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**ŠKODA PLZEŇ**  
**TOOL DIVISION**  
**INTERIM REPORT**

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## **INTERIM REPORT**

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## **I PROJECT SCOPE AND ASSUMPTIONS**

The purpose of this document is to outline the scope and base assumptions for the project to implement accounting system in Škoda Plzeň.

### **Project scope**

The scope of the project is to implement the accounting modules of the MAX software package in the Tools Division of Škoda Plzeň. These modules are shown in diagram 1 and consist of:

- General Ledger
- Sales Ledger
- Purchase Ledger
- Fixed Assets
- Bank System.

Although the system will pass data and information to Central Accounting, interface with the Central Accounting systems will not be written within the scope of this project, except where specified below.

### **Assumptions**

1. The Manufacturing Module of the MAX system is being implemented by Škoda Plzeň in the Tools Division.
2. It is the intention of Škoda management that the Tools Division shall become a self accounting entity.
3. The accounting modules will be required to produce accounts in accordance with both Czechoslovakian statutory requirements, and Western accounting principles.
4. The accounting system will be capable of producing statutory accounts according to the current Czechoslovakian accounting regulations. Initially statutory reports for the Tools Division will be produced by Central Accounts. This function will be migrated to the Tools Division in the future.
5. New regulations are being introduced with effect from January 1993. These regulations are currently being drafted, and as far as is practically possible, the implementation will take these regulations into account. However, there may be further implementation work required to modify the system to fully meet the

regulations when they come into force. For example, if a new Chart of Accounts is issued then the system reports may require modification.

6. The system will provide facilities for the Tools Division to locally process sales and purchase invoices. The volumes of transactions being processed are:
7. A bank account will be set up for the Tools Division.
8. The accounting system will produce management accounts and management information.
9. An interface will be provided with a spreadsheet system to provide modelling and trend analyses in the management information.
10. The system will provide data to Central Accounts. An interface with the Payroll system and Central Fixed Assets Department will be developed to extract data for costing purposes. No other interfaces will be developed.
11. The system will be initially implemented on the main site of the Tools Division. There will not be any data links set up to other sites; data will only be passed in the form of paper forms reports and computer files.

## **II PROJECT TIMETABLE**

**On the following pages is the revised implementation Timetable for the Project. In addition we have enclosed detailed phase used for Steering group meetings defining specific activities within the main tasks.**

# SKODA PLZEN--TOOLS DIVISION

## ACCOUNTING SYSTEMS IMPLEMENTATION

	APRIL				MAY				JUNE				JULY				AUG				SEPT				OCT									
	6	13	20	27	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	31	7	14	21	28	5	12	19	26	2	9		
SYSTEM REQUIREMENTS ANALYSIS(all modules)	-----																																	
DELIVERY SPECIFICATION (General Ledger)			-----																															
TECHNICAL PROCEDURES (General Ledger)									-----																									
USER PROCEDURES (General Ledger)											-----																							
DELIVERY SPECIFICATION (remaining modules)														-----																				
TECHNICAL DESIGN (remaining modules)																		-----																
USER PROCEDURES (remaining modules)																		-----																
ACCEPTANCE & INTEGRATION TESTING																				-----														
CONVERSION																							-----											
USER TRAINING																								-----										





### III TOOLS DIVISION BUSINESS MODEL

The aim of this report is to provide a benchmark on the level of activity within Tools Division upon which new ways of working and system requirements can be assessed. For clarity it is laid out as follows -

- a) Overview
  - i) Revenue and Product cost structure
  - ii) Material and resource flows
  
- b) Business Inputs
  - i) Material
  - ii) Resource
  
- c) Business outputs
  - i) Material
  - ii) Resources
  
- d) Internal Monitors

#### Overview

Revenue and Product cost structure

Tools Division consists of two basic operations:-

- a) tool trading
- b) tool manufacture

The company generates revenue from the sale of:

- a) tools to 3<sup>rd</sup> party customers
- b) tools to Skoda companies
- c) labour and machine time to other Skoda Concern operations

In terms of revenue, using 1991 figures, these operations represent as a percentage of total business revenue:-

	%
a)	53
b)	40
c)	7

Product cost structure is as follows:-

	mKcs	%
Raw Materials	58,5	32.5
Labour	66	36.7
Interest	18	10.0
Administration and Overheads	22	12.2
Energy	15	8.6
	<u>179</u>	

Sales Revenue breakdown is as follows:

	mKcs	%
Sales to external Customers	124.7	54.8
Tools to Skoda Concern	68.9	30.3
Labour costs	16.5	7.3
Warehousing fees	17.5	7.6
	<u>227.6</u>	

### Material and Resource flows

Diagram one on the page opposite outlines the basic material and resource flows operating within the Tools Division. Each of the major input and output activities have been valued on the following pages based on 1991 figures.

000 Kčs

## 1 Suppliers

The vast majority of raw materials is purchased either via Central Purchasing dept. or Foreign Trade dept.

● Raw materials, components, fuel	47,244
● Services (repairs and maintenance etc.)	3,119
	<hr/>
	50,363

## 2 Labour

Wage and salaries of Tools employees	41,941
Related payroll tax	21,505
Subcontractors	2,750
Only labour Supplier	<hr/>
	66,196

## 3 Administration

Administration expenses (Tools division)	8,246
Interest charge	18,033

4 Energy (external)	41
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## 5 Intra-company items (from Skoda divisions to Tools)

● Raw materials	
- Forgings, castings	4,825
- Other raw materials and semi-finished products, components	3,468
● Energy (Heat/electricity)	14,886
● Labour (subcontracting) (machines/labours)	7,301
● Services (repairs and maintenance, transport etc) Data processing	5,106

•	Admin (fee paid to the Head Office) Budget - no fixed criteria for deciding this	6,204
•	Supply fee paid to the Central Purchasing and Foreign Trade depts Paid for warehousing services/processing Standard rates 5% Chemicals 20% Stainless Steels	2,662
<b>6</b>	<b>Sales to external customers</b>	
	Sales to domestic customers primarily Minimum export	124,716
<b>7</b>	<b>Intra-company transactions (from Tools to other divisions)</b>	
•	Tools for other divisions (direct)	68,987
•	Co-operation (labour only) usage of equipment	16,537
•	Supply/warehousing fee - for stock holding of tools - fee charges for purchasing	17,593
•	Tools for TD's own warehouse WIP - revenue not realised	5,691
		<u>108,808</u>

### **Business Inputs**

#### **Material Inputs**

Overview - See Diagram 2 opposite.

The major material inputs to the Tools Division are:-

- a) General Steels
- b) Special Steels
- c) Central Warehouse products (excluding general Steels)

## **Business Inputs**

### **Material Inputs**

Overview - See Diagram 2 opposite.

The major material inputs to the Tools Division are:-

- a) General Steels
- b) Special Steels
- c) Central Warehouse products (excluding general Steels)
- d) Tools
- e) Consummables
- f) Maintenance Spares

#### **General Steels**

- |   |      |
|---|------|
| - Number of Suppliers;  | 1    |
| - Number of types (grades, shapes);                                   | 2000 |
| - Purchase orders or material requisitions issued per month;          | 1000 |
| - Deliveries per month to Tools Divisions from the Central Warehouse. | 1000 |

#### **Special Steels**

- |   |     |
|---|-----|
| - Number of Suppliers;  | 4   |
| - Number of types (grade, Shape);   | 500 |
| - Purchase Orders issued per month;   | 15  |
| - Number of deliveries per month to the Special Steels warehouse;                                     | 600 |
| - Average number of item lines per purchase order;  | 5   |
| - Number of material requisitions issued by Tools division per month to the Special Steels Warehouse; | 550 |

- d) Tools
- e) Consummables
- f) Maintenance Spares

#### General Steels

- Number of Suppliers; 1
- Number of types (grades, shapes); 2000
- Purchase orders or material requisitions issued per month; 1000
- Deliveries per month to Tools Divisions from the Central Warehouse. 1000

#### Special Steels

- Number of Suppliers; 4
- Number of types (grade, Shape); 500
- Purchase Orders issued per month; 15
- Number of deliveries per month to the Special Steels warehouse; 600
- Average number of item lines per purchase order; 5
- Number of material requisitions issued by Tools division per month to the Special Steels Warehouse; 550
- Number of requisitions issued by the rest of Skoda Concern; 50
- Number of deliveries per month; 95
- Number of pick lists generated per month. 600

#### Central Warehouse products

- Number of products requisitioned by Tools division from the Central Warehouse; 24000
- Number of requisitions per month; 2000

12

- Deliveries per month to Tools Division. 2000

### Consummables

This consists of Oils, packing, safety ware, clothing, administrative paper, stationery, etc.

- Number of items 500
- Requisitions per month. 350

### Maintenance Spares

- Number of items kept in Spares Stores 2300
- Number of Purchase orders per month 20
- Number of deliveries per month 13
- Number of requisitions/issues per month to maintenance staff. 275

## Resource Inputs

Overview - see diagram opposite

The major inputs are:

- a) Energy
  - i) heat
  - ii) electricity
  - iii) steam
  - iv) compressed air
- b) Labour;
- c) Services; (Maintenance, Transport)
- d) Administration;
- e) Equipment (Machining hours, heat treatment)

### Energy

- Monitoring documents generated per month 10
- Number of Meters read per month 6

### Labour

- Number requests for labour from Skoda Concern per month 5
  - Number of mandays used per month
- Labour requests for 3<sup>rd</sup> Party Sub-contractors -
  - Carpenters
  - Machine Maintenance
  - Mandays per month

### Equipment

- Number of requests per month for equipment based in Concern plants 20
- Machine hours used per month 3200

## **Business Outputs**

### **Material**

Overview - see diagram opposite

The major material outputs are:

- a) Tools (Manufactured)
- b) Tools Traded
- c) Scrap

#### **Tools (Manufactured)**

-	Size of the Tools product range	800
-	Number of Tools produced, per month	38000
-	Number of orders per month	260
	a) Skoda concern	
	b) Outside Customers	20
-	Number of Deliveries per month to	
	a) Skoda Concern	260
	b) Outside customers	570
-	Average number of items per delivery	1

#### **Tools Traded**

-	Total Number of Tools issued per month	38000
-	Tool orders per month	70
-	Number of deliveries per month to	
	a) Skoda Concern	750
	b) 3 <sup>rd</sup> party Customers	10
-	Average number of items per delivery	50

## Scrap

- Scrap metal sales per month	42
- Range of scrap grades	-

## Internal Monitors

This section outlines the level of resources owned by Tools Division and the administration monitoring and control that occurs in order to manage the production process. This section is divided as follows:-

- a) Labour and Staff breakdown
- b) Manufacturing controls
- c) Services
- d) Administration

### Labour and Staff breakdown

	Directs	Indirects
Production	360	
Production Supervision		32
Maintenance		52
Maintenance Supervision		3
Production Planning		20
Production Indirects		259
Indirect Supervision		15
Administration		47
Warehouse	16	
Warehouse Administr.		15
	<hr/>	<hr/>
	376	443

TOTAL 788

### Manufacturing Controls

**Production**

Works Orders issued per month	830
Maintenance work requests per month	600
Rework orders per month	20
Material requests - for raw materials	200

**Services**

● Item lines typically stored	12,000
● Number of storage locations in the warehouse	1
● Pick lists generated per month	3,500

**Administration**

Credit notes issued	5
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## IV DESCRIPTION OF CURRENT SYSTEM MODEL OF THE TOOLS DIVISION

This section is divided as follows:-

- i) General description of the existing systems;
- ii) Report specifications for the new systems;
- iii) Identification of manual/auto boundaries.

General description of the existing systems

The paragraph numbers relate to the interfaces shown the diagram overleaf.

### 1. From the Payroll Acc. Dpt. in TD to the Central Payroll Acc. Dpt.:

- employee register maintenance (údržba kmenového souboru pracovníků)
- production wages - job cards of workers - daily sent - 11 000 per plant/month
- turnover data - turnover data (obratové údaje) based on clock cards of white and blue-collar workers - monthly, though in the tools plant processed 3 times a month
  - list of employees for bonuses (konsignace na premie) - monthly
  - list of employees (working on a time basis) for additional payments (konsignace na časovou mzdu) - monthly
- summary data - monthly wages journal (mzdový deník) - monthly
  - List of wages and salaries (Sestavení mezd a platů)

Intracompany cooperation (OJO) is processed in the Central Production Dpt., not in the Central Payroll Dpt.

### 2. From the Central Payroll Acc. Dpt. to the Payroll Acc. Dpt. in TD:

- Payroll - available 5-6th day after the end of the month
- Analysis of wages and salaries (PP02-OV-01) - monthly analysis of wages and salaries paid, their utilization, productivity
- Summary data about wages and salaries by plant and by production unit

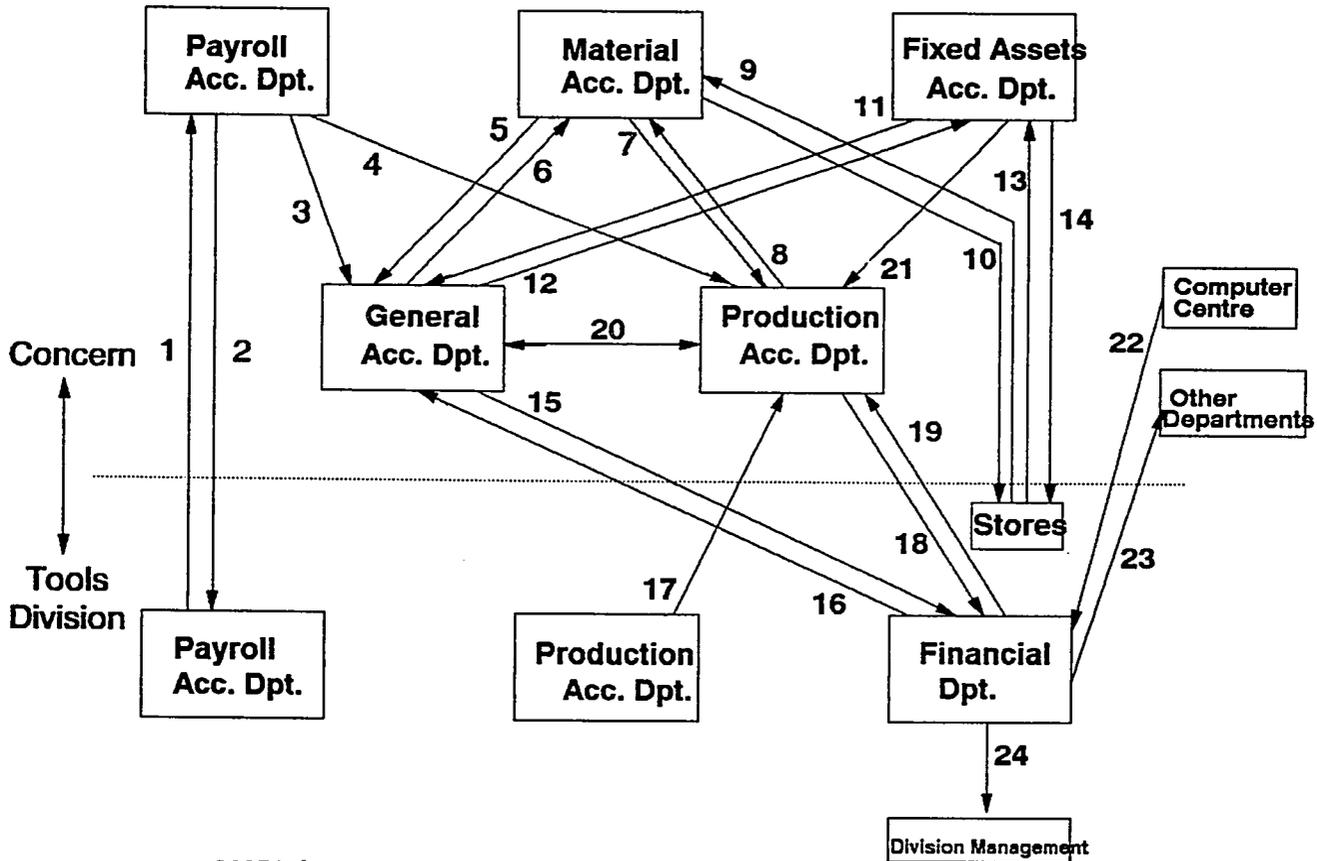
### 3. From the Central Payroll Acc. Dpt. to the Central General Accounting Acc. Dpt.:

- accounts payable and receivable to individuals, orders to bank to pay

### 4. From the Central Payroll Acc. Dpt. to the Central Production Acc. Dpt.:

- costs of wages and salaries for P&L accounts

# CURRENT ACCOUNTING SYSTEM MODEL - SKODA PLZEN



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- 5. From the Central Material Acc. Dpt. to the Central General Acc. Dpt.:**  
 Goods received not invoiced are processed in the Central Material and Central General Accounting Department.
- confirmation of BS accounts through "linking accounts" - account 294
- 6. From the Central General Acc. Dpt. to the Central Material Acc. Dpt.:**  
 Invoices for material bought from the external suppliers are sent to the Central General Accounting Dpt. where the register of incoming invoices is maintained. Then they are sent to the Central Material Dpt., where the stock register is kept. This department identifies a warehousing division for approval of the invoice. Then the invoice is sent to the division for approval. From the divisions the invoice is sent back to the central computing centre. If a division is outside Plzeň the invoice is sent straight there and then it goes to Plzeň.
- debit/credit notes
- 7. From the Central Material Acc. Dpt. to the Central Production Acc. Dpt.:**
- Projects of warehousing (commencing with MB analysed by warehouses provide automatical output for projects in the Production Acc. Dpt. about material consumed analysed by production unit (commencing with VZ) and vice versa
  - Financial documents (inventory differences, revaluation of stocks etc.)
- 8. From the Central Production Acc. Dpt. to the Central Material Acc. Dpt.:**
- approval of "linking accounts" - 299, 296, 297
- 9. From the TD to the Central Material Acc. Dpt.:**
- List of approved invoices for material
  - issue and delivery notes (výdejky a příjemky) - processed in the computer centre, the Central Material Acc. Department receives only reports
- 10. From the Central Material Acc. Dpt. to the TD:**
- reports for warehousing analysed by warehouses
- 11. From the Central Investment Acc. Dpt. to the Central General Acc. Dpt.:**
- sending fixed assets movements on the GL accounts
- 12. From the Central General Acc. Dpt. to the Central Investment Acc. Dpt.:**
- Invoices for fixed assets/fixed assets in the course of construction come to the Central General Acc. Dpt., where there is the register of incoming invoices. Then the invoice goes to the Concern Investment Dpt. After it is approved here it goes back to the General Acc. Dpt. to be paid. Investment department cooperates then with the divisions on the approval. When the invoice is paid it is sent to the Central Investment Acc. Dpt. to be recorded in the register of preliminary invoices. when the division confirms the invoice, the Investment Acc.

- Dpt. transfer the invoice from the register of preliminary invoice to the detailed register of fixed assets by plants/production units.
  - credit/debit notes concerning fixed assets
- 13. From the TD to the Central Investment Acc. Dpt.:**
- approval of the invoices for fixed assets
  - Documents about intracompany transfer of fixed assets
    - from the TD it goes to the Administration of Property Dpt. (Správa majetku), from where it is sent to the Investment Acc. Department where it is registered for and where and then it is accounted for in the Central production Dpt. regarding costs and profit (odstoupený zisk)
- 14. From the Central Investment Acc. Dpt. to the TD:**
- reports of fixed assets analyzed by production units
- 15. From the Central General Accounting Dpt. to the Economic Dpt. in TD:**
- External invoicing:
- List of settlements of external received invoices (Přehled úhrad přijatých faktur / FBOZ-OE-01) by plant/3 times a month
  - List of settlements of external invoices raised (Přehled úhrad vydaných faktur / FA09-0G-01) by plant/3 times a month
  - External receivables overdue (Pohledávky externí po lhůtě splatnosti / FA09-OA-01) - breakdown by client identification number, by 30,60,90 days, this report has only the total number of the invoices due to pay
  - External receivables overdue (Sestava pohledávek dle závodů a dat vzniku / FA09-O4-01) - breakdown by client identification number, number of the invoice, its value and date due to pay
  - List of overdue invoices from suppliers (Sestava nevyrovnaných dodavatelských faktur po lhůtě splatnosti / FBOZ-OJ-01) - breakdown by suppliers' bank account number (not by the identification number), by TD' invoice number, production unit (provoz), 14 days
  - List of not due to pay invoices from suppliers (Sestava nevyrovnaných dodavatelských faktur do lhůty splatnosti / FBOZ-OH-01) - breakdown the same as above
- 16. From the TD Economic Dpt. to the Central General Accounting Dpt.:**
- giving instructions for priorities of payments for the incoming invoices (are ignored anyway)
  - invoices raised in the TD are sent to the Central Acc. Dpt., where it is included in the accounts receivable
- 17. From Production Dpt. in TD to the Central Production Acc. Dpt.:**
- internal and external stock issue notes of material and overheads (odběrní lístky materiálu a režie) - monthly (800-1000 per production unit/provoz) - for internal invoices 500
  - finished goods notes (odváděcí lístky) - for invoices internal 400,

external 260

- clearance of the costs and corrections of finished goods documents (Likvidace nákladů a opravy odváděcích dokladů) - 150-400 per production unit), each order has one card, the card can be cleared partially or completely according to occurring the costs, card monitors the costs in the calculating formula
- reports (5-6 per production unit) on:
  - reserves /provisions, accruals
  - compensations for rented land (dislokační poplatky) - should be paid to the city in the future
  - material transfers (correction of mistakes)
  - shrinkages
  - accounting documents prescribing the accounts (účetní doklad) - for insurance of stocks, renting the car etc.)
- OJO - orders for single operations - cooperation between plants (invoices on the basis of OJO are processed automatically without the limit)
- OHD - orders for material and operations - cooperation between the plants (invoices on the basis of OHD must be authorized)

**18. From the Central Production Acc. Dpt. to the Economic Dpt. in TD:**

- Profit and Loss Account by plant and by production unit
- Reports comparing budgeted items with real consumption - overheads, stock balances, production, sales - monthly
- M,V reports ?

**19. From the TD Economic Dpt. to the Central Production Dpt.:**

Budgeting of costs and profit creation -

(Plán nákladů a tvorby zisku) - goes to the Concern Planning Dpt. (Odbor řízení ekonomiky) - budget for the plant for the whole year and 4 quarters sent at the beginning of the year, month budget is sent at the beginning of each quarter. From the Planning Dpt. the budget is sent to the Central Production Acc. Dpt., which records the actual results and shows the difference between plan and actual on the reports, budgets for production units are processed and maintained only on the level of the division

Budgeting of overheads -

(Rozpočet režie) - goes to the Concern Planning Dpt. - budget for the plant/year/quarter/month (the same as above), budget for the production unit and for special cost centres is maintained only in the TD

**20. Between the Central Accounting Dpt. and the Central Production Dpt.:**

- confirmation of double entry procedures - checking the accounts balances through so called linking accounts
- accounting for accruals + provisions balances, WIP, finished goods (BS/P&L items)

**21. From the Central Investment Dpt. to the Central Production Dpt.:**

- depreciation charges -movements on the P/L accounts, calculation of depreciation should be changed from the 1. January 1993
- transfer of fixed assets between the plants at an agreed price which is lower/higher than the costs

**22. From the Institute of Informatics to the Economic Dpt. in the TD:**

Intracompany invoicing:

- List of received intra-concern invoices under limit for material (Soupis vnitrokoncernových faktur podlimitních - materiál) - FDOM-09-02
- Detailed list of material stock issue notes (Detailní opis odběrných materiálových lístků) - invoices raised - FDOM-04-01
- List of other received intra-concern invoices under limit (Soupis vnitrokoncernových faktur podlimitních) - FDOM-09-01 - ostatní
- List of intra-concern received invoices under limit for products transferred between plants (Soupis vnitrokoncernových faktur podlimitních - odvádění) - FDOM-07-01
- List of received intra-concern invoices above limit for material (Soupis vnitrokoncernových faktur nadlimitních - materiál) - FDOM-09-01
- Monthly balance with suppliers-debtors (Měsíční saldokonto odběratele-dodavatele) - FD05-OD-01
- Monthly list of paid invoices to suppliers (Měsíční sestava vyrovnaných fakturních případů) - FD05-04-01
- Monthly list of paid invoices by debtors (Měsíční sestava vyrovnaných fakturních případů) - FD05-07-01
- List of intra-concern invoices - other - under limit (Soupis vnitrokoncernových faktur - ostatní) - FDOO-08-01

Internal invoices on the basis of internal delivery notes of material, overheads and services have to be approved in the TD to be paid for.

These projects are new (1/4 of a year). The intracompany transactions are monitored in a similar way to external transactions and payments are simulated by internal bank.

**23. From the Economic Dpt. to the other departments in the concern:**

Statistical reports - goes to the Economic Information Dpt. (Oddělení ekonomických informací) in the concern

Cashflow forecast - sent to the Concern Financial Dpt. (Finanční oddělení)

Breakdown of sales, incomes and profit by activities -

(Rozvedení tržeb, výnosů a zisku podle činností) - processed and sent to

t h e C o n c e r n  
P l a n n i n g D p t. a t t h e  
b e g i n n i n g o f t h e  
y e a r, b y p l a n t a n d  
p r o d u c t i o n u n i t

Budgeting of production by product groups (categories were prescribed in the past by the state for central control purposes and it is still used) -

(Rozpočet výkonů podle výrobních oborů) - Processed and sent to the Concern Planning Dpt. at the beginning of the year, by plant and production unit

#### **24. Internal management reports in the TD:**

Economic results of the TD - brief (two-page report) processed for the Economic-Commercial Deputy Director in the TD quarterly

Economic results of the TD - detailed study of the Economic results sent to the concern and to the TD director

# REPORT SPECIFICATIONS

## Report requirements

Based upon the discussions to date the reports defined below should be produced from the accounting data of the division. Most of the reports can be generated directly from the accounting system using the report-writer module. For certain reports however, there will be a need to manipulate data using a spreadsheet package. It will be desirable to develop links to enable the convenient down load of data from Max into the chosen spreadsheet package.

The reports fall into the following categories:-

- Accounting balance and transaction reports
- Management Information reports
- Control reports.

## Accounting balance and transaction reports

### General Ledger

Trial balance - monthly or on demand

Monthly - and as required - general ledger account analysis in summary and by transaction.

### Transaction listings

analysed by : date, document type, document reference  
: general ledger account  
: production unit  
: cost centre

Standing data reports : general ledger codes and details  
: cost centre codes and details  
: additions and amendments to all standing data records, showing the date, time and user.

Budget reports : costs and revenues by division, production unit, cost centre, and general ledger code  
: additions and amendments to all budgets, showing the date, time and user.

Payroll summary report : Details of payroll data transferred from central payroll department in total and analysed by production unit

**Inventory/WIP movements report (manufacturing system)** : Stock balances and movements report analysed by production unit, cost centre and inventory category

**Purchase Ledger(s) - external and internal**

**Matched GRN report** : Receipt notes matched against incoming invoices, showing differences in total value, and adjustments in respect of write/off's, write backs, and unmatched balances

**Invoice Register report** : Report of unprocessed invoices showing the date, supplier and staff member who will authorise

**Transaction listings** : Analysed by invoice/credit note/payment/adjustment, transaction date, transaction number. This should provide total of cumulative movements on purchase ledger control account for reconciliation purposes. Required month-end and ad-hoc

**Open Items listing** : Analysed by supplier, transaction type, transaction date, transaction number, and supplier reference

**Unmatched GRN report** : Liabilities in respect of uninvoiced goods and services received at standard/estimated cost

**Provisional payments listing** : Payments to suppliers generated from due date and open item statistics. Total amount payable by supplier and supporting transactions. This listing to be manipulated so that individual transactions can be excluded and set-offs-from the sales ledger can be made

**Ledger cross-reference listing** : Report showing the net balances due to or from external creditors/debtors based upon ledger cross reference codes

**Payment advices/remittance** : Dependent on arrangements for control of settlement, the final bank payment advices and resultance slips will be produced from the division purchase ledger system

**Purchase ledger movements report** : Total movements for the period and year to date by transaction type showing opening balance and closing ledger balance

**Supplier name and address listing** : Standing data report of all suppliers details, and selected details (ie. name, short address and supplier code - for use of accounts payable staff)

**Standing data amendment report** : Showing additions and amendments to supplier details, the user, date and details of change

### Sales Invoicing and Debtors Ledger

**Sales Ledger update report** : Total movements for the period and year to date by transaction type showing opening balance and closing ledger balance

**Matched despatches detail listing** : Despatch transactions matched with outgoing invoices showing any differences in standard and invoiced sales value, by production unit and for the total division (assumption - product is manufactured within the division)

**Unmatched despatch details** : Uninvoiced despatches at standard selling value analysed by production unit and at total division level

**Transactions listings** : Analysed by sales invoice/credit note receipt, adjustment and transaction date and transaction number. Required at month-end and on an ad-hoc basis

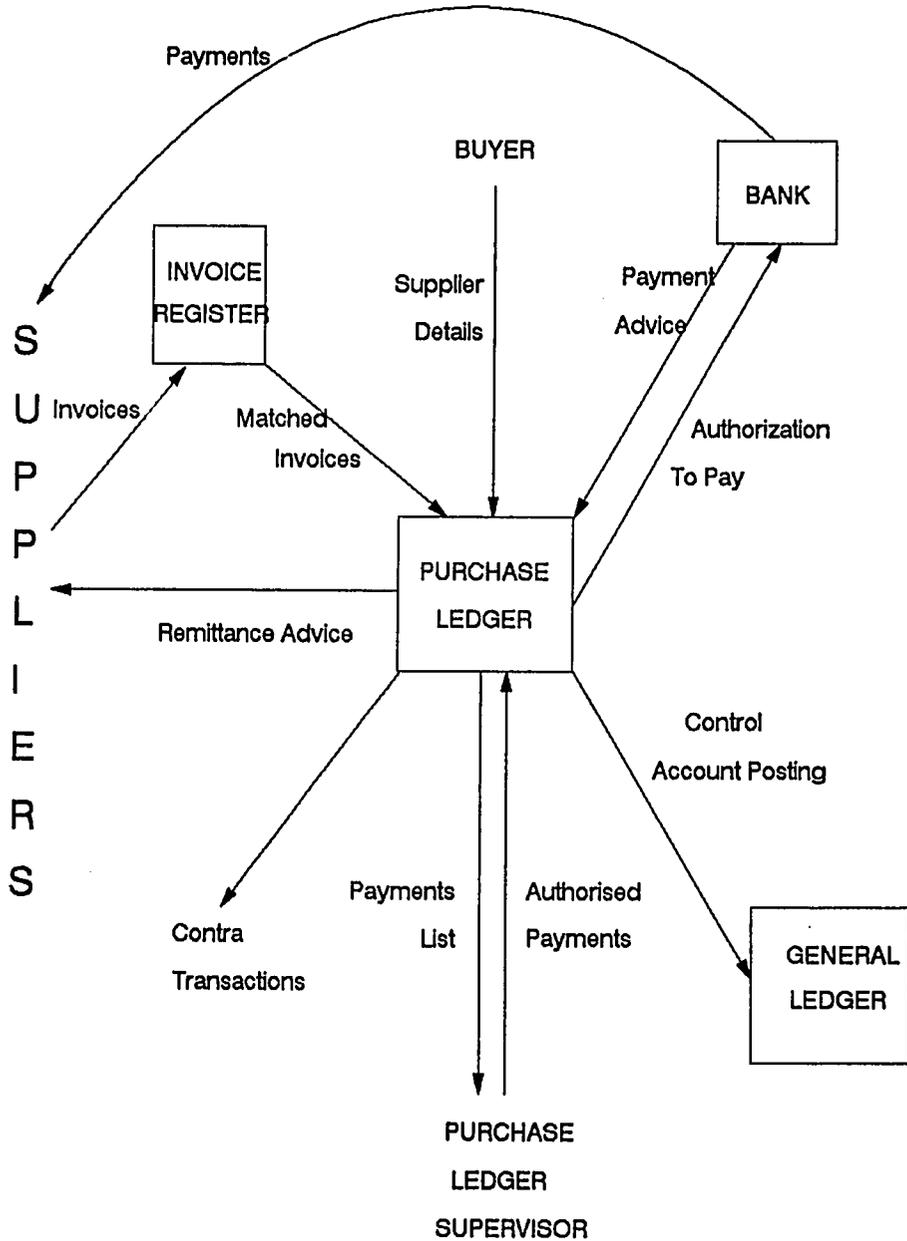
**Open items** : Details of all unsettled sales ledger transactions analysed by customer transaction type, transaction number, transaction date and customer reference

**Analysing sales** : By customer, product

- Aged debtor report-summary** : Analyses of total outstanding balance by customer by age between current, 30 days, 60 days, 90 days, 120 days+.
- details** : Detailed analysis of open items showing ageing as above for each customer
- Ledger cross reference listing** : See purchase ledger - above
- Sales ledger movements report** : Total movements for the period and year to date by transaction type giving opening balance and closing ledger balance
- Customer name and address listing** : Standing data report of all customer details and selected details - name short address and customer code
- Standing data amendment report** : Additions and amendments to customer details, the user, date and details of change
- Credit Suspension Report** : Identifies customers who have exceeded their credit limit
- Management Information Reports**
- Summary and detailed profit and loss accounts** : These must provide a periodic report of revenue and costs at
- Division
- divided between direct and indirect costs and in detail by account code. To be available monthly. Including comparison with budget.
- Product/Works order profitability reports** : Details of costs and revenues at the level of individual works orders, product codes and groups of products. To be available on at least a monthly basis and costing system analysed as in cost centre P&L accounts.

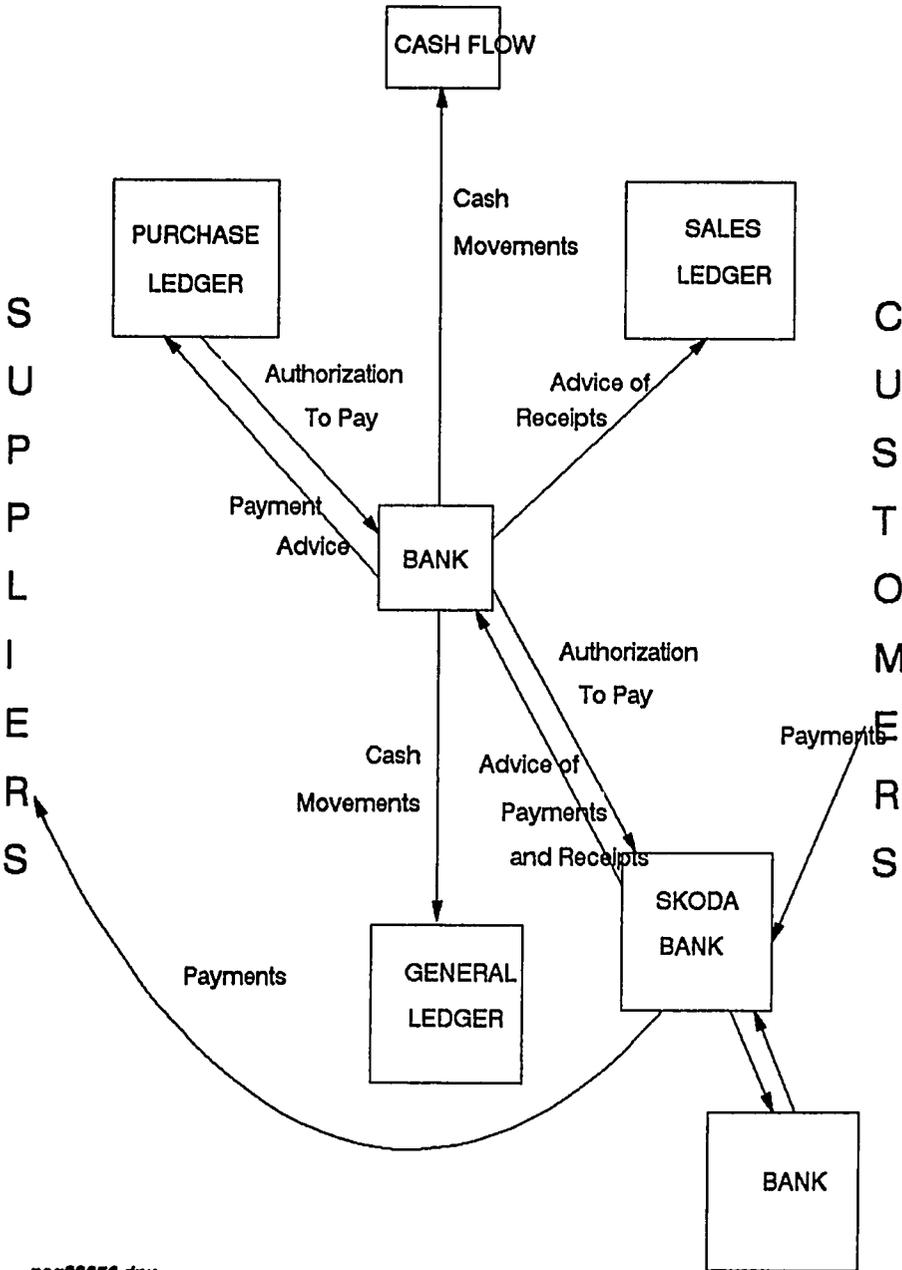
<b>Key ratio and trend analyses</b>	: Concerning - contribution by production unit, product group and products - overheads - debtor and creditor days - etc.
<b>Cash flow statement</b>	: Daily Statement of current cash position, commitments for known expenditure and anticipated receipts during the next 30 days
<b>Rolling cash flow report/forecast</b>	: 3 and 6 months forecast updated monthly with a comparison with previous forecast against actual cash movements  : To cover all regular known and expected payments and receipts both from internal and external sources
<b>Monthly profit and loss statements</b>	: In statutory and western formats by division
<b>Monthly balance sheet</b>	: Four times a year in statutory and western formats by division
<b>Inventorying movement information</b>	: Details of stocks on hand by stock category, highlighting slow - moving categories
<b>Product margins report</b>	: Details of selling price and costs by product group and individual product code highlighting negative and low margin items
<b>Control Reports</b>	
<b>Audit trail listings</b>	: For the general ledger and all subledgers giving details of all transactions during the current period (prior to period end processing)
<b>Control account reconciliation reports</b>	: Reports showing movements on all key control accounts for reconciliation to the underlying subledgers

# PURCHASE LEDGER SYSTEM



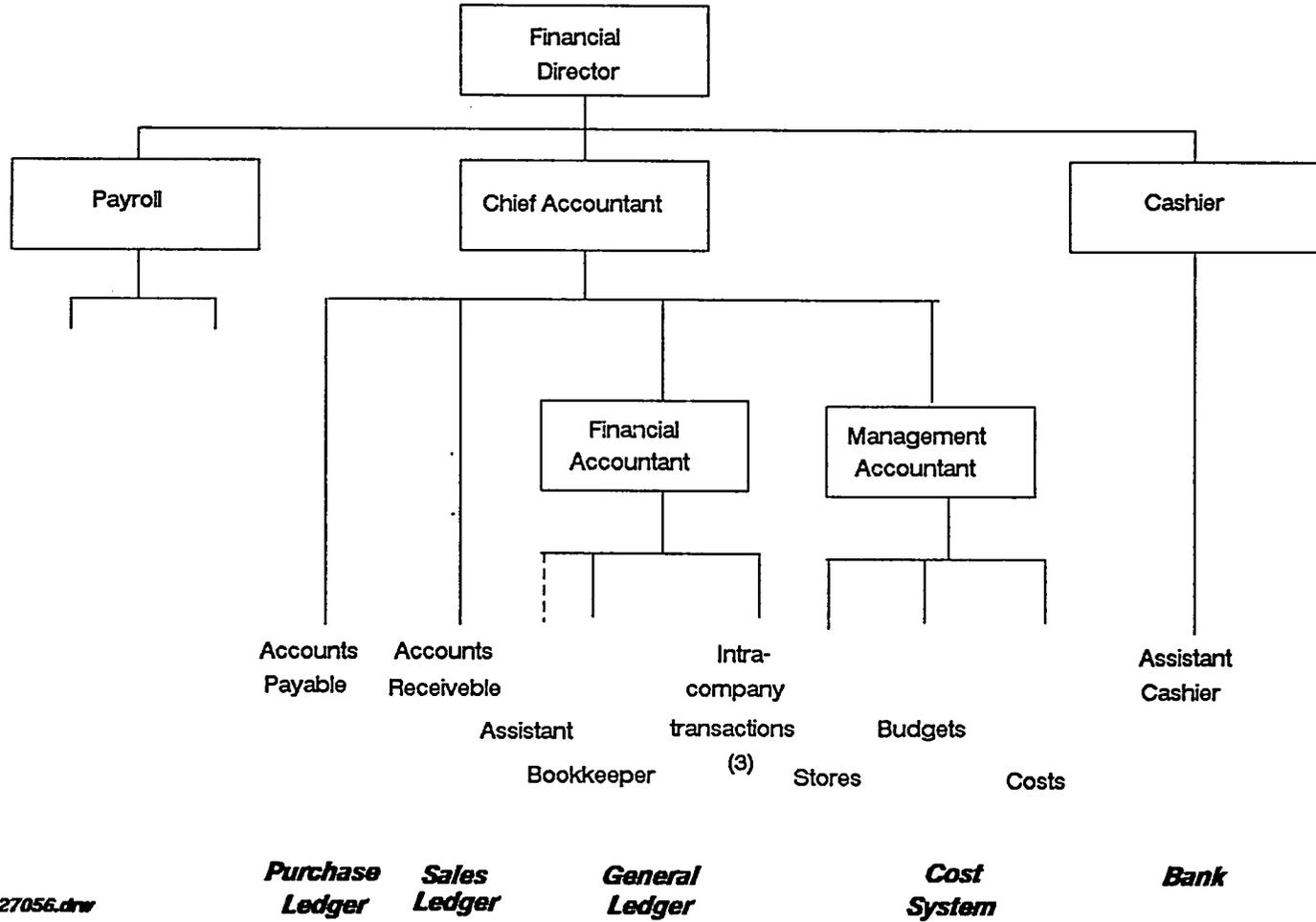
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# BANK SYSTEM



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**ORGANIZATIONAL STRUCTURE**

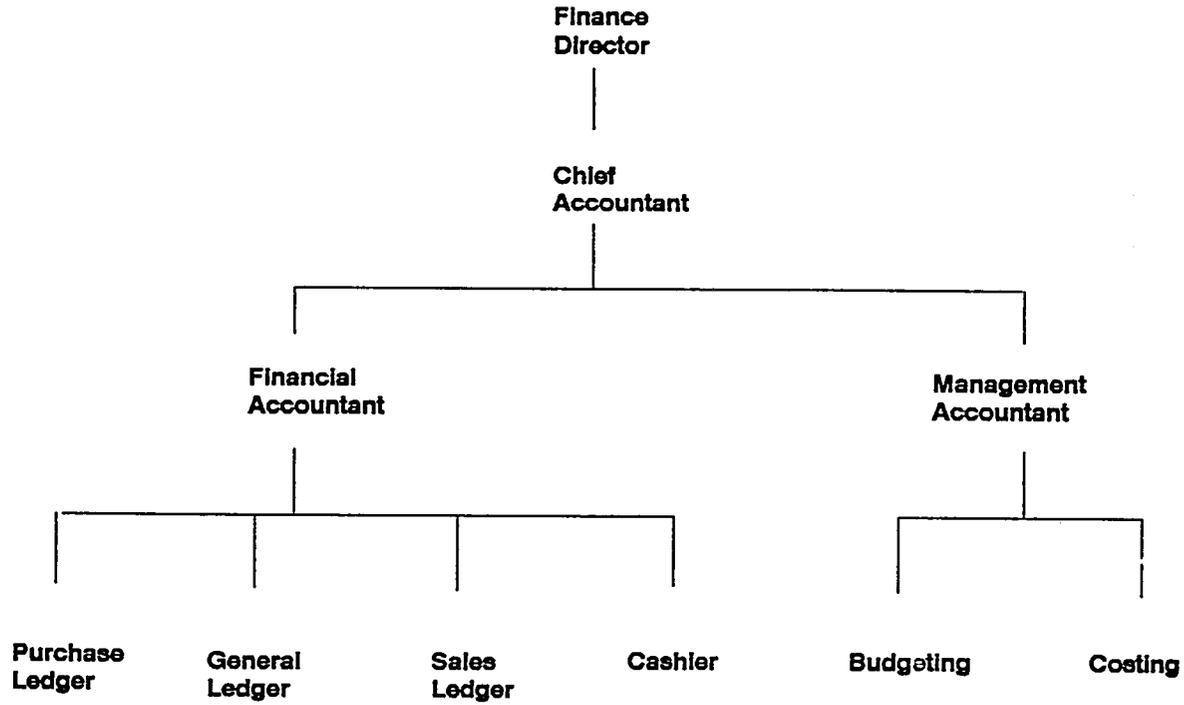


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*PROPOSED FINANCE DEPARTMENT ORGANIZATION*

*TOOLS DIVISION*



*Handwritten initials*

## **APPENDIX**

**A. TEAM MEMBERS**

**B. STEERING GROUP MINUTES**

## **TEAM MEMBERS**

### **Coopers & Lybrand**

**John Cromack**

**Project Manager**

**Roger Lund**

**IT Specialist**

**Pavla Straková**

**IT Specialist**

**Helena Čadanová**

**Auditor**

**Hana Klíčová**

**Manufacturing Consultant**

**ŠKODA PLZEŇ  
MINUTES OF PROGRESS MEETING  
HELD 16 APRIL 1992**

**Meeting in the Tools Division with Mr. Fiala**

**Present:** Mr. P. Fiala (PF)  
Mr. P. Beránek (PB)  
Mr. M. Mic (MM)  
Mr. Duda (D)  
Mr. J. Hunter (JH) - Coopers & Lybrand  
Mr. J. Cromack (JC) - Coopers & Lybrand  
Mr. R. Lund (RL) - Coopers & Lybrand  
Miss P. Straková (PS) - Coopers & Lybrand

The purpose of the meeting was to discuss progress on the implementation of the MAX Accounting System in the Tools Plant of ŠKODA Plzeň.

JH introduced the team to the Tools Plant management. He explained that Peter Hounslow is ill and that RL and JC will jointly replace PH. It was agreed that a meeting with Mr. Skaloud, the new Finance Director, should be arranged for 2pm on 16 April.

PS summarised the progress to date.

JC outlined the major issues facing the project at this stage.

**Relationship between the Tools Plant and the Centre.** It was agreed that the Tools Plant management aim is to be an independent legal entity in 1993. It was agreed that the exact timing of this has not yet been agreed the project would assume that Plzeň will be a "fully self-accounting entity). Consequently the system must be capable of supporting the production of Statutory reports to comply with Czechoslovak legislation.

The nature of the legal entity will be that of a wholly owned subsidiary with all the shares owned by the Škoda Concern.

**New Czechoslovakian accounting standards.** It was agreed that the system will initially produce only management accounts. The project schedule will be amended to support the implementation of statutory reporting in January 1993. Coopers & Lybrand will make every effort to discover the regulations as soon as possible so as not to delay the project unduly.

**Project Organisation.** Responsibilities for the Sales and Purchasing functions have not yet been finalised.

A team leader from the Tools Plant will be identified shortly.

It was agreed that the membership of the Steering Committee should consist of Mr. Fiala, Mr. Skaloud, the new Finance Director of the Škoda Concern, a member from Coopers & Lybrand, and the Project Leader from the Manufacturing Project. The role of the committee will be to monitor progress and resolve policy issues.

A project Room will be made available from 27 April.

**Suitability of MAX.** It is not yet possible to comment finally on the suitability of the MAX package as the requirements have to be finalised.

RL presented the scope and assumptions surrounding the project. Assumption 6 only quantifies the current number of purchases from external suppliers. When the internal suppliers are included this number will be increased by a factor five.

Assumption 10 is dependant on the exact relationship with the Centre.

Assumption 11 should include by computer files where practical. It was agreed that these files may be accompanied by paper reports.

RL pointed out that these assumptions are a base from which to develop the system. They may be refined or changed during the design and development of the system.

JC presented the project plan. It was agreed to revise this to take into account the proposed new accounting regulations, and the plant shut 27 July t 10 August.

A date for the next Steering Committee meeting was fixed at 14 May.

**TOOLS DIVISION**  
**STEERING GROUP MEETING, 8 JUNE**

**Present:**      Mr. Skaloud              Mr. Cromack  
                    Mr. Fiala                      Ms. Straková

**Minutes of Previous Meeting**

- Minutes adjusted, agreed upon and signed

**Work to date**

- The Business model required some additional data to be completed
- The Organisation structure is to be modelled around the requirements for Max software. This is to be reviewed by June 15<sup>th</sup>.
- Report forms will be produced Monday 15 delayed due to the revisions on the data flows.
- Mr. Fiala raised the issue that the report on Auto and manual Boundaries was fine however he feel it did not go into enough detail.

**Issues**

- IFC, the timetable to Nov has been agreed, however the work must be completed by then.
- Relationship with Skoda Bank:
  - Tools are attempting to monitor transactions with other Skoda Concern divisions. Tools Division feel no major change to forms are required in order to control these inter-concern transactions.
  - Skoda bank account, Mr. Fiala is concerned that Tools Division will not see cash movements within the Account. Mr. Skaloud explained that all Divisions are likely to be given sub-accounts to monitor cash movements.

- Czech Accounting standards are likely to be based on the French method.
- Product costing
  - No decision has yet been made on whether to operate fully absorbed or marginal costing. Historically Skoda worked to Government guidelines to fully absorb costs into WIP. This is to be discussed.
- Date next meeting will be at 9.00 on 16 July

# **ŠKODA PLZEŇ**

## **TOOLS DIVISION**

### **STEERING COMMITTEE 16 JULY**

- Agenda:**
- Minutes of previous meeting
  - Work to date
  - Major issues to be addressed
  - Implementation Plan
  - Any Other Business

Škoda Plzeň: Phase Two

WORK TO DATE: JUNE

### Technical Procedures

- Costing methods were reviewed with the Tools Division management.
- Revised data flows were presented to the Tools Division management
- Draft management reports were presented to the Tools Division management for review.
- The structure of the stock accounts and the Chart of Accounts has been reviewed.
- The setting up of the test environment has been started. This will be completed once the structure of the stock accounts has been finalised.
- Test Controls have been defined.
- Key users from the Finance Department have been identified on the organisation chart

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## ISSUES

- Impact of producing Work in Progress reports for sub-division has been discussed. The production of these reports will require MAX Manufacturing Module to be redefined. We are awaiting on analysis on the amount of internal cooperation between sub-divisions to assess the need for these reports.
- The impact and requirement for producing Profit Statements by sub-division have been discussed. It has been agreed that a Profit Statement should be produced for the Division as a single unit. Financial information for sub-divisions will be restricted to cost information. Should further information be required it will be necessary to redefine the manufacturing module.
- Because of differences between the British and Czech banking regulations it may be necessary to modify the Banking module. This issue is under investigation.

- System validation reports** : Outputs from internal system checking processes to ensure completeness of double-entry, validity of all coding combinations
- System access monitoring reports** : Details of programs accessed by different users, giving the time, date, and details of activities performed
- Security profile reports** : Reports of the security profiles of users detailing the functions that can be accessed, the documents, the accounts codes and combinations available to the individual users

**TITLE** Standing Data Listing

**DESCRIPTION**

The Standing Data Listing is produced for each file of Standing Data, principally the Chart of Accounts. By standing data we understand parameters, master files and user defined mechanisms, eg. definitions of user defined reports, definitions of journals, mathematical formulas etc.

**SORT SEQUENCE**

Standing Data key field

**TOTALS**

None

**FREQUENCY**

On request

**REPORTS ATTACHED**

Dates of month ends

Parameters for General Ledger

Chart of accounts

Example of Report definition (for Cost Statement report)

Example of Definition for standing journal, proportional journal, sequenced journal

**TITLE** Transaction Report

**DESCRIPTION**

The Transaction Report is the principal source of the audit trail in the system. it records all the accounting transactions entered into the system and shows their type, date, source, etc. It is used to trace postings and journal entries to the system.

**SORT SEQUENCE**

Account  
Date

**TOTALS**

Account  
Opening Balance  
Movements for the month  
Closing balance

**FREQUENCY**

On demand  
Monthly

**TITLE**    Summary Trial Balance

**DESCRIPTION**

The Summary Trial Balance is used to confirm that all postings to the system consist of a debit and balancing credit posting.

**SORT SEQUENCE**

Account

**TOTALS**

Account

Current month  
Total Debits, Total Credits

Year to date  
Total Debits, Total Credits

Total for all accounts  
Total Debits, Total Credits

Total Debits, Total Credits

**FREQUENCY**

Weekly  
Monthly  
On Demand

**TITLE** Detailed Trial Balance

**DESCRIPTION**

The Detailed Trial Balance is used to confirm that all postings to the system consist of a debit and balancing credit posting.

**SORT SEQUENCE**

Account

or

Batch

**TOTALS**

Account

Debits

Credits

Debits plus Credits (should be 0)

**FREQUENCY**

Weekly

Monthly

On Demand

**TITLE** Cost Centre Statement

**DESCRIPTION**

The purpose of this report is to provide Cost Centre managers with financial control information for their Cost Centres. The report is used to identify variances from budgeted costs. Cost centre managers should review this report and investigate the reasons for the variances. An example of the format is attached.

**SELECTION CRITERIA**

Expense Accounts

**SORT SEQUENCE**

Cost Centre  
Account  
Sub-Account

**TOTALS**

Cost Centre

**COLUMNS**

Current Month Actual  
Current Month Budget  
Current Month Variance = (Current Month Budget - Current Month Actual)

Year-To-Date Actual  
Year-To-Date Budget  
Year-To-Date Variance = (Year-To-Date Budget - Year-To-Date Actual)

**FREQUENCY**

Monthly  
On demand

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**TITLE** Cash Flow Forecast

**DESCRIPTION**

This report is prepared to forecast the cash requirements of the business for the next twelve months. It is based on:

- the purchases budget which in turn is based on the known requirements for materials for production;
- known payments for wages and other expenses;
- the sales budget;
- forecast purchases and sales of fixed assets;
- interest repayments;
- any other known cash movements.

The forecast should take into account any delays between issuing an invoice to a customer and receiving the money, and delays in paying suppliers. For example: if an invoice is sent to a customer in April but the cash is not received until June, then the Cashflow Rreport will record the receipt in June.

This report is prepared on a spreadsheet using data from the Sales and Purchase Ledgers and Bank system.

**SELECTION CRITERIA**

None

**SORT SEQUENCE**

None

**TOTALS**

Operating Cash Flow

Net Cash Flow

Closing Balance

**FREQUENCY** Monthly and on demand.

**TITLE** Profit & Loss Statement

**DESCRIPTION**

The P&L Statement Report gives an information about the business mainly concerning costs and revenues for a certain period.

**SORT SEQUENCE**

None (depends on the definition)

**COLUMNS**

Current month

Actual

Budget

% (= Current Month Actual / Current Month Budget \* 100)

Cumulative

Actual

Budget

% (= Year-To-Date Actual / Year-To-Date Budget \* 100)

**FREQUENCY**

Monthly

## REPORT SPECIFICATION

TITLE Budget Report

### DESCRIPTION

The Budget Report gives information about each item of the budget.

### SORT SEQUENCE

Account

### COLUMNS

Budget for the month

Total Year Budget

### FREQUENCY

Annually

On demand

## REPORT SPECIFICATION

TITLE    Balance Sheet

### DESCRIPTION

The Balance Sheet Report gives information about assets and liabilities at a certain date.

### SORT SEQUENCE

None (depends on a use definition)

### COLUMNS

Opening balance at the beginning of the year  
Closing balance at the year end

### FREQUENCY

Annually

### Identification of manual/automatic boundaries

This report describes which modules within the system assure automatic transfer of data and which of them require manual input.

#### **General Ledger System:**

General Ledger will be automatically updated from following modules within MAX:

- Purchase Ledger
- Sales Ledger
- Purchase Order Processing
- Inventory
- Bank

The Tools Division will be using services of Central Payroll and Fixed Assets Accounting Department. These departments will produce summary reports (summarised payroll transactions/depreciation, summary fixed assets movements) in a prescribed form for MAX, the data of which will be manually input through predefined sequenced journals.

General Ledger Reports will be produced automatically from the system - Cost Centre Reports, Trial Balance, Balance Sheet, Budget Reports etc. The link between concern and the Tools Division will be assured manually in the form of a Balance Sheet and P & L report.

On the basis of requirements from the Tools Division there will be certain reports developed using a spreadsheet package - key ratio reports, trend reports, rolling cash flow forecast etc. These reports will require a manual input of data produced by MAX. However it might be possible to develop an automatic down load of data from MAX using more sophisticated spreadsheet packages.

#### **Sales/Purchase Ledger**

Assuming that all purchases and sales will be carried out by the Tools Division no manual transfer of data between concern and the division will be required.

The Sales Ledger will interface automatically with sales order processing. The

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Purchase Ledger will interface automatically with purchase processing.

The Tools Division will monitor intra - concern suppliers/clients in the same way as external suppliers/clients. From this point of view the volume of manual inputs in the Sales/Purchase Ledger will increase substantially (order processing, invoicing etc.).

### **Bank System**

All transactions concerning cash movements (purchasing/sales, movements between accounts) update bank accounts automatically.

Bank system in MAX will print payment authorizations for Škoda bank, which will use them as a manual input for their bank system. On the other hand Škoda bank will provide advice of payments and receipts to be input manually to Bank module in MAX. There will be a high volume of data transferred between the Tools Division and Škoda Bank as these transactions involve external and internal payments and therefore the development of an automatic interface should be reviewed in the future.

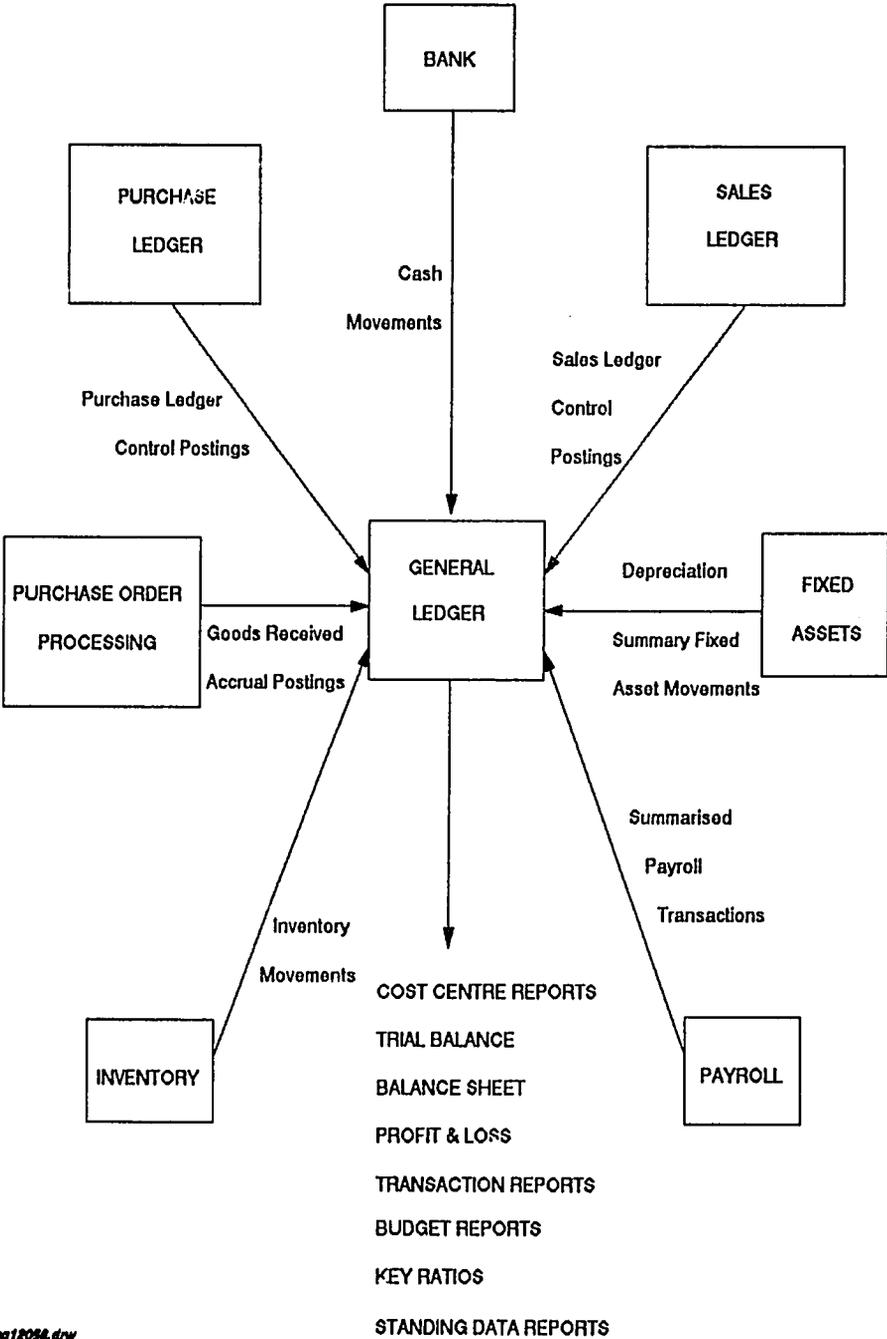
## V OVERVIEW OF FUTURE SYSTEMS

On the following pages are a series of schematic diagrams for each of the four Financial functional areas as follows:-

- a) General ledger system
- b) Sales ledger
- c) Purchase ledger
- d) Bank system

In addition the final two diagrams in this section describe the present organisational structure in the Tools Division and the recommended structure for future operations using the new systems.

# GENERAL LEDGER SYSTEM



# SALES LEDGER SYSTEM

