СТАН І ПЕРСПЕКТИВИ РОЗВИТКУ БУХГАЛТЕРСЬКОГО ОБЛІКУ ПІДПРИЄМСТВА

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CHANGES IN THE POLISH ACCOUNTING LAW IN 1994-2014

Summary. *Accounting in Poland is conducted in accordance with the Accounting Act of 29 September 1994 and other legal acts issued based on this Act. In the past 20 years, Polish accounting law has been amended, taking into consideration the changing international regulations and conditions of business operation. The purpose of this article is to present the evolutionary changes which Polish accounting law has undergone for the last twenty years.*

Keywords: Polish accounting law, accounting, principles of accounting

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ЗМІНИ У ЗАКОНОДАВСТВІ В ГАЛУЗІ БУХГАЛТЕРСЬКОГО ОБЛІКУ У ПОЛЬЩІ У 1994-2014 РР.

Анотація. *Бухгалтерський облік в Польщі ведеться згідно Закону "Про бухгалтерський облік" від 29 вересня 1994 року та інших правових актів, що видані на підставі цього Закону. В останні 20 років у Польщі законодавство у галузі бухгалтерського обліку зазнало змін, з урахуванням змін у міжнародних правилах і умовах здійснення господарської діяльності. Мета цієї статті полягає у розкритті еволюційних змін, яких зазнало у Польщі законодавство в галузі бухгалтерського обліку за останні двадцять років.*

Ключові слова: норми бухгалтерського обліку у Польщі, облік, принципи обліку

1. Introduction

Since the nineties of the 20th century, Poland has been reforming accounting policy for business entities through orientation of the principles of accountancy towards international solutions with respect to the specific nature of operation of business entities under conditions of systematic and economic transformation. Business entities in Poland which have kept accounting books for recent 20 years have implemented changes that occurred in legal acts in their internal accounting systems. The basic legal act that regulates the principles of accountancy in business entities in Poland is the Accounting Act of September 29, 1994 [17]. It is supplemented by executive acts, such as ordinances. The interpretation of the provisions of the Accounting Act is much facilitated by the national standards of accountancy[1]. They are considered as a substantive commentary to the Accounting Act [4, p. 27].

Accounting is defined as a "system of continuous recording, presentation and interpretation of the data concerning business activity and property status in a business entity, expressed in cash and balanced numbers" [5, p. 155]. The balance law in Poland defines accounting by listing its basic components. The accounting should be understood as:

1) accounting rules adopted (policy);
2) keeping the accounting books based on accounting records to present the events in a chronological and systematic order;
3) periodical evaluation, through stocktaking, of actual levels of assets and liabilities;
4) valuation of assets and liabilities and determination of the financial result;
5) preparation of financial reports;
6) collecting and filling accounting documents and the documentation as defined in the act;
7) auditing and publication of financial reports in the cases under the Act [17, Art. 4].

The fundamental principles of accounting defined by the balance law include the following:

- going concern principle;
- consistency principle;
- accrual basis principle;
- matching principle;
- prudence principle;
- substance over form principle;
- materiality principle;
- accounting period principle.

Using the principle of going concern (Art. 5, Section 2 of the Accounting Act), it is adopted during valuation of assets and liabilities and determination of the financial result that the business entity should

[1] National accounting standards are published by the Accounting Standards Committee.

continue in the predictable future, their business activities with the scope that did not change substantially (they did not plan liquidation, did not start a bankruptcy proceedings or did not change a legal form).

Respecting the principle of consistency (Art 5, Section 1 of the Accounting Act) requires that the adopted principles for recording operations, valuation of assets and liabilities and determination of the financial result and preparation of reports should be the same over individual years. This will ensure comparability of information. The change in the principles can be made from the first day of the financial year as an exception, and for the important and justified causes.

According to the principle of accrual basis (Art 6, Section 1 of the Accounting Act), the accounting books in an entity and the financial result should take into consideration all the incomes generated in the entity and the related costs concerning a particular financial year, regardless of the due date for payment.

Maintaining the matching (Art. 6, Section 2 of the Accounting Act) of the revenues and costs and determination of real financial results necessitates including, in the assets and liabilities for a particular reporting period, of the costs for future periods, revenues for future periods, and the costs related to the given reporting period which will be incurred in the future.

Although referring to balance items, the prudence principle (Art 7, Sections 1 and 2 of the Accounting Act) has also a direct effect on the value of the resultant items. It necessitates taking into consideration, in the financial result of the entity, regardless of the their level, a reduction in the asset's value in use, presentation of only indisputable operating revenues and extraordinary profits and recording all the operating expenses and extraordinary losses, reserves for the known risk, potential losses and effects of other events.

The principle of substance over form (Art. 4, Section 2 of the Accounting Act) manifests in the obligation of recording economic events (including economic operations) in accounting books and financial reports according to their economic contents.

The principle of materiality (Art. 8, Section 1 of the Accounting Act) necessitates such organization of collecting the accounting data that it is possible to separate the data which are essential for determination of property and financial situation of the entity, its financial result and profitability.

The principle of accounting periods leads to the obligation of division of accounting activities into the accounting periods (months, years).

Application of the above specific principles ensures meeting the principle of true and fair view.

The responsibility for accounting in a business entity is taken by the manager in the entity (single- or multi-person body, which is entitled to manage the entity: owner, liquidator, administrative receiver, and administrator). These persons define and update, in a written form, the principles of accounting.

The aim of this paper is to present evolutionary transformations in Polish balance law as a response to socio-economic transitions that have occurred in Poland and Europe. The research tools used in the study included analysis of literature and legal acts.

2. Principles of accounting in 1994-2002

The Accounting Act was created in 1994 and was based on the resolutions of the Fourth Directive of the EEC [2, 16] and the International Accounting Standards (IAS) (versions from 1993 and 1994). The act defined the entities of accounting, basic concepts, and principles of stocktaking, evaluation, preparation and publication of financial statements. It was composed of ten chapters devoted to such problems as:

a) general regulations for accounting according to the act;
b) principles of keeping the accounting books;
c) stocktaking for the balance sheet date;
d) evaluation of assets and liabilities and determination of the financial result;
e) financial statement of the entity;
f) financial statement of the capital group;
g) auditing and publication of financial statements;
h) data protection;
i) legal responsibility;
j) specific and transitional regulations;
k) changes in current regulations, final regulations.

The appendices to the act included the methods of presentation of the components of the financial statement separately for the banks, insurers and other entities according to the structure of the financial statement, i.e.:

a) balance;
b) profit and loss account;
c) additional information;
d) reports on cash flow.

Profit and loss account was prepared by the entities in either comparative or calculation variants. The entities were given the choice between two versions of each variant of determination of the financial result. Both comparative and calculation variant assumed the versions of double-side form (costs and losses on one side and revenues and profits on the other) and single-side form (ladder form). The category of other operating costs and revenues was introduced and defined for the first time. Report on cash flow was supposed to be prepared by separation of cash flow from operating, investment and financial activities, starting from the net profit (indirect method).

Auditing and announcing was performed for e.g. consolidated financial statements of capital groups and annual financial statements of the entities that continued the activities such as:

a) banks, insurers, entities acting based on the regulation of the securities exchange acts and investment funds acts;
b) joint stock companies;
c) other entities, which, in the previous year for which the financial statement was prepared, reached or exceeded the threshold of two of the three following levels:

- mean annual employment of 50 people;
- total of assets in the balance sheet at the end of the financial year: equivalent in Polish currency of at least 1,000,000 euro;
- net revenues on sales of products and goods and financial operations for the financial year were an equivalent in Polish currency of at least 3,000,000 euro.

The statements of the entities that used the Accounting Act and did not meet the above conditions were examined once every three years [16, Art. 64 Sections 1 and 3].

The act was implemented on January 1, 1995 and applied to financial statements for the financial year that started in 1995. A substantial and profound amendment to the Accounting Act was published in 2000 [18].

3. Principles of accounting in 2002-2008

One of the objectives of amendment to the Accounting Act was to implement the resolutions of the IAS more substantially. Progressing economic globalization reoriented the processes of harmonization of Polish accounting towards the solutions used in the world. The amended Accounting Act took into consideration the basic definitions of the assets, liabilities, costs and revenues and other significant concepts according to the conceptual assumptions of the IAS. The basic components of financial statements in individual entities and consolidated financial statements of the capital groups were also consistent with these assumptions.

The amendment also implemented such changes as:

1) the basic concepts were defined (assets, fixed assets, current assets, liabilities, reserves, financial instruments, capital instruments, revenues and profits, costs and losses, extraordinary profits and losses);

2) new parameters of evaluation were defined (fair value, loss of assets' value);

3) deferred income tax was defined anew and the balance method was implemented to determine the deferred income tax and to replace the former result method);

4) the currency exchange differences (except for the cases defined by the Act) were referred to the financial result.

Other important regulations of the amended Accounting Act in terms of valuation of assets and liabilities, costs and revenues include:

1) principle of valuation of investments and financial instruments;

2) valuation of net assets in combined companies;

3) valuation of uncompleted services in long-term contracts;

4) valuation of leasing contracts;

5) principles of creation of reserves and write-downs;

6) principles for valuation of physical fixed assets and current assets.

In terms of preparation of financial statement, the new solutions included:

1) changes in the layout of the balance sheet: a distinct division of assets and liabilities was made into short- and long-term items and items concerning transactions with interrelated and other entities;

2) in the profit and loss account: items presented per account balance (result from selling non-financial fixed assets, result from selling investments, currency exchange differences balance);

3) simplification and specification of the items of cash flow: the possibility of presentation of cash flow from operating activities using the direct method was introduced ("cash flow statement" was renamed into "cash flow account");

4) introduction of a new component of the financial report: "statement of changes in equity";

5) division of previous additional information into the two parts: "Introduction to financial statement" and "Additional information and explanations". "Introduction to financial statement" is subject to publication if the entity is obliged to publish financial statements;

6) specification and supplementation of forms of capital relationships and preparation of financial statements by the interrelated entities.

Starting from 2000, the financial entities that were subject to the periodical auditing every three years according to the previous version of the Accounting Act were exempt from this obligation. The thresholds of obligatory auditing of financial statements for the entities listed in the Art 64, Section 1 were substantially increased. From 2002, these thresholds are:

- mean annual employment of 50 people;
- total of assets in the balance sheet at the end of the financial year: equivalent in Polish currency of at least 2,500,000 euro;
- net revenues on sales of products and goods and financial operations for the financial year were an equivalent in Polish currency of at least 5,000,000 euro.

Accession of Poland to the European Union in May 2004 brought the necessity of adaptation of Polish Accounting Act to the European solutions. Therefore, the Accounting Act was extended with the provisions that offered possibility or implemented the obligation of using IAS by the entities defined by the Act [15, Art. 2]. The obligation of using IAS concerned the consolidated financial statements of the issuers of securities admitted to public trading and banks.

According to the Article 10 of the Accounting Act, in the case of issues not defined by the act, the business entities that choose the principles of accounting are allowed to use national accounting standards published by the Accounting Standards Committee. In the case of the lack of respective national standard, they are allowed to use IAS. The amended Accounting Act was implemented on January 1, 2002 and was the basis for the financial statements prepared for the year 2002.

4. Principles of accounting in 2008-2014

The Accounting Act was also substantially amended in 2008, with the changes introduced in two stages, from 2008 and from 2009 [14]. The amendment of March 18, 2008, introduced as an act on amending the Accounting Act, implemented the resolutions of the Directive 2006/46/EC of the European Parliament and the Council amending the Directive of the Council 78/660/EEC on annual yearly financial statements of certain types of companies, 83/349/EEC on consolidated financial statements, 86/635/EEC on annual and consolidated financial statements of banks and other financial institutions and 91/674/EEC on annual and consolidated financial statements of the insurance companies (Journal of Laws EU L 224 z 16.08.2006, pp. 1-7). Other changes or supplementations of the regulations of the Accounting Act were also implemented. They referred to the changing conditions of managing the entities and unified the terms used in different legal acts. Amendment as of March 18, 2008 also referred to such areas as:

1) scope of the act and basic concepts;

2) obligations of the manager in the entity and other members of the bodies in the entity;

3) changes in principles of organization of the accounting system in the entity;

4) scope of the stocktaking and principles of balance valuation;

5) going concern principle;

6) valuation of transactions in foreign currencies;

7) results of application of the principles of prudence and matching;

8) informational scope of the financial statement and the statement on activities;

9) examination, approval and publication of financial statements and division of the financial result;

10) combination of business entities;

11) consolidation of financial statements of the capital group;

12) other changes.

Following the above amendment, the Accounting Act defines the principles of accounting and the methodology of auditing financial statements by statutory auditors. The provisions of the Accounting Act are used for the following entities with headquarters in the territory of the Republic of Poland:

1) commercial law companies (partnerships and corporations, including those in the process of formation) and civil law partnerships as well as other legal entities, excluding the State Treasury and the National Bank of Poland;

2) natural persons, civil law companies, registered partnerships of natural persons, limited liability partnerships, if their net incomes on sales of goods, products and financial operations for the previous financial year were an equivalent in Polish currency of at least 1,200,000 euro;

3) entities acting based on the regulations of the banking acts, regulations on securities exchange and investment funds, insurance and reinsurance activities, savings and credit unions, organization and operation of pension funds, regardless of the revenues;

4) gminas, powiats, voivodeships and their unions, including:

a) state, gmina, powiat and voivodeship budgetary entities;

b) state, gmina, powiat and voivodeship budgetary enterprises;

c) state-owned special purpose funds;

5) organizational entities without legal personality with exception of the companies defined in points 1 and 2;

6) foreign persons, divisions and representatives of foreign entrepreneurs understood as in the acts on freedom of economic activity;

7) entities not listed in points 1 to 6, if they receive subsidies or subventions from the state budgets, budgets in local authorities or special purpose funds for implementation of the tasks commissioned to them – from the beginning of a financial year in which such subsidies or subventions were granted [17, Art. 2, Section 1].

The act is composed of thirteen divisions which stipulate the basic principles of accountancy in the entities obliged to use them. Since 2009, a new component of the Act is the principles for services of keeping the accounting books.

To date (April 2014), eight national accounting standards have been published:

1. National Accounting Standard No. 1 "Cash flow account" [6].

2. National Accounting Standard No. 2 "Income tax" [7].

3. National Accounting Standard No. 3 "Uncompleted construction services" [8].

4. National Accounting Standard No. 4 "Asset value loss" [9].

5. National Accounting Standard No. 5 "Leasing, rental and holding" [10].

6. National Accounting Standard No. 6 "Reserves, passive long-term prepayments and contingent liabilities" [11].

7. The National Accounting Standard No. 7 "Changes in the principles (policies) of accountancy, estimated values, correcting errors, events occurring after the balance sheet date: reporting and presentation" [12].

8. National Accounting Standard No. 8 "Real estate development" [14].

5. Conclusions

Polish balance law has been amended e.g. because of changes of the international regulations, such as IAS or the Directives by the European Union. On June 26, 2013, the Directive 2013/34/EU of the European Parliament and the Council was published. It concerned annual financial statements, consolidated financial statements and the related statements of certain types of entities and amended the Directive 2006/43/EC of the European Parliament and the Council and repealing the Directive of the Council 78/660/EEC and 83/349/EEC [3]. The new Directive 2013/34/UE was published in the Journal of Laws on June 29, 2013 and implemented on the twentieth day after the publication. The member states were obliged to implement the directive until July 20, 2015. The directive is aimed at simplification of financial accounting in small entities.

Balance law in Poland will be also amended as an implementation of the EU regulations in terms of definition of micro-entities. The Accounting Act will regulate the accountancy in the entities that do not run business activity (because they will be considered as micro-entities), where the principles of accounting have been defined to date by the ordinance, i.e. executive act for the Accounting Act. The simplification will consist in the opportunity for preparation of a short financial statement, exemption of micro-entities from preparation of additional information and statement on activities. The principles of valuation of assets and liabilities will also be simplified.

It has been emphasized in the literature, that the basic parameters which determine the specific nature of the accounting practice include e.g. political system, level of economic development and objectives for which financial reporting is performed, sources and authority attributed to accounting standards [1, p. 13]. Accounting in business entities in Poland is changing with modifications of the conditions of existence of entities and legal regulations in Poland and European Union. Changes in the balance law take into consideration the solutions of the International Accounting Standards and EU directives, which was clearly emphasized as one of the basis for formulation of the accounting policy.

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