
ARGUMENTA OECONOMICA

3 • 1996

Wrocław University of Economics
Wrocław 1996

TABLES OF CONTENTS

INAUGURAL LECTURE FOR OPENING THE ACADEMIC YEAR 1996/1997

Zbigniew Przybyła

EURO-REGIONALIZATION: PROCESSES IN POLAND AND THE ROLE OF THE WROCLAW UNIVERSITY OF ECONOMICS IN TRANSBORDER COOPERATION	7
---	---

L ARTICLES

Anna Zielińska-Głębocka

UNEMPLOYMENT IN THE EUROPEAN COMMUNITY IN THE LIGHT OF STRUCTURAL CHANGES	13
--	----

Danuta Strahl, Michał Montygierd-Loyba

SOME REMARKS ON TRANSFORMATION OF EMPLOYMENT DISTRIBUTION IN RELATION TO A PATTERN ECONOMY	37
---	----

Jerzy Rymarczyk

PROTECTION OF THE EC AGRICULTURAL MARKET VS. THE AGRICULTURAL AGREEMENT OF THE URUGUAY GATT ROUND	45
--	----

Krzysztof Jajuga, Danuta Strahl

STRUCTURAL TRANSFORMATION MODEL FOR POLAND UNTIL YEAR 2000	61
--	----

Bożena Klimczak

FINANCE IN LIGHT OF ETHICS	67
--------------------------------------	----

Aldona Kamela-Sowińska

GOODWILL UNDER THE NEW POLISH ACCOUNTING LAW	79
--	----

Mirosława Kwiecień

THE FIRST POLISH ACCOUNTANCY LAW VS. INTERNATIONAL ACCOUNTING STANDARDS	87
--	----

Grażyna Osbert-Pociecha

DIVESTITURE – STRATEGIC RECOMMENDATIONS FOR POLISH ENTERPRISES IN THE PROCESS OF ECONOMIC TRANSFORMATION	95
---	----

Kazimierz Perechuda

STRATEGIC MANAGEMENT OF THE BUSINESS PROCESS REENGINEERING	103
--	-----

<i>Vesna Žabkar, Janez Prašnikar</i> GRUNDLAGEN DER ERFOLGREICHEN MARKETINGSTRATEGIEN FUER KLEINBETRIEBE IN SLOWENIEN	111
<i>Ewa Konarzewska-Gubala</i> SUPPORTING AN EFFECTIVE PERFORMANCE APPRAISAL SYSTEM	123
<i>Jacenta Łucewicz</i> ORGANIZATIONAL CULTURE AS A DETERMINANT OF MANAGERS' AT- TITUDES TOWARDS SUCCESS	137
<i>Grzegorz Belz</i> REMARKS ON THE PROCESS OF MANAGING CHANGE IN ORGANIZATION	145
<i>Halina Towarnicka</i> INVESTMENT STRATEGY OF INDUSTRIAL ENTERPRISES DURING THE ECONOMIC TRANSFORMATION	157
<i>Paweł Dittmann</i> SOME REMARKS ABOUT ESTIMATING PARAMETERS OF SEASONAL MO- DELS	165
<i>Józef Dziechciarz, Marek Walesiak</i> MODELLING THE COLLEGE STUDENT CHOICE VIA CONJOINT ANALYSIS	175

II. REVIEWS AND NOTES

Ryszard Antoniewicz, Andrzej Misztal: MATEMATYKA DLA STUDENTÓW EKO- NOMII. WYKŁADY Z ĆWICZENIAMI [MATHEMATICS FOR STUDENTS OF ECONOMICS. LECTURES AND PRACTICE MATERIALS]. Wrocław 1995. (Tadeusz Stanisz)	185
Ryszard Broł (ed.): GOSPODARKA LOKALNA [LOCAL ECONOMY]. Wrocław 1995. (Eugeniusz Wojciechowski)	186
Henryk Jagoda, Ber Haus: HOLDING: ORGANIZACJA I FUNKCJONOWANIE [HOLDING COMPANIES: ORGANIZATION AND FUNCTIONING]. Wrocław 1995. (Wiesław M. Grudzewski)	187
Stanisław Kiełczewski: POLITYKA PRZEMYSŁOWA POLSKI W OKRESIE TRANS- FORMACJI SYSTEMOWEJ [POLISH INDUSTRIAL POLICY IN THE PERIOD OF SYSTEM TRANSFORMATION]. Wrocław 1995. (Jan Wojewnik)	188
Mirosława Klamut: EWOLUCJA STRUKTURY GOSPODARCZEJ W KRAJACH WYSOKO ROZWINIĘTYCH [EVOLUTION OF AN ECONOMIC STRUCTURE IN HIGHLY DEVELOPED COUNTRIES]. Wrocław 1995. (Antoni Fajferek) . . .	189

Antoni Smoluk: METODY NUMERYCZNE. ZADANIA [NUMERICAL METHODS. PROBLEMS]. Wrocław 1995. (<i>Tadeusz Stanisławski</i>)	190
Jerzy Sokołowski: ZARZĄDZANIE PRZEZ PODATKI [MANAGEMENT THROUGH TAXATION]. Warszawa 1995. (<i>Andrzej Kierczyński</i>)	191
III. HABILITATION MONOGRAPHS (1995–1996) (summaries)	193
IV. CHRONICLE (1995–1996)	197

*Mirosława Kwiecień**

THE FIRST POLISH ACCOUNTANCY LAW VS INTERNATIONAL ACCOUNTING STANDARDS

The paper answers the question whether Polish legal regulations about accountancy take into consideration the laws of the European Community and International Accounting Standards (IAS). As it results from research carried out, (analysis of requirements for accountancy defined in 86 articles of the accountancy law and 10 appendices), not all the decisions of the IAS have been observed in the new accountancy law – IAS No 11 – construction contracts, IAS 29 – financial reports under hyperinflationary conditions. The author analyses different points of accountancy law and their adaptation to the EU laws (so-called EEC directives), which is the main concern of the paper.

1. INTRODUCTION

Introducing the uniform legislation concerning the principles of accounting in Poland, involves the resolutions harmonizing the European Union (EU) procedures and standards of accounting with the local regulations. Work of legislation is a long-term process. In western European countries (members of EU), the work involved took at least eleven years, in Poland four. Therefore we can accept it as a success if time is the criterion of harmonization of the laws (Polish legislation – the new accountancy law) with the foreign equivalents. The above mentioned decree decreases the discrepancies which exist between financial reports compiled in EU countries (and outside) and those prepared in Polish conditions. The essence of financial reports is information supplied, its quality, reliability, and the possibility of their verification, that is all the attributes that determine the function of financial reporting. Considering this, one can ask the question, how the first law on accountancy regulates application of particular principles of accounting, those deciding the functions of financial reports.

2. THE PRINCIPLES OF ACCOUNTING

The accountancy law of 29th September 1994 (Dziennik Ustaw (DzU) No 121, p. 509) regulates book-keeping (accountancy) by all subjects regardless of their legal form and kind of business. Before it was passed, book-keeping was regulated by lower order laws, namely:

* Department of Theory of Accounting and Financial Analysis, Wrocław University of Economics.

- Minister of Finance decision of 15th January 1991 concerning the rules of book-keeping (DzU No 10, p. 35 with further changes),
- Minister of Finance decision of 24th December 1990 concerning the rules of insurance book-keeping and finance reports as well as the rules of the insurers' net profit calculation (DzU No 6, p. 23), and
- National Bank of Poland Chairman's decision concerning the uniform rules of banking book-keeping (DzU No 3, p. 3).

The first Polish accountancy law is aimed at adapting the rules regulating balance law to the legal system of EU (EEC directives – 4th directive (78/660/EEC of 25.07.1978), 7th directive (83/349/EEC of 13.06.1983), directive 86/635/EEC of 8.12.1986, directive 91/674/EEC of 19.12.1991).

In the former legal state (as above), the rules of book-keeping were regulated by decisions of the Minister of Finance. The legal basis for these normative acts was the tax law according to which the Minister of Finance could oblige certain groups of enterprises to keep accounts according to the tax law. Now accounts should be carried out according to quality standards: relevance, checkability, reliability and measurability of information.

Relevance of information means that the information contained in documentation and financial reports should be usable for own decision purposes and for other subjects (e.g. contractors, shareholders etc.). This information should help determine the relations between different parameters of business activity. According to the 8th article, section 1 of the accountancy law of 29th September 1994 this quality characteristic is described by the *principle of relevancy*.

The principle of relevancy is a requirement of separating all business operations in accountancy, which are essential for the evaluation of finances and property assets, financial results and profitability (with the principle of cautious estimation). The nature of information was also formulated in art. 4, sect. 3: “when applying accountancy rules, one may adopt certain simplifications if they do not seriously impair the realization of objectives set in sect. 1 of this article”.

Checkability of information means standardization of procedures of subjects in application of for example, methods of evaluation, grouping of costs, etc., continuity and explicitness in interpretation of financial results and relative measures relating to the flow of goods and services, financial standing, etc. of the subject at a given time.

The qualitative characteristics of accountancy, including among others the *checkability of information* is determined (in our opinion) by the *principle of explicitness* (called in the subject literature the principle of individual evaluation), the *principle of continuity*, the *principle of presumed continuity in business activities* (see Litwińczuk 1995, p. 21).

The principle of explicitness (of individual evaluation) formulated in art. 7, sect. 3 of the accountancy law means that the value of all passive and active elements, takings and expenses as well as profits and extraordinary losses is determined separately, i.e. values of different kinds of assets or liabilities, takings and expenses or profits and extraordinary losses may not be compensated together.

The principle of continuity (going concern principle) formulated in art. 5, sect. 1 of accountancy law means that the rules and methods of business operations documentation and presenting their results in a financial report may not be changed in successive account years. In relation to balance, the principle formulates the requirement of *formal continuity* (form of balance) and *continuity in the merits* (i.e. determination of profits according to the same method).

The principle of presumed continuity in business activities means the assumption that the subject will continue its business activities in the foreseeable future in a similar range, unless it is not in accordance with the actual or legal state (art. 5, sect. 2 of accountancy law).

The next qualitative characteristics of accountancy is *reliability of information*, meaning application in accountancy rules of double booking methods, booking accounts, documenting of business operations, which was formulated in art. 10, sect. 1, art. 11, sect. 1–4, art. 12, sect. 1–4, art. 13, sect. 1–3, art. 14, sect. 1–4, art. 15, sect. 1–3, art. 16, sect. 1–3, art. 17, sect. 1–2, art. 18, sect. 1–3, art. 19, sect. 1–2, art. 20, sect. 1–5, art. 21, sect. 1–5, art. 22, sect. 1–4, art. 23, sect. 1–5, art. 24, sect. 1–5, art. 25, sect. 1–2 and chapter 3 (stock-taking) of art. 26 and 27. The qualitative characteristics of accountancy is exposed to irregularities and infringement (which is discussed later in the text).

Measurability of information (comparability of measurement) as qualitative characteristics of accountancy means that in order to ensure measurability of takings and expenses, assets and liabilities in a given month will include expenses or takings related to future periods as well as the expenses of the given month which have not been incurred yet, which may be described as the *principle of allocation of takings and expenses to the account year they are related to*, called either the actual basis principle or memorial principle. In Polish accountancy law decisions in that matter are in art. 6.

Measurability of information can be also expressed in the continuity of methods applied of business events evaluation (principle of continuity art. 5, sect. 1) and observing the principle of cautious estimation (art. 7, sect. 2 of the accountancy law).

Qualitative characteristics are a set of conditions which must be taken into consideration when creating vital information for the decision-making process.

Hence the question arise: *what determines the value of information? What is good information?* The notion value of information can have different meanings. It can be understood as the objective or the ideal. It may also be assumed that the notion good information determines its applicability in the decision-making process (Kafler 1968, p. 139). Applicability of information in decision problem solving may be determined in the following way (Prystupa 1981, p. 141):

$$I_{pc} = \log_2 p_1 - \log_2 p_0 = \log_2 \frac{p_1}{p_0},$$

where: p_0 – initial probability of achieving the aim before obtaining the information, p_1 – probability of achieving the aim after obtaining the information. Hence the following can be determined:

- applicability of information determining the aim of activity,
- applicability of information determining the choice of task,
- applicability of information determining the way of task completion,
- applicability of information resulting in task realization.

When testing the applicability of information in the process of decision-making, the following factors should be taken into consideration: the *time* to which it relates, *whether it is up-to-date, detailed and reliable*.

Achieving effectiveness is extremely difficult. Hence also difficult are the tasks for accountancy, seen as an information/decision-making system (managerial accountancy) and a reporting/controlling system (financial accountancy). The problem is extremely complex, and its further elaboration would exceed the scope of one paper. Therefore our discussion will be limited to one chosen issue, resulting from the aim of this paper, i.e. answering the following question: to what extent and in what range the management staff is responsible for the relevance and reliability of information (coming from financial accountancy)?

According to art. 10, sect. 1 each unit should have a documentation describing the accounting methods implemented, especially:

- opening accounts plan [...],
- list of account books used [...],
- documentation of data processing system [...],

[...] opening accounts plan is set and updated by the unit manager in accordance with the regulations of art. 83 (DzU No 121, p. 509).

The opening accounts plan should include:

- a list of synthetic accounts along with a description of basic booking methods of business operations on these accounts,
- list of analytical accounts, rules for analyses and their relationship with the main ledger accounts,
- grounds for evaluation of assets and liabilities,

- rules of cost documenting: according to the calculation system or
- according to kinds of costs,
- rules for settling non-material and legal values,
- rules for settling costs between periods,
- rules for calculation of fixed assets depreciation, including those of little value, relating to the existing furnishings,
- rules for running the documentation of material elements of active assets,
- periods of turnover balance sheets calculation,
- dates of turnover balance sheets calculation,
- dates of stock-taking of assets and liabilities,
- way of calculating the deviations from evidential prices.

According to art. 4, sect. 4 “the manager of the unit is responsible for fulfilling the obligations of accountancy imposed by law” and art. 7 to say that:

- all elements of assets and liabilities are evaluated on the basis of the prices (expenses) actually spent on their purchase (production), with regard to the cautious estimation principle. The financial result should above all include:
 - decrease in utility value of elements of assets, including those in the form of depreciation charges,
 - decrease in utility value other than fixed assets, initiated investments, non-material and legal values of assets resulting from permanent changes in their prices,
 - only other unquestionable/assured operational takings and extraordinary profits,
 - all incurred operational costs and extraordinary losses
 - reserves for the danger known to the unit, possible losses and results of other events.

Events mentioned in sect. 1 should be taken into consideration also when they occur between the balance day and the day when closing of books really takes place.

Value of each element of assets and liabilities, takings and the costs connected with them, as well as the profits and losses are determined separately. Values of different kinds of assets and liabilities, takings and costs connected with them or profits and extraordinary losses may not be compensated together.

However, the “attitude” of responsibility accounts in the understanding of business clearing (or economic results) can be ensured by the practical realization of the economic relevance principle and a merit control of book-keeping vouchers (whether the operation described by a book-keeping vouchers really took place, whether it was adequate from the economic point of view, whether it was preceded by an appropriate contract, order, commission, and whether it was realized according to the business documentation).

The “attitude” of absolute truth will be realized by the principle of commensurability of costs and takings, as described in art. 6 of accountancy law:

- in the accounting books and financial result of a unit all incurred and receivable takings and costs connected with these takings relating to one accounting year, regardless of the date of payment,
- in order to ensure the commensurability of takings and costs connected with them to assets and liabilities of a given month, costs or takings relating to future periods will be added, as well as costs, relating to the given month, but not yet incurred.

It should be remarked that observing the art. 14 of the accountancy law ensures neutrality of information (neutral information is free from error and was not selected).

User’s “attitude” – the range of information needed among others for evaluation of financial standing of a firm is regulated by law – the scope of financial reports (balance, profit and loss account, cash flows and the so-called extra information).

A novelty relative to legal regulations of accountancy in previous years is the possibility of creating reserves for risky undertakings (like international contracts etc.). Also a novelty is the reserve which is the difference in plus from income tax of natural and legal persons effecting from the variation of interpreting the moment of considering a profit or cost incurred according to tax regulations.

To sum up – the rules of liabilities evaluation (own capital, reserves and long term liabilities, short term liabilities and passive international settlements and future takings) and assets evaluation (fixed assets, active assets, active international settlements of costs) are the same as in those countries with a market economy. So, methods of determining the financial standing applied in market economy countries can also be applied by management staff in Polish enterprises. One should agree with Cebrowska’s opinion that “the notion of capital has never been clear or easy. The result was often an incorrect evaluation of financial standing when “mechanistic” attitude to profitability indices was applied” (Cebrowska 1995, p. 36).

Profit and loss account can be written in a calculation or comparative system, besides each of them may be written in a two-page form or in ladder form, which gives four possibilities to be chosen from by the Director or Chairman of the firm (which was also their duty in former legal regulations).

As pointed out among others by Cebrowska, the novelty in the increase of report information range and what should result in changes in the user’s “attitude” to accountancy are:

- firstly – the possibility of increase of analytical result presentation (segment variant of profit and loss account),

– secondly – change in the scope of notions, i.e. the notion of product includes now – beside products, pre-fabricated materials, production under way, and also works and services,

– thirdly – placing the change of state of products as position correcting takings from sales, and not costs at it has been so far (in the comparative variant of profits and losses),

– fourthly – re-classification in costs and takings and extraordinary results, involving mainly the introduction of “other takings and operational costs” position to the account, which are an element of result on operational activities and include among others: the results of risk of realization of this activity, so far included in extraordinary profits and losses (see Cebrowska 1995, p.37).

3. CONCLUDING COMMENT

As a conclusion it may be stated that the first Polish accountancy law takes into consideration the so-called qualitative characteristics of accountancy described by the American Accounting Association (AAA) and EEC directives in the scope of financial reporting and rules of book-keeping, especially the 4th, 7th and 8th directives. However, Polish accountancy law does not take into account some standards listed in 31 International Accountancy Standards described by the International Accountancy Standards Committee (IASC), namely the 11th standard – construction contracts, 29th – financial reports in the conditions of hyperinflation. Standard 19 – old age pensions in financial reports of the employer, is taken into consideration in the new accountancy law, however, the rule of actuarial valuation is carried out differently.

REFERENCES

- Cebrowska, T. (1995): *Głębokość i istotność zmian w sprawozdawczości finansowej* [Depth and Importance of Changes in Financial Reporting], in: *Materiały na ogólnopolski Zjazd Katedr Rachunkowości* [Materials for the All-Polish Conference of Accountancy Departments]. SGH, Warszawa.
- Kafler, E. (1968): *Otwartość informacji* [Openness of Information]. PWE, Warszawa.
- Kwiecień, M. (1993): *Relacje między: zasadami, metodami rachunkowości i standardami rachunkowości, procedurami EWG i krajową regulacją prawną* [Relations Between: Rules, Accounting Methods and Accounting Standards, EEC Procedures and Home Legal Regulations]. Zeszyty Teoretyczne Rady Głównej Stowarzyszenia Księgowych w Polsce [Theoretical Notes of The Main Council of Polish Accountants Association] No 23, special edition.
- Litwińczuk, H. (1985): *Prawo bilansowe* [Balance Law]. Konieczny i Kruszewski s.c., Warszawa.
- Prystupa, M. (1981): *Problemy określania przydatności informacji* [Problems of Determination of Information Applicability], “Organizacja i Kierowanie” No 1.