



REGULATORY ACCOUNTING SOLUTIONS TO SUPPORT ENTERPRISE GROWTH IN YEARS 2014-2018

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ABSTRACT

In response to the assessments received from entrepreneurs on what inhibits innovation and the development of Polish enterprises, the government has taken measures to improve the conditions for conducting business operations and to reduce or remove barriers that hinder the development of entrepreneurship, including the possibility of simplification in the scope of financial reporting of small and medium enterprises. The article aims to show the impact of the legal changes made to the accounting act in the period 2014-2018 on the development of enterprises.

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INTRODUCTION

The biggest obstacle to the development of Polish enterprises is bureaucracy. According to the results of the International Business Report (<http://www.internationalbusinessreport.com/>) conducted for 20 years by Grant Thornton in 40 countries around the world among over 11,000 entrepreneurs, bureaucratic obstacles are the most important barrier to the development of Polish companies. The development of companies in Poland is accompanied on a daily basis by complex regulations, administrative requirements and incompetent courts. The consequence of this situation is weaker financial results.

and fewer development projects in companies. Polish companies are still not as innovative as Western European companies. The development process requires time and capital. Both of these factors are wasted on solving administrative and tax problems.

Overcoming numerous administrative barriers limits the development of enterprises - these are the key conclusions of the report on the results of the survey conducted during the 2nd Grant Thornton Business Forum published in December 2013. The report emphasizes that the existing administrative and tax barriers limit the development of the SME sector the most. Therefore, the law and conditions should be changed so as to facilitate the growth of small and medium-sized enterprises, which are the foundations of Polish entrepreneurship. According to almost 76% of the respondents, administrative and tax barriers consume time, which limits the possibility of working on development projects. 63% of the respondents indicate an extension of the time of implementation of development projects, and 61% emphasize that they generate service costs, which limit the development fund. In the opinion of 44%, the difficulty in determining the administrative risk related to tax undertakings discourages them from undertaking development activities.

Obligations to submit tax returns to administrative authorities were indicated by 62% of entrepreneurs as a barrier to development. The study did not identify the categories of accounting, including financial reporting, but it can be concluded that they are included in the obligations concerning tax and administrative barriers. It is easier for larger entrepreneurs to overcome the barriers standing in the way of development. Smaller companies indicate that the costs and time spent by entrepreneurs on meeting the requirements of administrative and tax regulations hampers the development of companies.

In response to signals from entrepreneurs, the government undertook actions aimed at improving the conditions for conducting business activity and reducing or removing barriers hampering the development of entrepreneurship, inter alia, through the possibility of simplifying financial reporting for small and medium-sized enterprises. This was in line with the direction of changes imposed by the need to implement Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Official Journal of the European Union L 182 of 29.06.2013, p. 19), hereinafter referred to as "the Directive".

The directive is intended to ensure a high degree of harmonisation of requirements for small entities throughout the EU. At the heart of this directive is the principle of "think small first" in order to avoid a disproportionate administrative burden for these entities.

The aim of this paper is to find an answer to the question whether the amendments to the provisions of the accounting act of 29 September 1994 (Journal of Laws of 2018, item 650 - hereinafter referred to as the accounting act) actually support the development of enterprises. The analysis covers changes coming into force in the period from 2014-2018.

The analysis was based on the provisions resulting in changes in the Accountancy Act with justifications and statistical data.

2. Summary of amendments to the accounting act for the period 2014-2018

Since 2014, the provisions of the accounting act have changed as a result of many acts. These changes are partly in line with the government's efforts to improve the conditions for conducting business activity and to reduce or eliminate barriers hindering the development of entrepreneurship, through the possibility of various simplifications aimed at inspiring development activities, innovativeness of Polish enterprises, including financial reporting.

Table 1. Summary of changes in the provisions of the accounting act of 29 September 1994

Acts	Explanation
Act of 9 May 2014 on facilitating access to certain regulated professions (Journal of Laws of 2014, item 768)	This law is the next stage in the implementation of the objective of deregulation of professions. It provides for the deregulation or complete deregulation of 9 financial market professions and 82 technical professions, including the profession of accountant.
Act of 11 July 2014 amending the Accounting Act (Journal of Laws of 2014, item 1100)	The purpose of this amendment results from the implementation of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Official Journal of the European Union L 182 of 29.06.2013, p. 19), hereinafter "Directive ". This Directive entered into force on 19 July 2013. The amendment transposes the provisions of Directive 2013/34 on micro units.
Act of 28 November 2014 amending the Act - Commercial Companies Code and certain other acts (Journal of Laws of 2015, item 4)	The amendments are aimed at facilitating business activity in the form of a general partnership, limited partnership and limited liability company, by extending the possibility to establish, change and dissolve such companies with the use of templates made available in the ICT system, as well as facilitating the submission of applications to the register and the payment of court fees on these applications.
Act of 15 May 2015. Restructuring law (Journal of Laws of 2015, item 978)	The main objective of the new legislation is to introduce effective instruments to restructure the debtor's enterprise and prevent its liquidation.
Act of 25 June 2015 amending the Act on Municipal Self-Government and certain other acts (Journal of Laws of 2015, item 1045)	The aim of this regulation is to improve the functioning and organisation of tasks performed by communes, counties and local governed voivodeships for the benefit of citizens
Act of 25 June 2015 amending the Act on the functioning of co-operative banks, their affiliation	The amendments concern the Act on the functioning of cooperative banks, their affiliation and affiliating banks and are primarily aimed at adapting

and affiliating banks and some other acts (Journal of Laws of 2015, item 1166)	Polish law to the requirements of Regulation (EU) No 575/2013/EU of the European Parliament and of the Council of 26 June 2013 on precautionary requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012/EU as regards the own funds of cooperative banks and the possibility to establish an institutional protection system.
Act of 23 July 2015 amending the Accounting Act and certain other acts (Journal of Laws of 2015, item 1333)	The purpose of the amendment to the accounting act results from the obligation to implement Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on annual financial statements, consolidated financial statements and related reports of certain types of entities, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Official Journal of the European Union L 182 of 29.06.2013, p. 19). The amendment transposes the provisions of Directive 2013/34 with regard to units other than micro units.
Act of 11 September 2015 on insurance and reinsurance activity (Journal of Laws of 2018, item 999)	This act implements into the Polish legal order the provisions of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of insurance and reinsurance activities - Solvency II (Official Journal of the European Union L 335 of 17.12.2009, p.1). Member States of the European Union should implement the Solvency II Directive.
Act of 25 June 2015 amending the Act on Municipal Self-Government and certain other acts (Journal of Laws of 2015, item 1045)	The amendments are aimed at simplifying the procedure for deleting and correcting entries in the CEIDG, simplifying and harmonising the rules for obtaining certificates of entry with the CEIDG, facilitating the recovery by creditors of claims against entrepreneurs included in the CEIDG.
Act of 31 March 2016 amending the Act on investment funds and certain other acts (Journal of Laws of 2016, item 615)	The purpose of the act amending the act on investment funds and certain other acts is to implement Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (Official Journal of the European Union L 174 of 01.07.2011, p. 1), and thus to implement the objectives set by the EU legislator under national law.
Act of 16 December 2016 amending certain acts in order to improve the legal environment for entrepreneurs (Journal of Laws 2016, item 2255)	The purpose of the Act is to improve the legal conditions for conducting business activity in Poland. The implementation of this objective will be supported by the reduction of certain administrative obligations, clarification of issues giving rise to doubts of interpretation, changes supporting the development of entrepreneurship and improvement of work efficiency, improvement of the investment

	process and reduction of burdensome control of business activity.
Act of 15 December 2016 amending the Accounting Act (Journal of Laws of 2017, item 61)	The purpose of the amendment to the accounting act is to implement the following directive of the European Parliament and of the Council 2014/95/EU of 22 October 2014 amending Directive 2013/34/EU as regards the disclosure of non-financial information and information. Directive 2013/34/EU as regards the disclosure of non-financial information and information concerning diversity by some large individuals and groups (Official Journal of the European Union L 330 of 15.11.2014, p. 1, as amended). The deadline for implementing its provisions into the Polish legal order is 6 December 2016. Bodies of the Union. When adopting the directive 2014/95/EU, the main reasons for the adoption of the directive were the following increasing the transparency of social and environmental information in the area of corporate social responsibility (CSR) and improve their coherence and comparability.
Act of 26 January 2017 amending the Act on cooperative savings and credit unions and some other acts (Journal of Laws of 2017, item 245).	The primary objective of the act amending the act on Cooperative Credit and Savings Banks is to implement the judgment of the Constitutional Tribunal of 31 July 2015. Ref. Act No. K 41/12.
Act of 9 March 2017 amending the Act on Trading in Financial Instruments and certain other acts (Journal of Laws of 2017, item 791)	The purpose of the act is, among other things, to abolish the unjustified division of the regulated market into the stock exchange market and the over-the-counter market. The effect of the regulation will be to include these types of market with the same notion of regulated market; and to introduce regulations concerning derivatives account institutions.
Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, 1089)	The purpose of establishing new regulations is to transpose into the national legal order the provisions of new provisions of EU law in the field of auditing, including Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (Official Journal of the European Union L 158 of 27.05.2014, p. 196) and Regulation 537/2014. on specific requirements concerning statutory audit of financial statements of public-interest entities (Official Journal of the European Union L 158 of 27.05.2014, p. 77 with corrigendum in Official Journal of the European Union L 170 of 11.06.2014, p. 66).
Act of 9 November 2017 amending certain acts in order to improve the legal environment for innovative activity (Journal of Laws 2017, item 2204)	The Act provides for changes aimed at eliminating or reducing barriers to conducting innovative activity and increasing the attractiveness of tax instruments supporting innovative activity in Poland.

Act of 15 December 2017 amending the Act on Value Added Tax and certain other acts (Journal of Laws of 2018, item 62)	The aim of the new solution is to ensure greater stability of value added tax revenues, but also to prevent the avoidance of value added tax, which will ensure greater tax security, business certainty and a level playing field.
Act of 26 January 2018 amending the Act on the National Council of the Judiciary and certain other acts (Journal of Laws of 2018, item 398).	The purpose of the amendment to the Act on the National Council of the Judiciary is, among other things, to strengthen the certainty and security of trading; the use of new IT technologies and those necessary for the implementation of Directive 2017/1132/EU with regard to the integration of central, commercial and companies registers; and the simplification of the so-called register entries in the register of entrepreneurs and the change in the manner and scope of disclosure of information on payment arrears of the entity.
Act of 6 March 2018. Provisions implementing the Act - Entrepreneurs' Law and other acts concerning business activity (Journal of Laws of 2018, item 650).	The new legal act is better adapted to the current expectations of entrepreneurs and to serious challenges, in particular developmental challenges facing the Polish economy. The Law of Entrepreneurs is also aimed at introducing numerous amendments to a number of separate acts as a consequence of the adoption of the Entrepreneurs' Law Act and some other acts from the "Business Constitution" package, it is justified to regulate the above mentioned matter in the act - Regulations introducing the act - Entrepreneurs' Law and other acts concerning business activity.

Source: own elaboration on the basis of justifications for the drafts of the aforementioned acts.

As can be seen from the analysis of Table 1, the following Acts contribute to the simplification of accounting (financial reporting)

- Act of 11 July 2014 amending the accounting act, introducing reporting and registration simplifications for micro-entities;
- Act of 28 November 2014 amending the act - Commercial Companies Code and certain other acts, introducing simplifications for civil partnerships and partnerships of natural persons;
- Act of 23 July 2015 amending the accounting act and some other acts introducing reporting and registration simplifications for small entities;
- Act of 16 December 2016 amending certain acts in order to improve the legal environment for entrepreneurs, introducing a new limit for natural persons, civil law partnerships of natural persons, general partnerships of natural persons and partner companies, as part of simplification, to the obligation to keep accounting books.

Summarizing the amendments to the accounting act, it should be stated that they can be divided into two categories:

- simplification of reporting,
- simplification in scope of bookkeeping.

Bearing in mind the process of keeping the accounts, financial benefits may result only from the simplification of reporting, because regardless of the form in which the accounts are prepared, they must be kept in the same way and in the same detail.

As stated in the justification to the Act of 11 July 2014 amending the accounting act (Print No. 2245), the reporting simplification for micro-entities will bring measurable financial benefits for these entities due to the reduced workload on the preparation of the annual financial statements. The financial benefits were calculated on the basis of data contained in the report of the Ministry of Economy "Measurement of administrative burdens in economic law regulations". (Warsaw, 31 May 2010). According to this report, the total annual administrative costs per entrepreneur incurred in connection with the obligation to prepare financial statements amount on average to PLN 5051 (regardless of the size of the entity). On the basis of a survey of prices on the market of accounting offices, it is estimated that in the case of micro units these costs will amount to about 1000 PLN. Bearing this amount in mind, it was assumed that as a result of the introduction of simplifications for micro entities, the time needed to prepare the financial statements will be halved, which will lead to a 50% reduction in the costs of preparing this document. For the aforementioned number of micro entities covered by the Directive, these benefits amount to PLN 10,880,000. In the case of extending the catalogue of micro units to other entities, these benefits will amount to a total of PLN 17,063,000.

3. Enterprise growth and changes in the law

In June 2018 PARP Group PFR published a report on the condition of the sector of small and medium-sized enterprises in Poland.

In 2016, there were 2.01 million non-financial enterprises in Poland, described as active, while in 2009 there were 1.67 million of them. This means an increase of 20%. Microenterprise is developing particularly dynamically - the analysis of data concerning this group of companies in 2009-2016 shows that in 2016 their number was 21% higher than in 2009. The highest percentage increase in the number of microenterprises took place in 2014-2016 (by 4.2% y/y in 2014 and 2015, by 5.4% y/y in 2016).

In recent years, the share of enterprises in the creation of GDP has been growing - from 71.1% in 2008 to 74.0% in 2015. This result is caused mainly by companies from the SME sector, which generate every second zloty of GDP (49.9%). Micro-enterprises have the largest share in the creation of GDP (30.5%). At the same time, in the case of small and medium-sized enterprises, the services sector (42.8%) is the most important in the creation of GDP, while in large companies - industry (58.7%).

In recent years, the number of micro entities, their production value, revenues, number of employees and employees has been growing. In the years 2008-2016 it was micro-enterprises of natural persons that showed the highest profitability in comparison to the entire population of enterprises. The added value generated in this period by microenterprises increased from PLN 221.2 billion to PLN 291 billion - by 32%. In 2016, micro entities made the relatively largest investment effort - their total investment outlays increased by 2% as compared to

2015, while in other groups of enterprises the total investment outlays dropped y/y. Still, micro-enterprises are characterized by the lowest survival rate - the first year of activity is experienced by less than 70% of them. Larger entities are more likely to survive the first year - 95% of large, 92% of medium and nearly 81% of small enterprises established in 2016 operated in 2017. Microcompanies are also characterized by the lowest survival rate of this year of activity (89%) - for the remaining groups of sizes the value of this indicator exceeds 97%.

The most popular form of accounting records used by micro-enterprises is keeping a tax book of income and expenses (68.2% - 1.3 million companies). Nearly one in six microenterprises keeps records of revenues (18.1% - 350 thousand companies), every tenth - an accounting book (9.4% - 182 thousand companies), and only 4.3% - a tax card (83 thousand companies). In the period 2008-2016 the number of companies using the tax book of income and expenses as well as the accounting book increased, while the number of companies keeping the revenue register and the tax card decreased.

It cannot therefore be argued that, as a result of the financial reporting simplifications introduced, more entities would start to keep accounts. The increase in the number of micro-enterprises is rather due to the growth of microenterprises of legal persons.

In the published edition of the indicator survey, the respondents were asked a number of questions concerning the recently introduced changes in the law. The surveyed entrepreneurs were asked about the knowledge and evaluation of changes concerning: labour law, taxes, accounting, construction law, technical supervision, administrative procedures, debt collection, implementation of EU Structural Funds, innovative activity and robotisation. The results of the survey in this area are presented below.

The highest knowledge of these changes, which affect the vast majority of entrepreneurs: concerning taxes and fiscal control and changes in labour law (over 50% of indications), and the lowest in the case of changes concerning technical supervision (11%) and changes in the law concerning the implementation of EU Structural Funds (17%). Nevertheless, all these changes were evaluated positively (average values ranged from 3.6 to 4 on a five-point scale) with the exception of the evaluation of changes in labour law (grade 3.2) and changes in accounting (grade 3.4).

These changes, in the opinion of their authors, should translate into improvement of the situation on the Polish labour market, innovativeness, development - especially on the part of entrepreneurs. These changes should also translate into the assessment of the current economic situation (both in the economy and in the industry). Therefore, the link between the assessment of the current economic situation in the Polish economy and the above mentioned changes in law was analysed.

It turned out that there is a correlation between a positive assessment of the current economic situation and a positive assessment of individual changes in the law, although it is not very strong. The most strongly correlated with the positive assessment of the current economic situation is the positive assessment of legal changes in the area of debt collection (16.6%). In terms of accounting, it is 3.6%.

Also in relation to the evaluation of the economic situation in the industries, the analysis of the relationship between positive assessments of legal changes in particular areas of business operations and a positive assessment of the economic situation in the industry was carried out. According to the analysis, the only value strongly associated with a positive evaluation of the economic situation in the industry was a positive evaluation of the change in the implementation of the EU Structural Funds (27.8%). The lowest rating was given to changes in accounting (5.6%).

3. Summary

To sum up the data presented in this paper, it should be stated that in the period 2014-2018, as part of the government programme, the removal of legal and administrative barriers to development was accompanied by many changes in the accounting act, in particular simplifications in the area of financial reporting, which did not bring any measurable effects on the development of enterprises. This is probably due to the fact that raising the limit for enterprises of natural persons to EUR 2 000 000, the majority of companies use the book of income and expenditure in their tax records. This means that the increase in the number of these companies did not translate into an increase in the number of bookkeepers. On the other hand, the characteristics of the accounting system indicate that the simplification of financial reporting with the unchanged scope of accounting records cannot have a measurable impact on reducing the costs of accounting services. And the accounting records cannot be changed, because the manner of its introduction is rooted in accounting theory.

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