

Conference Review

“Financial Management of Firms and Financial Institutions”

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The International Scientific Conference Financial Management of Firms and Financial Institutions (FRPFI) took place in Ostrava in the Czech Republic between 6th – 7th September 2017. The conference, which takes place every two years, has been aiming at the dissemination of ideas, research and various approaches in the financial management and decision-making of companies since 2009. The Department of Finance, the Faculty of Economics, the VŠB – Technical University of Ostrava, celebrated 40 years (1977-2017) since their inception and organized the conference.

Dana Dluhošová (VŠB - Technical University of Ostrava), a member of the Organizing Committee, started the conference with a welcome speech. She introduced Zdeněk Zmeškal (Dean, Faculty of Economics, VŠB-TU Ostrava), Petra Pospíšilová (President of the Chamber of Tax Advisors), Petr Musílek (Vice-Rector for Science and Research, University of Economics, Prague), Petr Gurný (Department of finance, Faculty of Economics, VŠB -TU Ostrava), and Martin Macháček (Department of economics, Faculty of Economics, VŠB -TU Ostrava).

Petra Pospíšilová started the plenary session. She dealt with current assessment of the tax policy in the field of legal persons in the Czech Republic. She talked about Czech tax administration and discussed what the public sector can do, what can be changed, and what is problematic to change. Czech economy is heavily influenced by foreign direct investments, the presence of multinational companies, and most importantly the European “Acquis communautaire.” Taxes are a game for politicians and a popular election theme, but there is no room anymore for radical changes in the analyzed tax settings. According to her, the changes in the tax system in the field of legal persons (corporations) in the Czech Republic can be only parametrical.

Tax collection is influenced by the efficiency of tax administration. Large businesses have been losing their national character and have the flexibility to manage their taxes. Czech

tax administration is not able to see the multinational dimension. Large corporations have the option to switch from one tax collection country to another and they take more factors into consideration. One of them is the amount of costs of administration related to taxes.

The latest 2008 crisis has shown both strong and weak sides of the Czech tax administration. Businesses had negative profits and they did not pay any taxes. There were tax scandals concerning Amazon, UBER, and Apple who decided not to pay taxes by having headquarters in one country and management in another country since there are different approaches to tax collection of multinational corporations in Europe and the US. This is a well know example since 1961 (JFK Special message to the congress on taxation 136, 20 April 1961) but there is still no consensus or improvement.

There are also substantial differences in the amount of information in the hands of tax administration offices. There are many sources of information in the Czech Republic but significantly less in Western Europe. There are new efforts like the EU Tax Avoidance directive and better information exchange but the current state of things is lacking skilled workers and better e-government.

Prof. Musílek introduced his work on investment bubbles. His approach is to classify bubbles and add a more philosophical aspect. The well-known market hypothesis suggests that the price mechanism in liquid markets is effective but we can observe that there are all kind of failures on the markets. Modern financial markets are characterized by substantial and step changes in prices. These changes are fundamental and linked to unexpected factors.

That is why there are many definitions. Some are trying to emphasize psychological factors, some are trying to develop an approach that would measure deviations from "internal" or "correct value". How to create an intrinsic value which is correct, right and not distorted is difficult and may be even impossible. The problem is to account for frauds, investment criminality, and public policies. Some definitions built on the fact that bubbles eventually burst. In this case, we can calculate the risk of the bursting of the bubble. But there are financial bubbles that were not bursting and we observed a soft landing.

The new microbubbles are caused by algorithmic (bot) trading. Speculative bubbles are a mix of fundamental and psychological factors. Behavioral economics suggests that there are noise traders who can cause chain failures in the markets.

In his contribution, prof. Musílek suggests that stock market efficiency is not constant. We must account for breakthrough events such as new Information, new trading ways, or changes in the environment. A substantial factor is the state. Central bank active monetary policies contribute to sentiment swings in equity and real estate markets. There is no simple solution to deal with investment bubbles and it is very difficult to predict them. His work suggests steps, which can be used to analyze protentional investment bubbles.

Dr. Gurný was the last keynote speaker of the introductory session and talked about new ways of value of the business determination based on sectoral value multipliers. This

approach is practice oriented. His team is trying to develop a fast way for valuing private publicly-traded companies. The correct method of future-discounted-asset-effects is too laborious. They suggested to implement the current value of perpetuity of the industry. Their approach is quite satisfactory and provides reliable estimates.

The next sessions that continued on the second conference day were mostly aimed at new methods of prediction in the financial markets and portfolio management. VŠB-TU Ostrava is oriented at time series and panel data analysis and this institution is known to educate financial analysts. The contribution was mostly experimental and presenters suggesting new methods and approaches.

The value added of this conference is in the ability to provide academic contacts. The Faculty of Economics VŠB-TU Ostrava aims at networking and cooperation. The members of all departments of the Economic faculty (National economy, Economics, and Finance) provided a great experience and showed interdisciplinary critique. Most of the participants utilized extensive econometric critique and creative suggestions to try new ways of estimation. Some of them found new data sources and new research ideas.

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