

The Originality of the Juche-Oriented Theory on Monetary Calculation

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The great leader Comrade **Kim Il Sung** said as follows.

“Money is the criterion by which an economy is assessed. In other words, all economic activities must be assessed in terms of money. They cannot be assessed in any other way.”
(“**KIM IL SUNG WORKS**” Vol. 38 P. 332)

It's a general requirement of any society to account and assess the economic activities in terms of money. And the purpose and scale of the monetary calculation depends on the nature of the social economic society and its ideological theory.

The great leader Comrade **Kim Il Sung** and Comrade **Kim Jong Il** created Juche-oriented theory of monetary calculation and have developed it according to the practical needs of the socialist economic development.

Juche-oriented theory of monetary calculation, which embodied Kimilsungism – Kimjongilism is the man-centred theory. It means that this theory reflects the process of the economic activity of the popular masses as a master in terms of money.

Juche-oriented theory on monetary calculation systemizes the calculating process that reflects the creative economic activities to implement the independent requirement of the popular masses and it also systemizes the monetary calculation that performs a control function over it in a close relationship with the calculation in kind.

This fundamentally differs from the pre-existed profit-centered theory of monetary calculation or material-centered one.

The reason why this theory is unique is that this elucidates a general law of the development for the socialist monetary circulation and on basis of that this summarizes a well-organized system for the elements of the theory.

This theory scientifically elucidated the general law of development for the monetary calculation.

Taking account of the importance of statistics in the socialist construction this theory elucidated that statistics itself is socialism and social society shouldn't calculate money with each institution and enterprise as a unit but with a state as a unit. Addition to this, this theory elucidated everything must be accounted in the socialist economic management and the further the economy develops, the more necessary this calculation is. Generally speaking, the development of socialist economy system is considered in two aspects: the relations of ownership, which is fundamental, and productivity.

The development of monetary calculation is leveled by the change of ownership relations and it's a general law to develop it with ownership as a unit.

Socialist society is based on the state ownership of the production means and money has been calculated with institutions and enterprises as a unit and also within the range of a national state.

Capitalist society is based on the private ownership of the production means and accounting has been developed corresponding to the development of the private ownership.

During the industrial capitalist period, double-entry bookkeeping reflected the movement of the

individual industrial capital and commercial capital in terms of money, which acted as a capital accumulation means.

In the imperialist stage, this has been developed into capitalist business accounting which acted as capital accumulation means and concealing means for exploiting relations along with the emergence of modern stock company and formation of monopoly.

In the modern imperialist stage, business accounting has acted as balance estimating means for the needs to estimate profits on one hand and this has been developed into multinational business accounting as the individual monopolistic capital has become international monopoly including several national businesses beyond the range of a nation on the other hand.

This theory summarized the well-organized system for the elements of the monetary calculation theory.

The preceding classicists put forward their own bookkeeping theories.

Marx mentioned the objects, position and importance of bookkeeping in his masterpiece “the Capital”.

He said that bookkeeping as “means for control and ideal outline of process” would become more necessary when the process would be performed over the scale of society and its individual nature would be lost as day went by.

And also he clarified that bookkeeping is more necessary in the capitalist production rather than (spread) manufacturing or agricultural production and more necessary in community production rather than the capitalist production.

Here, he meant process by the movement of capital.

So Marx pointed that the capital movement is confirmed and controlled by bookkeeping that includes pricing (price decision) and the calculation of goods price.

This shows that he saw the object of bookkeeping as the capital movement.

Marx thought that bookkeeping performs function as “means for the control and ideal outline” towards the movement of capital.

This proves that he saw the bookkeeping to perform the reflection and control function towards the capital movement.

But he didn’t clarify that the capitalist accounting would perform the function as the estimating means for the capital movement because of a fiercer market competition up to the modern imperialist stage, and for the fact that the socialist bookkeeping has converted into socialist accounting, it reflects the practical requirement of the socialist economic management for the strict estimation of real profit and became able to estimate the movement of the working funds.

He emphasized that bookkeeping is more required for the capitalist market economy based on private ownership rather than the self-economy of the feudal society and more for the socialist planned economy based on the public ownership rather than the capitalist market economy.

He mentioned that as the social economy system develops, the monetary calculation is accounted much of but he didn’t elucidate what its basis is and what a general law of the monetary calculation development is.

Such a theoretical limit is brought about, not being experienced of the imperialist stage and the socialist stage.

Lenin mentioned about the importance and significance of accounting in the socialist society and its public nature.

While leading a socialist revolution into a victory and the socialist construction for a certain period of time, Lenin only emphasized the importance and significance of the monetary calculation under socialism and clarified its nature and position.

But he didn't put forward the economic theories that can develop and summarize a system of the socialist monetary calculation.

Juche-oriented theory of monetary calculation rid of the historical limitation of the preceding classicists on the monetary calculation theory and summarized a well-organized system of the components for the man-centered monetary calculation theory.

It has included such components as bookkeeping theory and cost accounting theory—a calculation means for the operation of the institution and enterprise, accounting theory and statistics theory – a nationwide economic calculation theory.

Another reason why this theory is unique is to enable the state to estimate the nationwide real profit for the first time in the history.

Every kind of accounting doesn't have the nation-wide system of monetary calculation. The capitalist countries regard “National Economy Accounting” or “Social Accounting” as an overall(comprehensive) money calculation type – “State Accounting”, which is based on statistics methods having no accounting relations with the business accounting – no more than a monetary calculation type in balance-sheet form.

Therefore the capitalist “Nation Economy Accounting” or “Social Accounting” can't ensure the scientific accuracy of the accounting, and they haven't established an accounting system for the nation-wide real profit.

This is due to the fundamental weakness of the capitalist economic system with no centralized and unified economic management under which enterprises that are based on the private ownership of the productive means perform the absolute independence.

Nation-wide system of monetary calculation is essential requirement of the socialist economic system with the state's centralized and unified instruction orders and also is the vital requirement of the socialist economic management with the ensuring of the real profit as its main principle.

Our country introduced the Juche-oriented theory of monetary calculation to unify a methodology of the financial accounting – accounting type of individual economic units and establish a well-organized comprehensive accounting system including every possible instructive units – location, economic sector, financial sector and central financial institution.

This is the unique accounting system of the nation-wide mechanism of the monetary calculation for the first time in the accounting history.

It is the main principle of the socialist economic management to maximize the real profit, keeping firmly the socialist principle.

To ensure the real profit in the socialist economic construction is to make an effective use of the human and material resources of the society in order to benefit the national prosperity and the people's welfare.

The great leader Comrade **Kim Jong Il** taught us to establish a right system of monetary calculation in order to evaluate the result of economic management comprehensively on the scale of economic sector and nation-wide and to work out the output with the input – labor, material and funds in the institutions and enterprises, which forms the main part of the socialist accounting system.

Financial accounting system, as a monetary calculation system of which reflects, controls and balances the change of management fund, is a basic element in the socialist accounting system.

It is considered to contribute to ensure the real profit in the socialist economic management since it enables the individual institution and enterprise to grasp the management funds, income and expenditure, net income and its distribution scale so as to offer basic necessary materials for getting index of real profit.

Real profit in the socialist economic management is defined in terms of money by the quality index such as cost price, profit, profitability and management fund utility rate, which summarizes the result of the economic activities.

Financial accounting system fixes the proportion of the cost price by operational expenditure accounting and the proportion of the profit by net income accounting.

Financial accounting system analyses and evaluates the profitability by comparing the net income with the operating expenditure, especially utility rate of management funds comparing the proportion of the state enterprise profit with that of the management funds.

This system also compares the state enterprise profit and net income – main part of the net income distribution and defines the proportion of the enterprise profit to the state.

In addition to that, this makes it possible to find out the factors that effect on the profit index such as profitability, working fund utility rate and their relations in number through the working fund analysis.

Like this, financial accounting system allows the institutions and enterprises to work out their real profits as the main part of the socialist accounting system.

As the main part of the socialist accounting system, overall accounting system is intimately related with the financial accounting system.

Local accounting and sector accounting take the results of the financial accounting as their basic data. Relationship between financial accounting and local accounting, between local accounting and central accounting forms the main anatomy of the socialist accounting system. Between local accounting and sector accounting, between local accounting and bank accounting has a relationship of comparing the accounting data. Central accounting is carried out by summarizing the results of local accounting, sector accounting and bank accounting.

As such, the socialist accounting system has a unified sophisticated system of nationwide monetary calculation including institutions and enterprises, location, sectors, banks and the whole as the entire.

Indeed Juche –oriented monetary calculation, which the great leader Comrade **Kim Il Sung** has created and Comrade **Kim Jong Il** has developed, is valuables that enriched the treasure house of financial ideas and theories and is the firm guideline to develop the financial affairs corresponding to the requirement of age of knowledge-based economy.