement of the purchase of materials, goods, works and services, and in particular to determine the value of materials, goods on the way and value of not invoiced supplies.
On the debit side of account 300 the following elements are included:

- invoices from domestic and foreign suppliers, including input tax on goods and services, hereinafter referred to as VAT;
- VAT, excise duty, customs duty levied on imports.

On the credit side of account 300 the following elements are included:

- value of accepted supplies and services,
- VAT to the settlement with a Tax Office directly or under certain conditions,
- non-recoverable or non-deductable VAT for current assets, increasing their value or aggravating the relevant costs or prepayments,

- non-recoverable or non-deductable VAT for fixed assets, investments started and intangible assets, enhancing their value.
- By means of 300 account one can also settle deviations from the fixed prices, from the actual purchase price or the purchase price,
- the purchase cost included in the invoices from suppliers,
- handling charges levied by the customs office at the importing,
- shortages, damages and surplus in transport,
- complaints (rectification) on suppliers' invoices.

Account 300 may have two sides. Debit side means the state of supply on the way (materials and goods on the way), and the credit side means the status of non-invoiced supplies or services.

Account 310 Materials - used to record the inventory of materials, including packaging and waste in domestic and foreign warehouses, and in domestic and foreign processing. On the debit side of account 310 there are increases in the quantity and value of materials in the inventory, and on the credit side - the reductions. Account 310 may indicate debit side, which expresses the stocks of materials, cost of purchase, or constant registration prices.

Account 330 Goods - is designed to record stocks of goods. Records for this account include the goods which are both in own stores, points of sale, points of processing, as well as foreign stocks and foreign processing. On the debit side of the account there are increases in the quantity and value stocks of goods, and on the credit side - the reductions. Account 330 may indicate debit side, which expresses the stocks of materials, cost of purchase, or constant registration prices.

Account 340 - Deviations from the standard prices of materials and goods - account 340 is used to record the difference between the reference price of materials, goods and groceries at a fixed purchase price or sale price and the actual purchase price. On the debit side of account 340 there are debit deviations and settlement of credit deviations, and on the credit side there are credit deviations and settlement of debit deviations. Detailed records of account 340 should provide at least the division of deviations referring to materials, goods and foodstuffs, with possible further division into groups of stocks. Account 340 can demonstrate both debit and credit side which can illustrate the state of deviations concerning the inventory of materials and goods included in accounts 310 and 330.

Account 401 - use of materials and energy - account 401 is used to record the cost of materials and energy for basic business activity, support and general management. On the debit side of account 401 there are incurred expenses related to the consumption of materials and energy, and on a credit side of account 401 there is a reduction in costs due to the consumption of materials and energy, and at the balance sheet date - the transfer of costs of materials and energy consumption incurred during the year - on account 860.

Account 600 - finished products and semi-finished products - account 600 is used to record inventories of finished goods, work and services completed but not sold until the end of the reporting period, and semi-finished products in units involved in records of quantity and value. If the inwards and outwards registers and inventories are estimated according to registration price which differs from the actual production cost, then the deviation between the price and the actual manufacturing cost should be included in account 620.

On the debit side of account 600 there are increases in the quantity and value of the products and on the credit side - the reductions. Detailed records kept to account 600 should determine the status of stocks according to their storage places and persons entrusted with the care of them, and with respect to products' inventory covered by the quantity-value record and quantity record, also according to different types of groups. Account 600 may show a debit side, which expresses the state of stocks of finished or, alternatively, semi-finished products

Account 620 - Deviations from the standard prices of products - account 620 is used to record the difference between the standard price of the products and their actual production cost. On the debit side of account 620 there are debit deviations and settlement of credit deviations, and on the credit side - the credit deviations and settlement of debit deviations. Detailed records kept to account 620 should provide a division of deviations into finished products and semi-finished products. Account 620 may show debit or credit side, which means a state of deviations referring to the stocks by adjusting their balance value. (Zeszyty Metodyczne Rachunkowości Nr 3)

Accounting Act also provides solution based on skipping the inventory records and including the purchase costs of materials directly in costs. However, it is possible to apply the method only for some units, where the range of products is homogeneous and small, or if the owner is also the person materially responsible for the inventory. (Zeszyty Metodyczne Rachunkowości, 2010)

5. VALUATION OF TANGIBLE CURRENT ASSETS

According to the Act of 29 September 1994 on Accounting, materials at the time of purchasing are included in the accounts according to the cost of purchase or production costs - if they are manufactured in-house (art. 28, paragraph 11, item 1). Materials at the purchase date may be put in the accounts, including the differences between those prices and the actual prices of their purchase (included in account 34-2 "Deviations from the standard prices of materials". (Wycena materiałów na dzień bilansowy, 2013)

At the balance sheet day the materials are valued:

a) according to purchase price (art. 28, paragraph 1, item 6 of the Act)

The *purchase price* is the price including the amount due to the seller with no deductible tax on goods and services and excise duty, plus costs directly attributable to the purchase, including the costs of transportation, loading, unloading, storage, marketing, and reduced by discounts, deductions, and other similar reductions. The purchase costs can be directly included in the purchase price if it is possible to assign these costs to a particular delivery.

In other cases - the purchase costs are settled in time proportionally between release and stock of a given asset. (Wycena rzeczowych aktywów obrotowych, 2010)

b) if it does not distort the assets and the entity's financial results - according to the purchase price (Article 34, paragraph 1, item 1 of the above mentioned Law).

The purchase price is the amount due to the seller, without deductible VAT and in the case of import increased by regulatory liabilities and reduced by lower prices (discounts, deductions). (Kuzior, A., p. 316)

c) products at production cost.

Production costs include costs directly related to particular product, and a reasonable proportion of the costs indirectly related to the production of the product. Production cost is used for valuation of tangible assets in the form of finished and semi-finished products intended for sale or for own business. (Ibid)

The purchase price and the production cost cannot be higher than the net price of a particular material, goods or product. This is the upper limit of the pricing. If the purchase price is expressed in foreign

currency, they are calculated for gold, using the average NBP exchange rate on the business day preceding the date of the invoice.
In cases where the calculation of production cost is impossible or unprofitable, the cost is replaced by the net sales price of the products, so the sale price excluding VAT, reduced by profit, selling expenses and general and administrative expenses. (Zamknięcie roku, 2011, p.107)
There are two exceptions from this principle:

- the first exception occurs when products are valued at the net sale price, for the case when the cost of production on the balance sheet date is higher than *the net selling price of the product, and therefore it includes the loss,*
- the second exception occurs when pricing is at net sales price, for the case when determination of the cost of production is:
  - objectively possible; this applies, for example, to so-called by-products appearing in a production process together with the main products (e.g. at the slaughter of animals), by-products are valued at net sales price;
  - practically intentional (profitable) as the amount of work related to it would be higher than the achieved benefits; the unit does not have the account with the cost of production (eg. production cycle is short, the product range is very wide).(Ibid)

In accordance with the provisions of the Accounting Act materials are included in the books according to their actual purchase price. This means that the cost of the purchase increases the value of the materials. The Act also allows the possibility of valuation of materials based on the market price, if it does not distort the balance of assets and financial results. It is assumed that this condition is fulfilled if the purchase costs incurred by the entity are insignificant in relation to the stock of materials and if stock of materials and related costs of buying persist at a similar level. In such a situation, the cost of purchase are treated as expenses in the period in which they were incurred. (Kuzior, A., p.319)

Prices, which are used to register materials' inwards and outwards are called fixed prices. In the register of materials there are:

- variable register prices, i.e. real prices,
- constant register prices, i.e. the prices that do not change over a longer period of time (usually adopted by the entity for use in the fiscal year).

Constant register prices can be set at the level of sales prices of goods or products. In such a case at the moment of acceptance of delivery, there appear the differences between the value of the materials or goods resulting from the invoice in the purchase prices or from the calculation of production costs of products and their value determined through multiplying the accepted quantities of materials, goods or products by constant register prices. Deviations from the fixed prices then appear. (Zamkniecie roku, p. 107)

All materials' inwards and outwards should be calculated at real purchase prices, ie. according to the invoice prices, plus the costs associated with the purchase. The cost of purchase of each batch of the same material can be different, depending on the supplier's premises, and the purchase price may differ depending on the source of purchase and the price offered. The same material from different supply may have a different price. The following solutions may be applied to calculate the release of materials: (Winiarska, W., 1996, p. 164)

a) *the earliest price, i.e. FIFO* (first in - first out), involving the valuation on the basis of release evidence according to the price of the first delivery, which is still in the warehouse, and after its exhaustion - on the basis of the prices of the next delivery,
b) *the latest price, i.e. LIFO* (last in - first out) at which the release evidence is calculated at the prices of the last supplies in stock, and if they are exhausted - at the price of earlier supplies,

c) *the average price*, based on determining the average price after each delivery, calculated as the ratio of the value of the previous state, plus the latest materials' inward, by an amount corresponding to those values.

Tangible current assets registered at the constant register prices are adjusted in the books by deviations from the fixed prices to the level of their real prices. (Zeszyty Metodyczne Rachunkowości, p.7)

Deviations, their nature and inclusion in the register can be characterized by the following statements:

- they represent the difference between the real price and the fixed price of a particular batch of materials,
- they are determined to bring the register value from the account *Materials* to the actual value of the stock (usually the purchase price); fixed register price is applied only to the current recognition of acceptance and release of materials, it cannot be the category on which the balance valuation is based,
- to register deviations, a corrective account *Deviations from standard prices of materials* is used; the account was created as a result of the vertical division of *Materials* account,
- by establishing and registering Deviations, their nature is defined; it depends on the relationship of the purchase price and the register price: (Kuzior, A., p.324)
  a) if the register price is lower than the real price, the deviations are debit - they increase the value of the materials covered by fixed register prices on *Materials* account - they are recognized on the debit side of the account of deviations; in this case the value of the purchase price is determined according to the following equation:
  purchase price = fixed register price + deviation
  if the register price is higher than the real price, the deviations are credit - they reduce the value of the materials covered by fixed register prices on *Materials* account - they are recognized on the credit side of the account of deviations; purchase price in this case can be described as follows:
  purchase price = fixed register price – deviations
  b) because deviations correct the value of materials, and these may in part be consumed, and partly be treated as a closing stock, so at the end of the month there should be proportional settlement of deviations between the value of the materials used and the rest in stock; fixed register price is used for the current valuation of the release of materials, it cannot be, however, a parameter for measuring the consumption of materials; settlement of deviations allows to determine the real amount of costs incurred due to the consumption of materials.

In the case of fixed register prices the valuation of the release of materials proceeds through two stages.

In *the first stage* on a regular basis throughout the month, all the release documents are settled, according to fixed register prices. Application of the fixed register price is a consequence of the adoption of such a system of pricing while accounting the accepted materials. It is necessary to maintain the same principles of pricing operations that expand and reduce the status of the *Materials* account. In such a system, the value of materials is recognized also in part on the account that corrects *Deviations from the standard register prices of materials. (Ibid, p. 325)*

The second stage of pricing the release of materials is to measure the deviations for consumption and stock.

It can be said that deviations always "follow" the materials. If there is no release of materials, the deviations appear in full on the corrective account associated with *Materials* account. If the materials are released, an appropriate part of deviations shall be transferred to the place where the value of the materials consumed by fixed register prices appears. Regardless of the nature of the deviations, the division between supply and consumption must be proportional. (Kuzior, A., p.325)

In order to determine the deviations attributable to used materials we need to determine the rate of deviation margin, and deviation margin attributable to the materials used. *The rate of deviation margin* is the relation of the value of deviations to the value of materials (we consider the states before the releases). The rate is expressed as a percentage and answers what percentage of the value of the materials are deviations. Calculation of the rate allows the analysis of valuable relationships of deviations and materials. The higher the rate, the greater the difference between the actual value and register value of the materials. A considerable growth of the rate may be a signal informing about the need for change in fixed register price.

Determining the rate shortens the procedure for determining deviations referring to particular directions of the release of materials, eliminates the need for determining at least some proportion of deviations for each of the partial use of materials. (Ibid) To determine the deviation margin, a predetermined rate and the value of materials which may be revised by the deviations is used.
Settlement of deviations can also be seen in terms of balance sheet valuation of inventories of materials and measurement of financial results through proper determination of costs of materials.

6. VALUATION OF MATERIALS

Valuation of tangible current assets is to determine the quantity and value of inventory on the specified day. Material valuation is made on the balance sheet day at sales price, purchase price or production costs not higher than the prices of their net sales.

Balance sheet valuation of materials is based on the purchase price or, if certain conditions are met, the price of sales. Possible variants of materials valuation is shown in the following diagram.

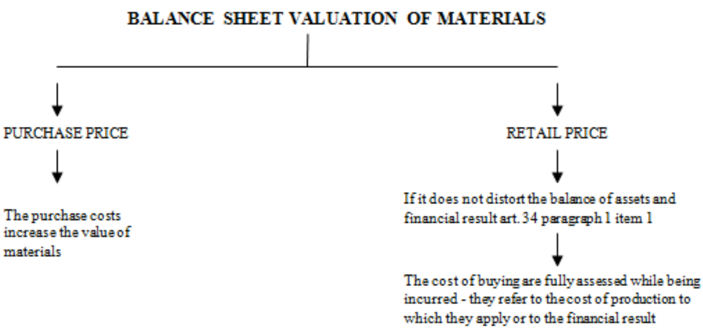

Figure 4 Variants of the balance sheet valuation of materials

Source: A. Kuzior, Ewidencyjne ujęcie zakupu i zużycia materiałów, [w] Rachunkowość finansowa z uwzględnieniem MSSF, praca zbior. pod redakcją Z. Messnera, PWN, Warszawa 2007, p. 316.

In the financial statements materials may not be recognized at the higher value than the net sale price (Art 28 ust1 pkt6 ustawy o rachunkowosci) obtainable at the balance sheet day, or the selling price of the asset, without tax on goods and services and excise duty, reduced by discounts, rebates and other similar reductions and costs associated to bringing the asset to be sold and selling, and extended by a specific subsidy. (Art. 28 ust. 5 ww. ustawy.)

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At the valuation of goods, materials and packaging on the balance sheet day, the reduction of use value or commercial value (Art. 7 ust. 1 pkt 1 ustawy o rachunkowości), including impairment, is taken into account (Art. 7 ust. 1 pkt 1 ustawy o rachunkowości). This means that the goods, packaging and materials that have lost their value, in consequence of damage, due to permanent loss of commercial value or purchases made in excessive amounts, or due to exceeded expiry date, should be evaluated to estimate the size of the depreciation and to replenish stocks to the realizable value (price). Evaluation of the usefulness of inventories should follow a regular basis, although it is not stated in the Act, and the effects of a reduction in value should be charged to other operating expenses, when noticed. (T. Żyznowski, 2002, p.173)

Differences arising from the valuation shall refer to the account *Other operating expenses*.

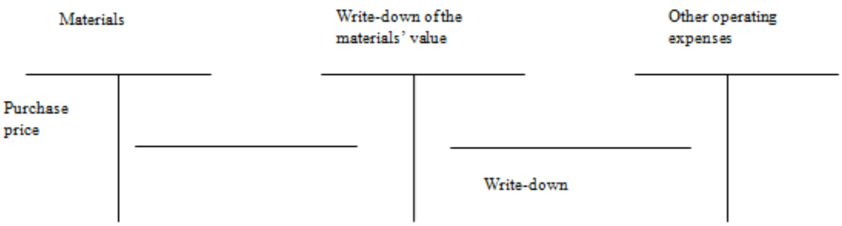

Figure 5 Write-down scheme

Source: T. Żyznowski, Wzorcowy plan kont SPZOZ, Wyd. PCE, Warszawa 2002, p. 173.

Materials are valued in the financial statements at a purchase cost or net realizable value, depending on which amount is lower. Net realizable value is a specific category for a particular business unit. The general principle of the balance sheet valuation of materials does not allow a situation in which materials would be disclosed in the value that exceeds the economic benefits expected in connection with the use or sale of materials. (Kuzior, A., p,326)

Tangible current assets may permanently lose the ability to sell or use them in business as a result of e.g. expiry of shelf life or use, damage, etc. Then an individual can make their liquidation.

In a situation where the component of the stocks is not suitable for business use, ie. it does not meet the criteria set out in Art. 3 point 1 item 12 of the Accounting Act (in the future it will not be economically profitable), it should be derecognised from the balance sheet records and liquidated. The costs and income associated with the liquidation of assets, account for the remaining operating costs or possibly other operating income. These are events not directly related to operating activities (art. 3 point 1, item 32 of the Accounting Act). However, if liquidation is made because of a random event (e.g. fire, rainstorm), the effects associated with it will be classified as extraordinary losses or extraordinary gains. (Ibid.)

If the reason of the impairment losses has become obsolete (it turns out that the materials will be used), the impairment adjustment shall be made to the account Other operating income. Reducing impairment loss cannot cause materials to exceed the value of the original purchase price.(Kuzior, A., p.327)

Inventories of goods, materials that irreversibly have lost the ability to be disposed or used as a result of expiration, must be derecognised from the balance sheet records and classified as other operating expenses.

1. When an entity recognizes the goods (materials) at the purchase price or sales price:

Figure 6 Recognition of goods, materials at purchase price or sales price

Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

When an entity recognizes the goods (materials) at register prices

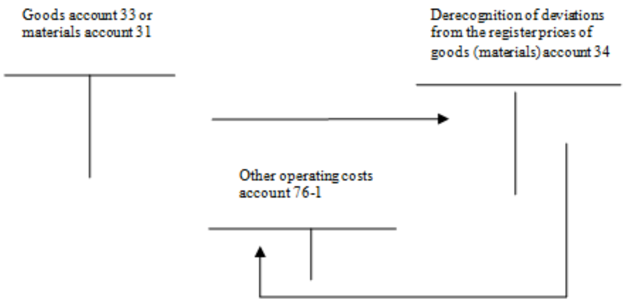

Figure 7 Recognition of goods, materials at register prices

Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

When the entity writes-off goods (materials) to the costs at the time of purchase (art. 17, par. 2 point 4 of the Accounting Act).

a) reclassification of liquidated goods directly charged to the cost of a year.

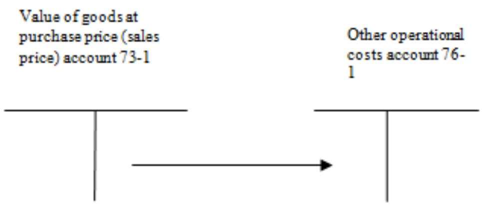

Figure 8 Write-down of goods, materials in costs at the time of purchase

Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

b) the reclassification of liquidated materials posted directly to the cost of a given year (after purchase) in the case of full register of cost of the operational activity.

and simultaneously

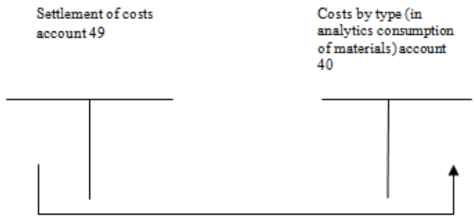

Figure 9 Transfer of liquidated materials in the costs of a given year

Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

If liquidated stocks were previously covered by the write-downs (in connection with the loss of value), while making the decision on liquidation, the previous write-down should be derecognized, according to:

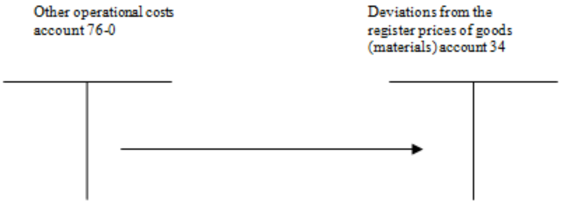

Figure 10 Derecognition of a previous write-down

Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

Additional costs incurred in connection with the liquidation of inventories, e.g. due to their disposal, charge other operating costs of the entity. They are accounted e.g. on the basis of invoices from contractors.

Figure 11 Additional costs incurred in connection with the liquidation of inventories
Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

Any recoveries from liquidation, which may be economically useful, entered to the inventory, should be included in the balance sheet as shown below (Scheme 12):

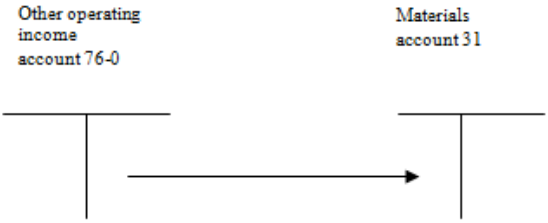

Figure 12 Economically useful recoveries from the liquidation
Source: Likwidacja zapasów w księgach rachunkowych, Gazeta Prawna nr 44 from 03.06.2013

Liquidation of inventory is documented by a decision of the head of the unit and the protocol of liquidation. The decision is the basis for writing off the inventory from the balance sheet, and the protocol documenting the physical liquidation shall be made on the date of liquidation. Documents should meet the data for accounting evidence, in particular, they should include the data identifying the destroyed inventory (including the type, quantity, unit price and value), and the causes and circumstances of the liquidation.

Documenting losses in stocks is one of the conditions for them to be classified as tax expenses. Possible inclusion of such losses in tax expenses depends on whether the loss is not due to negligence of the taxpayer. If liquidation does not occur due to the fault of the taxpayer, the expenditure incurred on their purchase or production can be classified as deductible expenses at the time of their physical liquidation, if they are properly documented. (Ibid.)

CONCLUSION

One of the most important question of tangible current assets of the entity are the inventories of materials, which should result in economic benefits.

The processes of the inventory are associated with receiving, storing, completing and issuing materials in appropriately prepared place. These processes begin upon delivery and receipt of materials by the employee responsible for the entrusted property.
All operations associated with materials management should be properly documented. For this purpose the warehouse documents that illustrate the fact of economic operations in accordance with the actual

course are needed. Records of materials is designed to protect property, control of the implementation of supply, consumption of materials and changes in inventories.

Management of materials inventory involves interaction of two important and at the same time opposing tendencies. The first is to ensure high availability of materials. The second is to strive for a low freezing of capital in inventories of materials. In fact, there is almost never a situation in which the level of stocks would reach zero. Enterprises forecasting the occurrence of difficulties in the supply, maintain a certain level of inventory, which provides them with continuous operation. These additional reserves are called margin of safety.

The stocks should be adjusted to the expected sales. Maintaining stocks in the company incurs certain costs, but also carries certain benefits. Thus, in practice, the elimination of inventory seems neither possible nor preferred.

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Manager's image as a cornerstone of a successful career

PhDr. Anna Lelková
Ing. Jozef Nemec, PhD.
Mgr. Eva Benková, PhD.

Prešovská univerzita v Prešove,
Fakulta manažmentu; Konštantínova 16, 080 01 Prešov;
anna.lelkova@unipo.sk
jozef.nemec@unipo.sk
eva.benkova@unipo.sk

Abstract
The topic of image is an extensive and current issue because it concerns everyone of us. A large amount of books is published, a great number of articles is released and various conferences and trainings are organized. The aim of the paper is to determine the basic characteristics of successful managers with the focus on image and its active component parts. We will consider the importance of manager's image and its influence on managerial work. Furthermore, we will consider advantages and disadvantages, opportunities and threats of manager's behaviour which results from personal image.

Key words Image, manager, career, behaviour.

1. IMAGE AND A MANAGER

Nowadays, more than ever before, the image of a company determines the behaviour of its employees, whether among themselves or towards the customers or business partners. The one, who represents the company, represents its brand, image, good reputation and at the same time his/her own position and professionalism. A good impression can be damaged quick as a flash but to win it back again can last for years (Štefko a kol., 2012).

The important step is to know the importance of manager's image in any area and to focus on basic rules that are valid in the world of "big business". We have to put emphasis on faux-pas and it is better to avoid them. It is also needed to know the individual components of personal image and we will concentrate on manager's outer appearance into more details. To look good also means to find a job more easily or to be more successful in doing business. It is important for a manager to realize the importance of outer appearance and his/her performing. A neat manager feels better and more confident (Lieskovská, 2000).

It is also important to point out why image is important for a manager. Personal style affects people's decisions. It decides whether a customer will accept the manager, consider him/her to be a person who is likeable or whether the customer will refuse the manager. People also have tendencies to believe what they see. Nowadays, we all have little time and therefore we rely on the first impression. The neat outward appearance is always a plus and it is often just the appearance that decides whether the other person would show his/her trust in us (Plamínek, 2005).

The following figure shows how a good appearance or better to say image can influence success. It is the so called success spiral.

Figure: Success spiral
Source: Lieskovská, 2000

According to the educational centre of Bavarian economy in Munich, the successes of companies in international markets are often threatened by insufficient knowledge of their managing employees by organization administration. They are also threatened by unfamiliarity with the problems in a given area, foreign languages incompetence and a very low sensitivity in interaction with culture. A survey of more than two hundred medium and large enterprises showed that the corporate strategy focused on European and international economy could only be successful when it would be possible to increase the professional level of managing employees. It was found out that the need of further education is present in the field of foreign languages, in the field of law, in the field of market, in cultural competence and the companies see the greatest need in mediating the interaction forms and management style in a given country.

1.1 The components of personal image

If a company or an entrepreneurial subject wants to maintain its good name, its reputation, it has to know its environment very well. Image presents not only objective vies of reality but to a great extent also subjective perception in the forms of visions, expectations, attitudes and emotions about a particular object. Image connects real physical features with its symbolic meaning (Lieskovská, 2000).

Appearance
It includes a figure, clothing and neatness. The dressing style is important according to the type of an event. Neatness is the most important from all.

Body language
Whether we realize it or not, our body talks. Its language are gestures, mimics, look, posture, walk and other signals which we include under the term nonverbal communication. It sometimes makes up to 90 % of a conversation. Body language creates a very significant part of an outward personality picture and impression which the person or better to say a manager leaves. By body language, we can create sympathies or antipathies more evidently than by what we are saying (Borec, 2007).

Eye contact
If we look peacefully into the business partner's eyes, we raise the trust by doing so and at the same time, we signal our attention and interest. The person, who looks away, can give an impression of being shy, bashful, refusing or he/she can raise the impression of hiding something. The eye contact between strange persons is usually registered if it lasts for approximately three seconds. If it lasts much longer, it appears to be numb and from a short distance even threatening. Therefore, the person, who talks, should look away from time to time. And on the other hand, a hearer should look at a speaker in order to show the interest and to encourage the speaker to continue (Borec, 2007, s. 28).

Communication style
It is about a spoken and a written form of communication as well as the style of performing. Borec (2007) claims that everyone has his/her personality boarders which are individual. Someone has a favourite seat by a coffee table or a seat in a train, simply, everybody wants to protect his/her delimited territory and by crossing the boarders, he/she reacts spontaneously. According to an American expert in intercultural communication Edward Hall, it is possible to distinguish approximately four primary distance zones which should be respected:

- Intimate distance zone – in this zone, we communicate with people who are close to us
- Personal distance zone – in this zone, there are conversations with colleagues, when meeting somebody in the street or at a company party
- Social distance zone – it is a space for non-personal opportunities like the interaction with a cleaning woman or a currier. You are in this zone when you are in an entrance hall, at a reception desk when you are waiting for your business partner. There is an interaction but you do not detain the other person from work.
- Public distance zone – we are in this zone when we meet in a big room, e.g. at a team meeting or when attending a lecture (Borec, 2007, s. 30).

Reputation
Here, we can include manager's experience and qualification.

Performing
It includes terms such as charisma, trust and self-confidence.

General rules of behaviour are based on social priority principles which are used by everyone of us in everyday life. It is true that older persons are prior to younger ones, women to men. There is a rule observed in business relations according to which a senior employee has a priority over a junior employee. When travelling abroad, it is very important for a manager to respect the culture of a given country. The manager has to spend time on preparing himself/herself for their customs, traditions and certain norms which are required by the given country (Gajdoš, 2007).

2. SWOT ANALYSIS OF SELECTED HOTEL MANAGER

Based on theoretical knowledge about image and its component parts, we will subsequently show strengths and weaknesses of a manager of a selected hotel together with the opportunities and threats which relate to image. The SWOT analysis was elaborated in connection with the hotel's manager. According to subjective consideration, weights and factor forces were allotted to every analyzed part. The scale is from 1 to 10, where 1 represents the least important feature and 10 the most important feature.

Table 1: Strengths

Strengths	**Weight (%)**	**Force**	**Factor value**
Clothing	20	10	200
Neatness	10	9	90
Sense for details	15	7	105
First impression	10	9	90
Previous experience with management at a high position	10	5	50
The ability to run business meetings and negotiation abilities	15	9	135
Knowledge of social etiquette	20	10	200
Total	**100**		**870**

Source: own elaboration

Table 2: Weaknesses

Strengths	**Weight (%)**	**Force**	**Factor value**
Language competence	25	10	250
Computer skills	5	6	30
Excessive distance	15	7	105
Completed special courses	25	8	200
Writing skills	10	6	60
Dislike for social events	20	9	180
Total	**100**		**-825**

Source: own elaboration

Table 3: Opportunities

Strengths	**Weight (%)**	**Force**	**Factor value**
Confident performing supported by good appearance	10	8	80
Raising the feeling of trust and significance by business partners	20	10	200

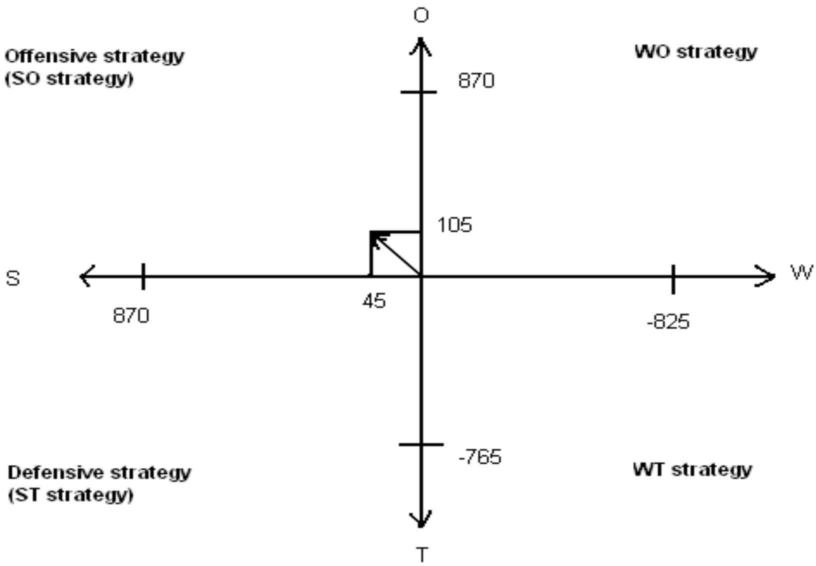
Raising the respect of the surroundings	10	6	60
Perceiving the surroundings	10	6	60
Positive thinking and perception	10	7	70
Building positive hotel image by its representative	20	10	200
Education of employees about image	20	10	200
Total	**100**		**870**

Source: own elaboration

Table 4: Threats

Strengths	**Weight (%)**	**Force**	**Factor value**
Haughtiness	10	7	70
Hypocrisy of the surroundings	15	7	105
Loss of real judgement	25	8	200
Qualification in the field of tourism	15	8	120
Condemnation by the surroundings	10	7	70
Different perception by employees	25	10	250
Total	**100**		**-765**

Source: own elaboration



Graph 1: SWOT analysis of the hotel
Source: own elaboration

Based on the results of the SWOT analysis, we can claim that the manager's image is in offensive strategy where the strengths prevail over the weaknesses and the opportunities over the threats.

We consider clothing to be the major strength of the manager by the analysis of his personal image. We can state that he represents the top position and he dresses properly according to the principles which we aimed to analyze. He comes to the company solely in a suit, shirt and tie. The second most forceful strength according to the analysis is the knowledge of social etiquette. We appreciate that the manager is aware of the fact that a good appearance and clothes do not guarantee success. But if we combine clothing and social manners, the success is more probable. The manager had acquired the knowledge of social behaviour by personal experience as well as by self-study and education. Applying these principles is common in every single working day. These rules and principles are used by the manager especially at business meetings and negotiations but also by a personal contact with the hotel quests. He considers the personal contact to be an important part of his job duties. For example, at a dinner, he gives the guests a certain feeling of appreciation and significance and it could be one of the most decisive criterions by hotel evaluation and by next decision making. Such personal contacts will surely please the hotel guests and they can mean a strong competitive advantage of the hotel.

We put the language competence at the first place among the weaknesses. The hotel manager can speak only two world languages, i.e. English and German language. Although we can consider these competences as momentarily sufficient, there is an assumption that with the rising tendency of globalization at all levels, these language competences will not be sufficient in the future. This handicap can be reflected in foreign business negotiations. Foreign-business negotiations are connected to the completion of special courses focused on foreign business partners and their culture. The manager has some basics but we consider education with experts in this area to be important because trifles often decide in business and they can be lost in self-study. We consider the dislike for taking part in social events as the third weakness of the manager. But we are not saying by this that the manager does not take part in social events where his participation is expected. Properly dressed and with good manners, the way to success is open. It is confirmed by the threats in the SWOT analysis.

The major threat resulting from image is raising the feeling of trust and significance by business partners. At business meetings, it is important to be accepted by your business partner seriously and respectfully. You can reach this aim by the help of image. Every manager is a representative of his/her company. This is true also for the analyzed manager. If a manger gives a positive impression to the surroundings, he conveys the feeling and the surroundings will perceive the hotel in a positive way as well. But the image of a hotel is not only built by a manager himself but also by the hotel staff. Therefore we consider the staff education and training in the field of image as an opportunity. In the hotel, there is of course the dress code that is valid for the staff.

The major threat is seen in different perception of the manager by the employees as we would like to be and the loss of real judgement. By the term of real judgement we mean wrong manager's conclusions that can be caused by a superficial view on occurred situations. At the same time, it happens in a real life that if people treat you in a different way and they persuade you about things, you can believe it in some time even if the truth is different.

The best way to prevent the negative perception of the manager by the employees is for the manager to behave to them as a good superior. This principle is very simple but its application is not easy to follow even for the experienced managers. If a manager will behave too arrogantly, snobbish, haughty or patronizing only because he/she is well dressed and he/she is familiar with etiquette, it is obvious that employees will not perceive him/her in a positive way. The employees can come to such perception also in some other case. Therefore it is important for a manager to have a right attitude and behaviour towards employees which helps to create a pleasant working environment.

We suggest certain possible solutions to the discovered weaknesses and shortcomings. We pay attention to continuous education in this field and it is important to follow trends in this area. The perception of the manager by the employees is also very important. From the point of view of maintaining the right running of the hotel, it is important to educate and train the employees and to create a pleasant an positive atmosphere at work. To be a manager is not only a job but a life style.

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Social network Facbook analysis and its potential use in marketing mix

Ing. Ľudovít Nastišin

University of Prešov, Faculty of management;
Konštantínova 16, Prešov;
ludovit.nastisin@gmail.com

PhDr. Martin Mudrík, PhD.

University of Prešov, Faculty of management;
Konštantínova 16, Prešov;
martin.mudrik.1982@gmail.com

Abstract

The article is aimed at the analysis of the potential use of the biggest social network on the Slovak market, Facebook, its position in the marketing mix of a company as it is the most famous network all over the world. In the article, there are presented the theoretical background of this issue and its fundaments. Next of it there are also showed the results of performed survey and the resulting conclusions and recommendations. In connection with them there is mentioned the research methodology used. Findings reflect the current status of the potential use of Facebook in marketing communications of companies while there is a presumption that the results can be generalized also to the neighboring countries.

Key words, Facebook, marketing mix, social network.

1. INTRODUCTION

Communication through the social networks is nowadays considered to be a routine technique. This fact allows the transfer of marketing activities into this new environment. Tools immediately became fully accepted in the marketing mix. The most famous and used platform of such kind of communication is with no doubt the social network Facebook. For marketers, Facebook is incredible marketing tool while this network has 618 million daily users in average. Based on this fact it is positioned on the second place in visit rate overall the internet. Facebook presents an advertising channel that has multiple advantages in case of promotion which are difficult to achieve with the use of other channels.

2. MARKETING

The term is frequently used nowadays, especially in the economy, where it is often linked to achieving the prosperity of companies. We are faced with many opinions relating to the meaning of the term marketing and so the definition is not uniform. Therefore, we can find the great amount of existing explanations through the professional literature or business. (Zamazalová et al. 2010).

Yet many authors share the same meaning of definition that marketing is an operative or managerial activity, that is oriented on a market and a customer. Authorized marketing institute defines the term as follows: "Marketing is a managerial process that is responsible for searching, receiving and satisfying the customers needs in the way, that creates profit." (Dubinská et al. 2000, p.7) We can come across this definition in most of the times withing the common literature. Since this definition describes its own process, it still not interpret the wider meaning of the marketing. (Dubinská et al., 2000)

2.1 Marketing communication

It is considered to be one of the most influencing factors for the success of marketing strategy of a company. In the present, there is a great competition in the market and, therefore, is the proper use of marketing communication essential. It is one of the most important and most visible components of the marketing mix. It is all the way of managing the communication that is used by a company to attract, address and maintain the customer. It is a targeted form of information creation designed for market in the way acceptable for target segment. (Boučková 2003)

Its main goal is, therefore, to influence future behavior and decision making of the communication receivers. It is necessary to respect several principles in sake of the greatest effectivity of the communication. First it is important to focus on the form of final message that is received by the target audience. Also, we need to take into account the marketing plan and it is vital to tune both planning processes. (Králiček, Kráľ 2011)

2.2 Internet marketing

The simplest way to describe internet marketing is defining it as an application of internet and related digital technologies in connection with the traditional form of communication in order to achieve marketing goals. These digital technologies consist of internet media like web sites and emails and other digital media like wireless or mobile forms. In praxis, it consists of using of websites in connection with on-line promotional techniques (Chaffey et al. 2009).

It is often called e-marketing, web-marketing or on-line marketing. Therefore, we can understand it as the sum of all activities on the internet. On-line marketing is expanding this term with marketing activities through the mobile phone and other related devices like tablet or smartphone. (Bačík, Fedorko 2014)

2.3 Virál marketing

Viral marketing is a special form that is spontaneously spreading among the customers. The content or the information of a viral message is so much interesting that it is spread on its own from one customer to another. It can take the form of a picture, video, audio or text or even multimedia form. It is spread through the internet. In its core definition, it is divided into passive and active form. Passive does not influence customer behavior while active does it directly. (Dorčák, Pollák 2010)

3. SOCIAL NETWORKS

This term is defined as a web-based service that allows individuals to create public or partially public profile in limited system, to set the list of other users with which they share connections and to see and scroll the whole list of connections, either own or those created by other users of the system. Type and name of such connection can vary based on particular network. (Boyd, Ellison 2007)

Through the social networks, we can connect and communicate with friends easily and in a cheap way, mostly completely free of charge. Social networks as Facebook, Twitter or MySpace offer incredibly rich communication, pictures, audios, videos, in which users are interested and can share them (Ryan 2011).

It became generally accepted marketing tool really fast. In this space, correctly positioned advertisement can be more effective as ever before. Some organizations or companies with a great amount of customers have their own sub-sites on those networks. They maintain contact with customers, make theme aware of the news and perform targeted marketing, that is as easy to do as never before. Social networks significantly changed weak web sites into dynamic system, that can evolve. (Pollák 2013)

3.1 Facebook

For marketing Facebook is a really effective tool. Especially thanks to the fact that the user fill in the great amount of valuable personal information which are offered to advertisers for better campaign focus. It is also a great way of sharing a viral content. Another amazing opportunity is in connections itself. Every user has 130 other connections in average which means 130 new potential opportunities for brand marketing, brand perception support and creation of new advertising links. As it is in case of other marketing methods, even social networks need to be used in the way which prioritize communication before promotion. (Treadaway, Smith 2011)

4. ANALYSIS FINDINGS

The main goal of this article was to analyze the use of social network Facebook, to find out how users react on advertising on Facebook and to what extent they are influenced. Except those findings, there are also mentioned general indicators related to this social network.

The research had been performed with the use of on-line interviewing within the period of several weeks. Research sample consists of almost 200 respondents. The majority of them were females and the average age appeared in the interval from 20 to 25 years. Majority also completed or actually study at the university level of education. Questions consisted of demographical segmentation, behavior on Facebook related and advertising perception related.

Based on performed analysis it is clear that respondents dedicate significant time to the internet. Almost 66 % of them stated it to be 4 to 6 hours every day. Besides that it is also confirmed that the daily interact on the Facebook social network to the extent of 97 % of them, 52 % stated 3 to 5 hours to spend on Facebook. As shown on the following chart, number of connections is significantly high.

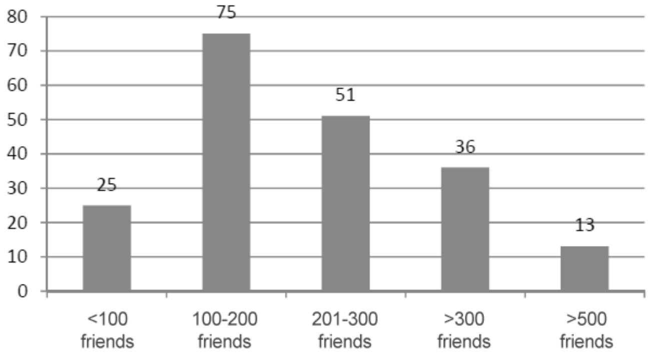

Chart 1: Nubmer of connections on social network
Source: own elaboration

When focusing on advertisement effectivity on Facebook, it has been shown that the attention paid to those on the right side of the user interface is mostly average. We can say that users notice them but not all the time. 55 % of them stated "Occasionally" while answer "Really often" showed only in 10 % of them. Relating to the purchase based on those advertisements, we can see the following chart that the majority 68 % did not buy anything solely thanks to them.

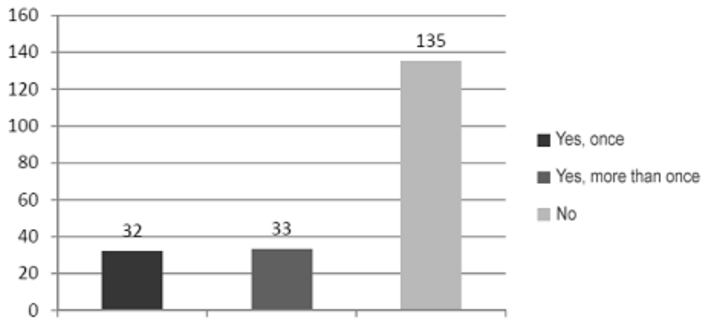

Chart 2: Product purchase based on advertisement
Source: own elaboration

Questions related to the marketing promotion in case of building a good name and loyalty of the customer to the brand or product proved that all respondents are subscribed to several company sites. They also tend to subscribe based on previous subscription of their connections. But it is not conditional for customers to be active. The greatest group of 35 % rarely enter discussions on those sites. Nevertheless, there is a mutual relation between a product and its Facebook site as you can see on the following chart. If consumers have a positive experience with a product, they search for it on the social network really often and support it with their recommendation.

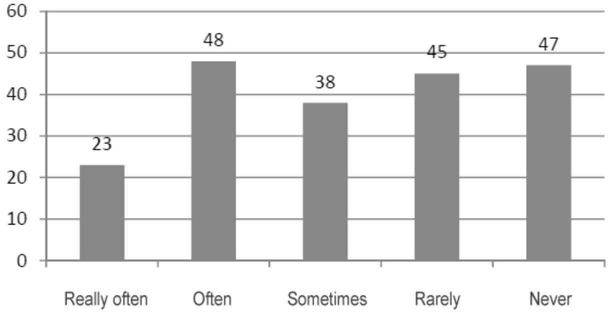

Chart 3: Experience with the product and recommendation on Facebook
Source: own elaboration

According to the results, users are influenced in their decision making mediumly when seeing an advertisement on the Facebook. A little more effective is a recommendation from their connections. This is supported by the fact, that 41 % of them notice any advertisement only occasionally and when they do, they are not interested every time. But there is the gap in consumer prevention of advertisements on Facebook. Only small group of them really use advertisement blocking so the opportunity to use it effectively lasts. It is still for a fact that advertising on Facebook is still more effective in comparison to other methods, especially in case of younger generation.

5. CONCLUSION

Based on the performed research it has been proven that in our conditions Facebook is clearly the most popular social network. People spend tons of time on it and they have hundreds of connections. The positive trend of social network sites has been proven as well, they are capable of significant support for the brand. Opportunities for further research emerge with the focus on other generations that could show different results since this research covers mainly young people. Direct purchase of product promoted on Facebook is not rated great, but it is still an interesting ratio that needs to be taken into account. Users seek the advice among their connections that already have experience with the product and share their thought on Facebook. Therefore companies should pay attention when creating their own Facebook site, they need to communicate actively with potential customers. Results also showed preference for partial engagement of consumers through the use of "like" and "comment". They are fond of expressing themselves to that extent.

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Tax policy – selected issues

Ing. Jozef Adamko, PhD.
Ing. Emil Burák, PhD.

Vysoká škola ekonómie a manažmentu verejnej správy v Bratislave;
Katedra ekonómie a financií;
Furdekova 16, 851 04 Bratislava 5
jozef.adamko@vsemvs.sk

Abstract
Purpose of the article is performance of the key principles of the effective tax policy. The conclusions are first of all on the base of inductive-deductive approach to methodology. Scientic aim is the supplying of right way to friendly taxation policy. The productive limits of effective tax policy are following conclusions: State Tax Policy can be considered effective when able to provide for stable tax revenue on a long-term basis and to motivate taxpayers to fulfil their tax obligations on the principle of conviction not the principle of coercion. Optimal tax policy respects the idea „Think globally, act locally (Think big, act small)". The triangle of negative trend correlation between the corruption – black economy – tax evasions is the pivotal risk. The friendly taxation is the key opportunity.

Key words Tax policy, optimal taxation, friendly taxation.

1. TAX POLICY STARTING POINTS, THE TERM, THE MEANING AND THE AIMS

Tax policy is a very powerful tool of the country´s financial management. Tax policy, which focuses and aims are derived from the economy policy, implemented by a state, (Beňová, et al., 2005) plays an unsubstitutable role as it comes to the states´ economy policy and consolidation of the state revenue. If we are to understand the impact and the interdependency of taxes on the economy as a whole, it is inevitable to perceive the economic activities in a broader sense (Schultzová et al., 2007). Many factors can be named as theoretical starting points in forming and understanding tax policy, following its understanding in a broader or a narrow context. In a broader context it is mainly business policy, economic policy (macro, micro), financial policy, public sector and public finances policy. In a narrow context it is predominantly fiscal policy.

1.1 Fiscal policy

Fiscal, i.e. budgetary policy is the governmental programme that includes purchase of goods and services on one side and expenses on transfer payment on the other side, while at the same time it defines the scope and type of taxes. When monitoring financial management of all the state sector bodies as a whole, we are talking about the public finances that can be subdivided into:

- State budget – centralized money fond generated, divided and used by the central state bodies,
- Territorial budgets – (budgets of territorial units),

- Special funds – generated by the state bodies for specifically pre-defined purposes. E.g. pension and health insurance institutions, unemployment insurance institution, broadcasting institutions, but also different religious and charity associations, commercial, medical and other chambers,
- Other funds – political parties, institutes of sciences, state-own enterprises finances that by its character, within the conditions of a market economy, approximates to the private enterprises financing.

State budget is the basic tool of fiscal policy. In principle, it compares revenue with expenses. Revenue of the state budget form fundamentally taxes. Tax is an obligatory payment, which is transferred into the state budget by the business subject (household, enterprise, company), according to the pre-defined scope and within the due period. In case expenses are higher than revenue a deficit of a state budget is generated which can by secured by loans in two ways:

- Government securities can be sold on the securities market. Households, business sector, financial institutions are purchasing them and by doing it they become owners of the securities and at the same time creditors of the state. Securities sale and purchase is closely connected to the operations on free market.
- Lending money out from other governmental body, e.g. ministry of finance sells out its securities to the central bank on condition that the central bank provides further money.

1.2 Tax policy – the term, the definition and the meaning

The central core of each of the public revenue is the tax revenue. Therefore, it is important to underline and to remind some of the constants of the effective starting points for the effective tax policy, which leads to the stable tax collection which is the base of the secured resources for the healthy public finances. According to Beňová, we can define the tax policy as a set of the governmental measures according to which a government manages tax system in compliance with its economic aims (Beňová et al., 2007).

Tax policy – is a set of procedures, practices and organisational as well as managerial taxation acts. It can be said, that it is a goal-directed organisation and management of the whole tax system in compliance with the government´s economic aims, targets and tasks. Its aims is mostly securing sufficient amount of revenue for the public budgets where a tax system is the implementation tool (Burák, Orihel, 2011). According to Schultzová et al. (2011), the tax policy is connected with using and implementing taxes and their tools, which serve for influencing macroeconomic and microeconomic processes in the economy. In general, it is derived from business policy implementation. For instance, in case of a restrictive business policy, an increase of tax burden arises, and in case of an expansive business policy, a decrease of a tax burden is visible. **The subject – or if you like the aim** of the tax policy is to implement tax rules and measures in a way, so that taxes serve for upholding economic, social and political targets of a government.

Sivák et al. (2007) claims that major part of public revenue is gained by a government throughout taxes, and so the total tax yield is decisive. If we aim for this total tax yield to be as effective as possible, it is inevitable in a tax policy implementation to have in mind especially specification of the particular tax object, including possible exemptions from the tax, determination of the tax base calculation method, adequate segmentation of the tax burden between individual taxpayers, by definition of tax rates, balanced tax structure (relation between direct vs. indirect taxes), correct direction of tax yield etc.

Economists understand the role of taxes not only passively – it means as a source of monetary tool for public budgets, but also as an active impact on taxpayers and the whole economic system. Through pension and substitute effect taxes can considerably influence the taxpayer's economic decisions. An active tax policy is being implemented through direct and indirect taxes. The ground of an active tax policy is the endeavour of the government to provide advantage to the certain type of activities, or let me say - to the certain type of taxpayers. In direct taxes, the active tax policy can be implemented for instance in the form of lower pension tax application (income tax) on certain type of income. In indirect taxes, the active tax policy can be implemented explicitly by the tax rates change (Zubaľová et al., 2008).

Tax policy relevance: Taxes exist since the time of society organisational form establishment and their progression is connected with the development of a state and consolidation of a monetary administration. Progression of taxes reflects changes in evolution of the whole human being society, changes in opinions on a state functioning, on economy, trade and understanding of the terms justice and welfare (Medveď, Nemec et al., 2011). Globalization of business policy influences also a tax policy that is undergoing different changes as it comes to the coordination (tax harmonisation), as well as the confrontation (tax competition). The tax coordination is the first level of international tax systems approximation, which is the pre-level of tax harmonization. Tax harmonization means approximation and adjustment of national tax systems and individual type of taxes on the basis of common rules implemented in the involved countries (Kubátová, 2000). Tax policy has always been considered as a symbol of the state's national sovereignty. In general terms, this autonomy maintains well preserved in the European Union. Nevertheless, to provide for the successful functioning of the common market, the development of the European integration demands from its actors rather close cooperation in the tax area, whereas in the form of necessary exchange of information, harmonization or at least coordination of tax systems (Široký, 2012).

Optimal tax policy is such that is able to address majority of taxpayers (citizens, entrepreneurs, companies, organisations, individual taxpayers and corporate taxpayers). Not in a form of repression (obligation and sanction), but in the form of confidence (motivation that it pays off to pay taxes). It means, by declaring a clear message that to work and to produce, pays off better, than not to work and to speculate. A tax policy – is considered as being ideal, when it causes the most positive effects and the least negative ones to the country. At the same time, it shall respect the mini-max law, i.e. the yield of tax revenue is much higher, while the costs of administration of taxes are relatively low (for instance the running costs of Tax Administration of the Slovak Republic in 2006 represented the figure of 100 million Euro (approx. 3 billion Slovak crowns - SKK), but its tax revenue represented the figure over 7 billion Euro (approx. 210 billion Slovak crowns- SKK), and in a long-term horizon trend in 2004 – 2008, it secured over 50 billion Slovak crowns - SKK higher revenue, than originally planned in the state budget. The appropriate tax policy is not the one that copies absolutely the schoolbook models and the theory principles, or the one that reproduces a tax system practise of some other state. It is a pragmatic symbiosis and an applicable combination of the theory and the practice, of the domestic experience and the latest trends from abroad. Depending on possibilities and specific features of the domestic economy, according to the principle "think big act small"! **The aims of a tax policy** can be divided into 2 main categories (Schultzová, A. et al., 2011):

1. Subordinated to the aims of a business policy (mainly GDP grows, employment, prices stability, balance of economy).
2. Specific aims of a tax policy (oriented on business companies and citizens).

2. TAX POLICY FROM THE TAX ILLUSION, TAX CULTURE AND PUBLIC CHOICE PERSPECTIVE

Taxes (like public finances) fulfil predominantly 3 functions: to allocate, to distribute and to stabilize. And it is through these functions that a government by a visible hand can influence and regulate the deviations caused by an invisible hand. As due to the tax policy intervention, it influences the conduct of the economic players.

2.1 Tax illusion

The absolute and the relative truth, the utopia and the reality are present even in the economy, where their everlasting antagonisms could be summarized into the observation that it is easier to blabber about economy than to calculate. Also closely connected to this fact is the level of the awareness and the capability of public to understand the effects in tax policy. This phenomenon is closely connected to the so called fiscal (tax) illusion, described by many economists. The core of the tax illusion problem (Medveď, J. et al., 2009) is the assumption that a government can hide from the public eyes the real extent of the public sector – the real amount of taxation. Theory anticipates that citizens judge the governments´ ability according to their tax burden. In such situation a government that plan to further extent its sphere of influence, must seek for such tools and methods of revenue generation that would not be recognized by citizens. Otherwise, such an expansive government confronts itself with a risk, that rationally thinking electors will not give their vote in favour of such government in the next elections, as majority simply refuse further visible rise of a tax burden.

The fiscal illusion, as a broader term to the tax illusion term, also encompasses the other aspect – overestimation of some types of public expenses. It is supposed that on one hand electors are not able to fully "grab" the real extent of their tax burden, on the other hand (reversibly), they overestimate the range of the financial and non-financial contributions provided to them by the government in different forms. The government has subsequently an opportunity to "buy" insufficiently informed electors through different expenses oriented measures. While the costs of the government measures usually split into number of sources – different taxes – out of which they are financed, the results of public expenses are usually well visible and serve as a tool to gain popularity amongst electors. In such an environment, politicians and the bureaucracy realize their programmes with immediate and visible results and do not talk too much about the costs, rather keep silent.

The existence of the high level of the fiscal illusion and of the positive relation to the paternalistic type of a state in the Central European environment in present (transformational years of 1990-2012 for East-European economies, within the transition from the centrally managed economy model in socialism to the market oriented model in capitalism, after the 1989), hampers realization of inevitable public sector reforms and grants the opportunity for the populist type of governments, the popularity of which grows nearly everywhere. The significance of understanding the basis of public finances functioning and a tax system by the citizens grows constantly and it enhances its seriousness.

2.2 Tax culture

Tax culture represents interlinking of real interests on more levels. As per the dominance there is predominantly a state (state taxes), regions (regional taxes – in Slovak Republic for example motor vehicle tax), localities – municipalities and towns (in Slovak Republic for example local taxes with real estate tax dominance), taxpayers (natural and legal persons, organizations, firms, entrepreneurs, traders, self-employed, non-trading citizens and other persons liable to pay taxes) and tax advisors (in Slovak Republic especially Slovak Chamber of Tax Advisors, but also other advisory formations – e.g. Slovak Chamber of Auditors, Slovak Chamber of Certified Accountants, Centre of Accountants of Slovakia,...etc.). A tax policy is being influenced not only by the governments´ interests and the interests of individual levels of administration of taxes (in Slovak Republic Tax Administration and Customs Administration have merged into the Financial Administration as of 1 January 2012 with its regional authorities), but also by the so called tax culture. The tax culture – represents a set of formal and informal legislation (so called common law) and the particular position, approaches, methods, practices, taxation traditions as well as the level of tax discipline in a country.

It is a long-term task to establish an advisable tax culture. For example Slovakia - as compared to the stronger and the older market economies and more developed democracies of the EU and the world, has just passed a very fragile – little over twenty years of experience, with projection of a modern tax culture, in between 1990 – 2013. Such a time frame is not sufficient to be able to declare a complex satisfaction with the level of tax culture in the country. Problems and reserves that dominate on the side of tax administrators can be mentioned - especially a high level of tax evasion (EUR 3 billion annually according to some analysis of the EU and Ministry of Finance of the SR in 2012), huge reserves as it comes to the quality of tax services and at the same time the insufficient level of a tax solidarity and the legal awareness of majority of taxpayers.

The process of identifying oneself with paying fair share of taxes objectively lasts decades. And it can easily be destabilized by any negative signal coming from negative tax allocation. For a taxpayer to believe that paying taxes is meaningful there can be no interruptions and confrontations with frequent asocial societal phenomena and unwanted practices like a high level of corruption, too high level of shadow economy and of politicalization of the dependent tax policy management, which does not contribute to the stability, maximum proficiency and the independent professionalism.

The example of the Slovak Republic 2012 fully confirms the above mentioned. As in the setting of a high level of corruption (66th rank in the worlds list in 2011), and after more than twenty years of a very high level of shadow economy (15% of GDP in 2011), the qualified estimations of some experts (P. Staněk) tent to come close to the figure of EUR 3 billion in 2011 (out of which EUR 2 billion represented value added tax). Failure to fulfil the state budget tax revenue plan in 2012 is just another piece of evidence of the mentioned fact.

Within the last years evolution the tax culture and the discipline as well as the degree of voluntary tax compliance in the Slovak Republic, have changed positively in many aspects, despite numerous problems as seen from the trends perspective. Changes are not over though and in order to strengthen the taxpayers trust in the idea that it pays off to pay taxes in Slovakia, there is a further need of another little and even big steps of corrections.

2.3 Tax policy from the public choice perspective

The public choice theory is a phenomenon being well developed in any available public finances schoolbooks. When talking about tax policy of a state (macro level) or of a taxpayer (micro level), it is necessary to underline the ethics – the moral dimension and the principles as honesty, conscientiousness, fairness, braveness and legitimacy, as it comes to the principle of the public choice.

The basic principle of a market economy is the axiom (paradigm) saying that the central mechanism of its principle is not only the target to gain profit, but also the fact that in order to make the minority constantly rich, it is necessary to make the majority constantly poor. To support this statement by an evidence we can cite the fact that for example in 2007 6% of the world's population owned unbelievable 85 % of the world's wealth (Pauhofová et al., 2007) and this trend of a great difference imbalance has considerably deepened and is still deepening after the huge worlds crisis dated since 2008.

It is an age–old worldwide problem to find an optimal and effective compromise to manage the tax policy in such a way, that it expressly represents a priori the public interests as the decisive majority perspective. It is also interlinked with purely objective facts on the basis of effectiveness and the mini-max law (to collect maximum revenue with minimum of costs). From the system perspective, we do know that there is no a perfect system (mythical perpetuum mobile), only the one that is better, or the one that is no that good. From a theory perspective, a practice can any time encounter the problem of solution optimization in a way, that although in theory (in laboratory – inside) of the ideal conditions without any obstacles, the principle of best solution out of the best possible solutions works (FBS - First Best Solution), it is otherwise in the practice full of barriers (in the street – outside), where only the best solution out of the really available ones can be expected (SBS - Second Best Solution).

The above is especially true because there is a long-term clear contradictory saying that the more rightful the tax system is (process, framework, policy) in a sense of factoring different legitimate claims and needs of specific groups (for example partly or fully disabled people), the less effective it becomes and vice versa. The more effective the tax system is, the less rightful it is considered to be. This is a downright explanation that supports those tax architects of a state that wisely stand for the opinion that a solid tax act comprises the less possible – or none exemptions at all.

From a tax perspective, there are some other aspects that are related to the public choice principle. For example, there are big differences in opinions on taxation – different in the EU, different in the USA or different in the EU and different in the Slovak Republic. For example, it is ranked the third most serious crime (after a murder and drugs trading) not-to-pay taxes in the USA. While in Germany it is only regarded a delict. Tax sovereignty is also in stake here. For example, it is a question, whether Slovakia as a member state of the European Union allows the Union to interfere moderately, to a certain extent, its own tax policy, or whether it will not allow such interference at all. Whether it will be able to protect its time proved and effective particularity (for example lower taxation on income tax), or whether it will be unreasonably and contra productively forced to start considering it as a tax dumping due to the pressure from different other, especially the big European countries, for their fear of a legitimate tax competition.

3. TAX POLICY IN THE EU – DOMINANT PRIORITIES

The EU tax policy is one of few areas that are for now a subject to the unanimous approval of the Council. In practice it means that all changes and new initiatives must gain an approval of all EU member states – which is incredibly difficult to achieve (as any country can veto the decision of the other countries at any time). The European Commission makes no secret of the fact that this principle is inconvenient and backward-looking and that it significantly hampers, blocks and complicates the effort to achieve a kind of tax coordination. The main aims of the tax initiatives that are topical in present are:

- Improving the common market functioning
- Removing obstacles emerging from a parallel existence of 28 national tax systems
- Increasing the level of competition of the European firms
- Improving cooperation between the national tax administrations
- Fighting the tax fraud that deprive the national state budgets of billions of Euro annually

Globalization and internetization of a trade (e-commerce, electronic trading) makes the taxation from a tax audit perspective significantly harder and complicated. In present an unofficial financial flows start to interfere significantly into the evaluation of financial flows especially through tax heavens and the off shore zones that radically change the domicile of the taxpayers in the context of financial effects and, at the same time, it decrease the relevant power of national governments (Pauhofová et al., 2007).

Tax policy plays a significant role within the internal market. However, the European Union possesses relatively low level of competencies in the area of taxation. Direct taxation is almost completely followed by bilateral treaties and the Treaty establishing the European Community contains some provisions and harmonization of indirect taxation. The integration of the common market in the EU and the efforts to establish a fiscal federalism opened new questions about the future of taxation in Europe. Intensive discussions are taking place as it comes to the reality of the tax competition of the new EU member states (states that entered the EU since 2004 including Slovakia), and a considerable level of nervousness amongst member states cause new attempts of the European Commission for a common consolidated tax base for firms – i.e. for a harmonization of corporate tax base. Opinions of the Brussels and the member states differ significantly in this field.

If up to now a model of indirect taxes in the EU and a national tax sovereignty in the field of direct taxes dominated, it can be logically expected that the more the model of fiscal federalism is to be deepened and strengthened, the more stronger the regulatory and the directive efforts of the European Union to interfere more significantly into the EU member states direct taxes rates will become.

In general, it can be expected that in the field of taxation the EU will be dealing with the following problems in the nearest future (Schultzová et al., 2011):

- Decreasing income tax rates and obligatory social contribution fees
- Introducing environmental taxes in states (where they are absent in domestic tax systems), or introducing new environmental taxes
- Integrating or unifying the income tax rates
- Efforts towards the unification of the income tax bases
- Preventing tax evasion through the intensive information exchange among member states tax administrations.

CONCLUSION

Rational tax policy functions on a platform of coordination of four main taxation principles, namely: simple and understandable tax system, low tax rates, stable tax acts and perfect tax services. It shall be convincingly motivational. It shall be a tool for a state to strengthen values in a society and to systematically build up a long-term trust towards taxpayers (tax subjects) in a way that it convinces them permanently, that to earn and pay taxes pays off more, than doing the contrary. It means that it is necessary to develop and to support a friendly taxation which is a main opportunity. At the same time, it is also important to systematically suppress the main risk, being it a triangle of dependency between the corruption, shadow economy and tax evasion.

Based on the above mentioned, in our opinion, the following is the fact: if a tax policy is to function successfully on a long-term, it is inevitable that a state provides for the three requirements of the taxpayers:

- First: to convince that taxes collected from the pocket of taxpayers uses in business policy rationally, i.e. manages it accountably without any wasting and uses it mainly for the development, leading to the permanent prosperity, not for the consumption.
- Second: to provide for a long-term low tax rates that are motivational. In income tax such low rates are considered, when it does not increase one fifth, i.e. under the threshold of twenty percent.
- Third: to motivate constantly tax subjects by keeping to the main paradigm of friendly taxation. It means a priori by convincing (coordination, agreement, peace), or a posterior by forcing (confrontation – non-agreement, war). The priority lays down in interlacing economic-psychological dimension. If we get to convince someone – we have gained an ally and a friend, if we get to force someone – we have gained an opponent and an enemy.

Tax policy is a sub-system of the financial policy that is a sub-system of the business policy. It is objectively demanding and complex to manage to provide for all four corners of a magic quadrilateral within it (economic growths, low level of unemployment, monetary balance and low inflation). And that's why in a tax policy, a visible hand of a state shall act cautiously, sensibly and pragmatically in regulating an invisible black hand of the market.

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The analysis of determinants of higher education faculties online reputation building of in terms of the domestic internet market

Mgr. Richard Fedorko, PhD.,
prof. Ing. Dr. Róbert Štefko, Ph.D.,
doc. PhDr. Radovan Bačík, PhD. MBA

Faculty of management
Department of Marketing and International Trade
University of Presov; Konštantínova 16, 080 01 Prešov, Slovakia;
richard.fedorko@unipo.sk,
robert.stefko@unipo.sk,
radovan.bacik@unipo.sk

Abstract
The aim of the article is to describe specific aspects of management-economic faculties' online reputation on domestic Internet market. The article summarizes the theoretical basis of marketing problems experienced by educational institutions as well as online public relations in the process of assessing the future of the given problem. Based on the analysis the article describes the current status of the selected market area of higher education. Another aim of the article is to identify online market position of the Faculty of Management University of Prešov in Prešov using a methodology based on Academic Ranking and Rating Agency - ARRA.

Key words Reputation, Image, Public relations, E-marketing, Faculty, University.

1. INTRODUCTION

Development of technology and means of communications pushes marketing into new areas, especially the Internet, which integrates communication with the public: advertising, marketing, public relations (Svoboda 2009). Online marketing is becoming more important, as we can observe changes in the way people communicate and also how they spend their leisure time. The advantage of the Internet as a communication medium is that it allows us to target transmitted information on the specified segment of the audience (Phillips, 2003).

There are also new and modern rules that the Internet has brought to the marketing being it a new communication dimension between organizations and consumers by forming direct and effective relations affecting the image and reputation of the organization.

These facts appear to be significant in terms of their possible use for public relations activities not only in the business field but also in the academic environment. Since most educational institutions in the domestic market still weight in the use of modern marketing forms, we have therefore decided to focus our attention on the possibility of using new instruments and techniques of internet marketing for the purpose of building a positive image and reputation of these organizations.

2. THEORETICAL BASIS

Educational institutions marketing is becoming increasingly debated issue. It is possible to meet with the notion that marketing does not belong to this field, since comparing educational institutions to profit-seeking organizations is, at least, unethical. On the other hand there is an opinion that has explicitly positive attitude and argues in favor of marketing management of organizations. The development of the society and the development of management and marketing training of organizations caused greater awareness about the marketing among private and also public educational institutions (Eger et al. 2010).

Chance of success in the market of educational services is reserved for those institutions that have applied marketing at all levels, where all school staff are in contact with the customers and influence their relationship with the organization. This approach brings about the assumption that all subjects will be in long run satisfied with services provided by the educational institution. Subsequently, this satisfaction creates a good image, leading to higher loyalty of students and employees of educational institutions. Loyalty and satisfaction improve the climate inside the institution and lower costs of acquiring new staff and students and also support building a network of relationships with parents, practice and public (Světlík 2006).

Reputation and image of the educational institution is influenced by objective and subjective characteristics of the institution. In case of objective characteristics (eg. buildings and their surroundings, facilities, etc.), the change is very difficult, or requires a substantial financial costs. The subjective perception of institutions means the perception of the institution by different groups of respondents. The current image of the institutions (especially in education) is most often based on previous reputation and shows a relative stability. It follows that changes in some factors requires long-term patient work (Světlík 2009).

Public relations core is shifting to the virtual world where it tries to communicate with a wide, otherwise difficult-to-reach public (Dimová 2010). In this regard, Scott (2010) claims that after a long period of exclusive focus on traditional media, public relations became real public relations thanks to the Internet, where different forms of online content allow organizations to communicate directly with customers.

Public relations in the online environment are all about convincing the public to positively comment on organizations' products or services through this medium. Nature of the Internet, in contrast to off-line environment, connects people that are interested in discussing the organization and its components without any geographical limitations (Watson - Noble 2007). Scott (2010) amends formulated principles and states that it is necessary to pay close attention to the published content, as quality content in any form helps to shape positive public opinion on the organization. "Giving content a place that rightfully belongs to it is the most important component of successful marketing and PR strategy" (Scott 2010, p. 104).

Based on the above definitions, it can be concluded that e-marketing is not only the implementation of marketing activities in the online environment or other digital media. These are the activities associated with the knowledge of the target groups and then adjusting marketing activities online. The essence of e-marketing lies also in improving and enhancing the effectiveness of advertising and marketing activities (Madleňák et al. 2007).

3. CURRENT STATUS OF THE PROBLEM

At present (2014), Slovak higher education market has 36 educational institutions with over 150 faculties, including institutes and field offices. It is worth noting that in 1996 there were 14 higher education institutions, in 2002 nearly double that number - 24 universities. The period that was characterized by a quantitative growth of higher education in Slovakia was also accompanied by a growing interest in higher education, which reached its peak in 2006-2007 (see Chart 1).

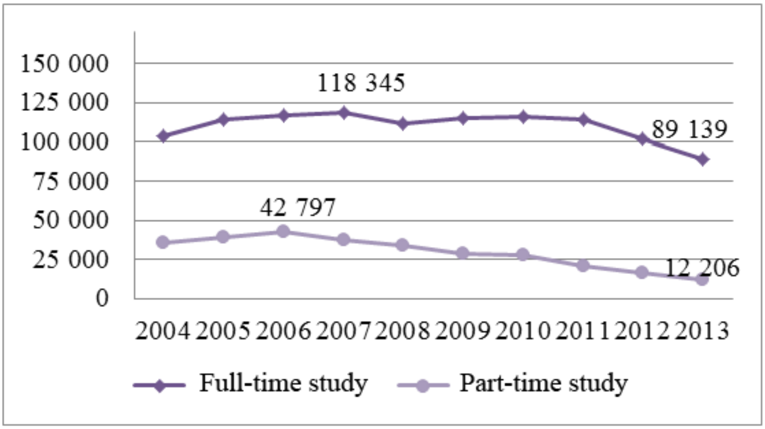

Figure 1 The development of filed university applications in Slovakia in total
Source: Own processing based on Uips.sk 2014

The domestic market of economics and management faculties, including FM PU in Prešov, can be characterized as strongly competitive. Specifically, FM PU in Prešov founds itself in a competitive environment of 33 economic and management faculties (including institutes, etc.) in terms of domestic market. Within the group identified by the study program similar to that of FM PU Prešov, we have identified 12 faculties (including institutes, etc.) of private higher education institutions, representing 36%.

It is not necessary to emphasize that higher education institutions, whether public or private, constantly fight for potential students - customers. In this context, we should point at downward trend in students searching for higher education, which follows the power of baby booms after 1990, where the decline culminated in 2002. The annual rate of decline of all applications filed in the period from 2012 to 2013 in the case of full-time study amounted to 12%. In the case of an external study we recorded a decrease to 24% within the same period. The trend confirms the decline of 23% in total applications filed for full time education when compared to the period 2013-2010. When comparing external form of study, we recorded a decrease of 56% (Uips.sk 2014).

After a detailed examination of the structure of prospective students in both types of studies (filed applications) for the year 2013, Social Sciences (social studies and services) dominated with a share of 54,50% (55,255 filed applications). Economic Sciences, as part of the social sciences under which FM

PU in Prešov falls, dominate this group with a share of 32%, which represents 17,606 prospective students or, more precisely, filed applications (Uips.sk 2014).
The above-described facts such as a large number of operators on the market, the downward trend of applicants for higher education and, on the other hand, high interest in economic sciences position FM PU in Prešov in fierce competitive environment.

In this environment the aim is to gain and maintain a strong competitive position within the market and the resulting interest of "quality" students in the institution, who, consequently, are prerequisites for building a quality institution. It is marketing carried out in the right way that is an instrument through which one can achieve this goal.

It is marketing in online Internet environment, represented by tools of e-marketing, which in our view represents appropriate way in which higher education institutions can show the target audience its internal and external quality with respect to the above objectives. In this context it should be noted that up to 93,70% of the entire population of the age group 16-24 years use the Internet every day or almost every day (data for 2013), for the age group 25-34 years it is 88 70% (Statistical Office 2013). The significant fact is that young people in Slovakia aged 12-26 years spend on the Internet an average of 4 hours per day (data for 2013, TNS Slovakia - Millennials 2014), which further confirms the importance of the Internet as a relevant channel of communication (media) for FM PU in Prešov and its target audience.

4. METHODOLOGY

For the purpose of identifying online market position of FM PU in Prešov on the basis of websites analysis and the use of new tools of internet marketing we used the methodology of Academic Ranking and Rating Agency - ARRA (2011). This methodology was used in 2011 for the purpose of evaluating web pages of Slovak universities and their faculties in terms of relevance to prospective students. Primary data consisted of own analysis findings based on the offer of related study programs of domestic faculties (economic and management orientation) using the prescribed methodology for data collection by Academic Ranking and Rating Agency. It should be stressed that the methodology does not focus on quantity, ie the amount of information that institutions publish about themselves, but it is primarily about the information that inform the prospective students about:

- the quality of education provided by the faculty;
- the prospect of success in the field after graduating and
- practical aspects that will help prospective students to imagine studies and student life at the Faculty.

The aim of the above-described methodology was to identify the presence or lack of information given on the website of particular faculty, mainly the following general assessment principles (ARRA 2011):

- easy access / more logical location - information is at a maximum of three clicks distance from the main page (main menu), or a logical path/navigation leads to it, otherwise the evaluation is pushed one level below,
- up-to-date factor - given information is up-to-date, otherwise the evaluation is pushed one level below,
- faculty and university webpage – since some type of information is placed on the web of the faculty and some on the university web, we took into account (as in the given criterion stated otherwise) the location of information at the university webpage,
- penalties for confusion - if the information is contained at two places – the first one being correct and the second is insufficient or outdated, the better one was taken into account but due

to confusion the evaluation was pushed one level down. This also applies in the case of a missing link between faculty page (where, for example, information is insufficient) and university page (where information is sufficient).

The basic set of information for identifying market position of FM PU in Prešov using the analysis of websites' attributes and new internet marketing tools consisted of 33 websites of domestic faculties offering similar study programs (faculties with economic and management focus) (Figure 1). The research sample consisted of the basic set. When identifying the basic set in relation to the faculty, we did not take into account any other assessment criteria that those of relatedness of study programs. Study programs similar to those available at FM PU Prešov were identified on the basis of information from the internet portal Portalvs.sk operated with the support of the Ministry of Education, Science, Research and Sports under the central development projects.

Picture 1 Distribution of faculties from regional point of view
Source: Own work

In order to determine the market position of FM PU in Prešov within the group of similar study programs offered by other domestic higher education institutions and their faculties, and based on the analysis of websites' attributes and the use of new tools of internet marketing a scoring method was used. This method copied the acquired evaluation of individual examined criteria in the interval 4 (meets the criteria) - 1 (does not meet the criteria).

5. RESULTS AND DISCUSSION

As reported in the table below, FM PU in Prešov ranked third within the group of domestic higher education institutions and their faculties offering similar study programs with a score of 35 points. Faculty of Economics, Matej Bel University scored the same number of points. In this context it should be emphasized that FM PU in Prešov got its 35 points out of total 52 points (67%), representing 2/3 of the total points, which is very positive with regard to other faculties. The mean value represented 28 points. The 50% limit has been passed by 18 faculties (54.50%), of which only 4 (33%) were private. The lowest score, 22 points, has been obtained by three faculties, namely the Faculty of Public Policy and Public Administration of the University of Danubius, Faculty of Business Management, University of Economics in Bratislava and Institute of economic and technical security of the University of Security Management in Košice.

Order	Faculty	Total points (Max.=52)
1.	Slovak Technical University, Bratislava: Faculty of Materials Science and Technology Trnava	39
2.	University of Ss. Cyril and Methodius - Faculty of Mass Media Communication	38
3.	**Prešov University in Prešov: Faculty of Management**	**35**
3.	Matej Bel University: Faculty of Economics	35
4.	College of Economics and Management in Public Administration in Bratislava - Management of Small and Medium-Sized Enterprises	34
4.	University of Economics in Bratislava: Faculty of Commerce	34
5.	Alexander Dubček University in Trenčín – Faculty of social and economic relations	32
6.	University of Žilina - Faculty of Management and Informatics	31
7.	College of International Business ISM Slovakia in Prešov	30
8.	University of Economics in Bratislava - Faculty of International Relations	29

Table 1 10 best ranked faculties
Source: Own work

Quality of education	Perspective and employment in the field	The presence of selected information (practical aspects)
Pints: 10/16 (62,5 %)	Points: 12/16 (75 %)	Points: 13/20 (65 %)

**acquired points / total points*
Table2 Results of FM PU v Prešove in individual researched areas
Source: Own work

After detailed examination of various research areas (see the table above) you can also point out the shortcomings of FM PU's web presentation. When examining FM PU's website to assess education quality we noticed absent information about teachers, where in addition to information about the staff and their contact information the criterion also required information on publications, as well as professional CV. FM PU in Prešov in this case has Rather met the criterion, since in some cases, departments gave the information about the academic staff - PhD students. This indicator is based on the premise that quality teachers prepare quality graduates and the school cares about presenting the potential that the teachers represent. The criterion was generally fulfilled by only 3% of analyzed faculties. Lack of student satisfaction survey, where the minimum requirement was at least one research published in the last two academic years may be regarded as another deficiency. This indicator is based on the assumption that a good school is open to feedback and is "not afraid" to publish the results of the surveys. The criterion was generally met by only one of the analyzed faculties. Another drawback of FM

PU's web presentation was the absence of explicit and complete information about the achievements and / or excellence of the faculty. FM PU in Prešov in this case Rather met the criterion because the website presents only the general achievements of the faculty. This indicator is based on the assumption that the quality of schools should clearly define their place in the market and present their pros and advantages to their prospective students. The criterion was generally fulfilled by only 9% of analyzed faculties, 85% of faculties did not meet the criteria at all.

The area of the FM PU's website focused on the prospect of success in the field after graduating lacks profile information about alumni for each study program and level of study, including a breakdown of theoretical and practical skills. FM PU in Prešov in this case Rather does not meet the criteria since the website provide only superficial information. This indicator is based on the assumption that a good school should clearly define the personnel it creates. The criterion has been fulfilled by only 18% of the analyzed faculties. Another drawback has been the lack of coherent information about career counseling opportunities, including contact information (career counseling center), real job offers and internship opportunities. FM PU in Prešov in this case Rather does not fulfill the criterion, since the website only provides a link to an external site offering part-time jobs. The indicator is based on the premise that quality schools are trying to provide support to their students even after graduation and show it publicly. The criterion has been fulfilled by only 12% of the analyzed faculties and remaining 76% of them does not meet the criteria at all.

The area of the FM PU's website focused on the practical aspects that would help prospective students to imagine studies and student life at the faculty also showed insufficient information. Specifically, there was a lack of consistent and logically connected information on the study plans of individual study programs together with syllabi (or equivalent information). FM PU in Prešov in this case Rather does not fulfill the criterion, as the website only includes study plans without any annotation. This indicator is based on the premise that quality schools are trying to communicate openly about their opportunities for prospective students to bring them admission process as closely as possible, explain and thereby enable them to prepare well for this process. The criterion has been fulfilled by only 18% of the analyzed faculties, and 63% met the criterion only partially. Another shortcoming is the absence of complex information about the price of accommodation, meals and fees associated with the study. FM PU in Prešov in this case did not meet this criterion, as it only states tuition pricelist and fees related to the admission process and the study itself. This indicator is based on the assumption that a student is to be informed about the costs associated with the study as accurate as possible. The criterion was generally fulfilled only by 6% of analyzed faculties. Another shortcoming arising from the results of the analysis is lack of comprehensive information on a regular or one-off opportunity to participate in various sports or cultural events. FM PU in Prešov in this case does not meet the criterion, as the website does not provide such information. This indicator is based on the premise that quality schools care about their students' free-time options and openly report about such possibilities. The criterion has been fulfilled only by 12% of the analyzed faculties and 58% of faculties does not meet the criterion at all.

As mentioned above, despite the high ranking of FM PU's web among analyzed websites of domestic universities with related study programs, we have identified significant weaknesses of faculty's web presentation. It should be emphasized that in most cases these are easy to remove shortcomings. From a global perspective it can be said that the quality of websites of economic and management faculties is, based on the methodology used, insufficient for the target audience, as evidenced by the fact that none of the analyzed faculties did not receive more than 75%, and that only 55% of the assessed faculties received more than half of the total possible points. These facts shall be regarded as an opportunity to build a positive image of the organization and improve related public relations activities.

6. CONCLUSION

It is very frequent that the quality of faculties and universities is not sufficiently manifested in their marketing material, as is the case of the online environment. In this context, we agree with Štefko (2003) that many researches increasingly point to the fact that high quality and respected university is mainly the product of a good management that is not afraid to change established stereotypes and understands the school as an entity which has to be efficient and active in marketing. It should be emphasized that the issue of marketing in the Internet environment is a new field of knowledge that in the last decade has seen an enormous rise, as evidenced by the gradual retreat of the use of traditional media in reaching selected audiences. These facts shall be further regarded as significant from the scientific point of view.

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The Arctic, new aim of China´s forreign policy

PhDr. František Hajduk

Univerzita Pavla Jozefa Šafárika v Košiciach
Filozofická Fakulta, Katedra politológie
Petzvalova 4 Košice 040 11
fhajduk@gmail.com

Abstract
Changes in the Arctic region are bringing new opportunities and challenges for Arctic states and for the broader international community. As never before, the Arctic has become part of a complex set of political and economic dynamics linking actors within and outside the region. Among non-Arctic states, China is particularly determined to have a greater influence in Arctic affairs[1]. China declares itself to be a "near Arctic state" and an "Arctic stakeholder," even though its northernmost territory lies more than 1,000 miles south of the Arctic Circle. As the most populous country in the world, China claims that it should have a say in Arctic policy and disagrees with Arctic issues being decided by Arctic states alone. More broadly, given the region's resource reserves, shipping lanes, and implications for global warming, China argues that Arctic state interests and claims must be balanced against international interests in the seas and resources of the region[2].

Key words Arctic region, actors, China, interests, affairs.

1. CHINA'S INTEREST IN THE ARCTIC

China consumes energy on an unmatched scale, and its hunger is only forecast to grow. This makes the Arctic a natural area of Chinese concern. In 2008, the U.S. Geological Survey estimated that the Arctic accounts for 13 percent of the world's undiscovered oil, 30 percent of its undiscovered natural gas, and 20 percent of its undiscovered natural gas liquids[3].

Beyond raw numbers, the Arctic offers China diversity, security and savings. Despite significant inroads with Russia, China is largely dependent on oil imports from the volatile Middle East that must pass through the chokepoint of the Strait of Malacca in Southeast Asia. In 2011, approximately 85% of China's oil imports transited this passage. The source and travel path for these resources, and

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China's current lack of alternatives, are not ideal. Arctic energy sources and shipping lanes provide attractive diversity and security[4].

Arctic shipping[5] would also substantially reduce transport costs. The potential commercial benefits of cargo transportation through the Arctic in comparison to the Suez Canal also seem appealing. The new passage shortened the distance for 3000 nautical miles and reduced fuel consumption by 200 tons per vessel, resulting in savings of 600 000 U.S. dollars[6]. Such a reduction in shipping time and distance will yield large savings on fuel and increase China's export potential to Europe. In 2013, 71 vessels sailed the Northern Sea Route, moving 1,355,897 tons. This is a substantial increase over the four vessels that did so in 2010. China hopes to send 15% of its international shipping through the Arctic by 2020[7].

2. CHINA'S ARCTIC POLICY OPTIONS

China sees numerous economic opportunities opening up in the Arctic, and it consequently wants to influence discussions and decisions on how the Arctic should be governed. China already has a stake in the general framework of Arctic governance: it is represented in numerous international organizations and is party to several international agreements that pertain directly or indirectly to Arctic governance. Most importantly, China is a veto-wielding member of the United Nations Security Council, the ultimate authority of the 1982 UN Convention on the Law of the Sea[8] (UNCLOS). China is, along with 42 other countries, a signatory of the 1920 Svalbard Treaty[9], which grants all members equal rights to access Svalbard while recognizing Norway's absolute sovereignty. It is also a member in the International Maritime Organization (IMO), a UN agency responsible for adopting measures to secure

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[5] The main route for China – the Strait of Malacca – is susceptible to piracy and terrorism. An Arctic Route would let China, first, reduce transportation expenses, second, diversify and secure its shipments, and third, diminish the risk of a U.S. Navy closure of the Strait in a conflict. According to Chinese analysts, by 2020 between 5 to 15 percent of Chinese foreign trade will be transported through the Northern Sea Route. In: GUSCHIN, A. Understanding China´s Arctic policies. The Diplomat [online]. 2013, [Accessed 10.05.2015]. In: <http://thediplomat.com/2013/11/understanding-chinas-arctic-policies/?allpages=yes>

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[8] Is an international treaty that provides a regulatory framework for the use of the world's seas and oceans, *inter alia*, to ensure the conservation and equitable usage of resources and the marine environment and to ensure the protection and preservation of the living resources of the sea. Article 76 sets out a series of criteria that permit a country to exercise exploration and exploitation rights over areas of seabed beyond 200 nautical miles if the natural prolongation of the continental margin extends there. As regards delimitation with opposite and adjacent states, the guiding principles are median distance and equidistance. China insists that the extent of continental shelves must be set up in the frame of international law. In: LASSERRE, F. China and the Arctic: Threat or Cooperation Potential for Canada? [online]. 2010, Canadian International Council. [Accessed 11.05.2015]. In: <http://opencanada.org/wp-content/uploads/2011/05/China-and-the-Arctic-Frederic-Lasserre1.pdf>

[9] Chinese officials and scholars see the Svalbard Treaty as another legal foundation to safeguard China's Arctic interests. The treaty, which China ratified in 1925, is widely regarded by Chinese officials and scholars as another justification for China's Arctic presence. The treaty establishes Norway's sole sovereign right to the Svalbard archipelago while granting its 42 parties equal rights to undertake fishing, hunting, mining, trade and industrial activities in the area. In: JAKOBSON, L., PENG. J. China´s Arctic Aspirations. [online]. 2012, SIPRI Policy paper. [Accessed 10.05.2015] In: < http://www.lowyinstitute.org/files/sipri_chinas_arctic_aspirations.pdf&usg=ALkJrhjZIObFBW4GodiHY_b10m_en0xvIA >

international shipping and to prevent marine pollution from ships.[10] In 2013, it also became a permanent observer to the Arctic Council[11] – the intergovernmental forum that is the center of international Arctic policy formulation.

According to mainstream thinking among Chinese Arctic specialists, China has a legitimate right to participate in Arctic governance because environmental changes in the Arctic have a major impact on China's ecological system and subsequently its agriculture and economic development. Moreover, China claims a right to explore the area of the Arctic Ocean that is in international waters, based on UNCLOS, to which China is a signatory. Hence, academics advocate that China should make every effort to ensure that it will be included in discussions and decisions pertaining to Arctic governance[12]. Beijing's rhetoric aims at defining the Arctic as an international zone where changes must make sense for all countries and climate change is a problem for the highest levels of diplomacy[13].

In pursuit of northern opportunities, China has taken substantial steps toward establishing a financial and physical presence in the Arctic and placing itself in the conversation on Arctic affairs. Between 1985 and 2012, Beijing initiated five Arctic and 28 Antarctic expeditions. China is spending approximately $60 million annually on polar research (more than the U.S., which actually controls Arctic territory), runs the Chinese Arctic and Antarctic Administration, opened the China-Nordic Arctic Research Center in Shanghai and plans to dramatically increase its Arctic research staff[14].

3. CHINA´S ARCTIC STRATEGY

Beijing has focused on neutral topics: sponsoring expeditions, conducting climate changing surveys, supporting the development of indigenous peoples, preserving local cultures, promoting sustainable development, campaigning against environment pollution, and promoting tourism. By developing strong positions in these areas, China will not only be able to tap the knowledge of the international scientific community and put forth arguments to support the theory of climate change influence on China; it will also be able to collaborate with six organizations (Arctic Athabaskan Council; Aleut International Association; Gwich'in Council International; Inuit Circumpolar Council; Russian Association of Indigenous Peoples of the North; Saami Council) that represent indigenous peoples and

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[11] The Arctic Council was established in 1996 as an intergovernmental forum to promote cooperation, coordination and interaction among Arctic states on sustainable development and environment protection issues in the Arctic region. The council has eight member states with voting rights: the five Arctic littoral states (Canada, Denmark, Norway, Russia and the USA) and the three other Arctic circumpolar states (Finland, Iceland and Sweden). Observer status in the Arctic Council is open to non-arctic states, inter-governmental and inter-parliamentary organizations, global and regional and non-governmental organizations. In addition to China, the other nations granted observer status to the Arctic Council were India, Italy, Japan, Singapore, South Korea, France, Germany, The Netherlands, Poland, Spain, United Kingdom. The observers' interests are more to do with economics and trade. For instance, under the UN Convention on the Law of the Sea (UNCLOS), anyone can use shipping lanes on the high seas. As northern passages become navigable, would-be traders from non-Arctic states hope to have a say in establishing ports, search and rescue operations, and climate monitoring systems. Arctic fisheries are also important to China and others Asian nations. . In:REARDON, S. China gains observer status on the Arctic Council [online]. 2013, NewScientist. [Accessed 12.05.2015]. In: < http://www.newscientist.com/article/dn23553-china-gains-observer-status-on-the-arctic-council.html#.VVNN9o7tlHw>

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have the status of permanent members of the Arctic Council. Thus, Beijing can lobby its interests in the Council not on a direct basis, but using a special channel that has already shown itself to be effective[15].

This scientific approach is a path for China to achieve its true goals in the Arctic, which lie in the economic realm. To start with, Beijing seeks a diversification of supply routes. The main route for China – the Strait of Malacca – is susceptible to piracy and terrorism. An Arctic Route would let China, first, reduce transportation expenses, second, diversify and secure its shipments, and third, diminish the risk of a U.S. Navy closure of the Strait in a conflict[16].

Meanwhile rising consumption is forcing Chinese companies to invest heavily in oil exploration and shipment, for example, from Africa and Brazil. Assumptions about Arctic natural resource deposits are thus attractive to Beijing. China will seek not only to get access to new oil fields but also to acquire modern drilling technology it currently lacks.

The third element in the Chinese economic strategy in the Arctic is a share of maritime resources, especially fish. The U.S. National Oceanic and Atmospheric Administration has shown the region's potential in this regard. Access to fisheries is crucial for countries like Greenland and Iceland, which depend heavily on maritime resources for export earnings, and China has been very active in establishing bilateral economic contacts with these smaller members of the Arctic Council to ensure support for its permanent membership bid. These same tactics worked well in the Asia-Pacific, where China built strong investment relations with ASEAN members to help conclude a free trade agreement with ASEAN. In 2010, China provided Iceland with a $500 million-plus currency swap to support the struggling Iceland bank system. Also in 2010, Denmark signed deals with Chinaworth $740 million in the areas of power, the green economy, agriculture and food security. In 2011, Denmark's ambassador in China made a statement in support of a Chinese bid for permanent membership of the Arctic Council. The same position was expressed by the leaders of Greenland and Iceland. In addition, China's financial aid to small countries will let Beijing participate in the Arctic infrastructure development that will be crucial for the year-round functioning of the Arctic Route. This encompasses port building, ship repair stations, transport hubs (for example, Ísafjörður in Iceland) and rescue centers[17].

Chinese international strategy in the Arctic will pursue solely pragmatic goals. Not only is economic prosperity as stake but also China's image as a potential global leader. While it talks up the impact of global warming on Chinese environment and food security, Beijing systematically and purposefully continues to encourage the economic dependence of small Arctic states on China such as the free trade agreement with Iceland to earn support in the Arctic Council. Moreover, the high cost of projects to develop new oil infrastructure in the region force states to attract investors. This opens opportunities for China to develop influence and locks in future energy access. Next up, look for Beijing to begin negotiating route transit fees with Moscow.

In recent years the Russian government has been reluctant to allow Chinese companies to take a stake in Russian oil and natural gas fields. However, with a changing geopolitical situation, marked by

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highly tense relations with Europe over Ukraine and China's transformation into the world's second largest economy, the Russian state seems to be making its own pivot to Asia[18].

4. RUSSIAN PERCEPTIONS OF CHINA IN THE ARCTIC

In recent years the Russian government has been reluctant to allow Chinese companies to take a stake in Russian oil and natural gas fields. However, with a changing geopolitical situation, marked by highly tense relations with Europe over Ukraine and China's transformation into the world's second largest economy, the Russian state seems to be making its own pivot to Asia.

Since the Arctic is of the greatest importance for both powers, and it is one of the areas where they seem to be engaging in a complex mixture of cooperation and competition, no look at the region is complete without examining the relationship between Moscow and Beijing[19].

For Russia, the Arctic has always been a part of the state's vital economic and national security interests. Russian collaboration with China may help to improve two crucial issues: increased energy security and strengthening economic cooperation with the Asia Pacific. For China it will ensure diversification of its oil and gas imports and help supply its growing energy demands[20].

During the Soviet era the Russian part of the Arctic was closed to foreigners. Only in the early 1990s, with the end of the Cold War, did the situation change. The Northern Sea Route was finally opened to foreign ships, and international energy companies were invited to develop energy projects in the Russian High North. The prime motivation for Russia to attract more participants to such projects at present is that the country desperately needs foreign investment and technology to develop its shipping and oil and gas industries, as well as overcome environmental risks. Without large-scale investment and expertise, these initiatives are likely to be poorly implemented[21].

Unfortunately for Moscow, not only China but also the other new Asian members will seek to maximize their influence in the Arctic for many of the same reasons. The Arctic may be Russia's home, but it can no longer be its castle[22].

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5. FUTURE POSSIBILITIES

In the short term China will most likely continue its cautious Arctic policy, as it strengthens relations with Arctic states and increases its involvement in Arctic projects, it is likely to develop a more assertive long-term policy[23].

This flexible position enables China to observe and react according to the situation. By improving collaboration with Arctic states and being involved in projects, China establishes its physical presence in the region. Finally, China's flexibility could be explained by the fact that an assertive position on the existing territorial disputes could possibly undermine its own contested claims of sovereignty in the South China Sea[24].

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