



**FRTAP
POLAND**
FINANCIAL REPORTING
TECHNICAL ASSISTANCE
PROGRAMME

**ACCOUNTING VOUCHERS AND
PRINCIPLES OF BOOKKEEPING –
EXPECTATIONS IN 21ST CENTURY**

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NOTES

Whenever in the study a reference is made to:

1. **Accounting Act** – it is to be understood as the Act of 29 September 1994 on accounting (Journal of Laws of 2013, item 330),
2. **Position of the Accounting Standards Committee** – it is to be understood as the Position of the Accounting Standards Committee of 13 April 2010 on certain principles of bookkeeping – Attachment to Resolution No. 5/10 of the Accounting Standards Committee of 13 April 2010,
3. **Tax Ordinance** – it is to be understood as the Act of 29 August 1997 – Tax Ordinance (Journal of Laws of 2012, item 749),
4. **Act on VAT** - it is to be understood as the Act of 11 March 2004 on value added tax (Journal of Laws of 2011, No. 177, item 1054)
5. **Act on Corporate Income Tax** - it is to be understood as the Act of 15 February 1992 (Journal of Laws of 1992, No. 21, item 86).
6. **Act on personal income tax** – it is to be understood as the Act of 26 July 1991 (Journal of Laws of 1991, No. 80, item 350)
7. **Commercial Companies Code** – Act of 15 September 2000 (consolidated text: Journal of Laws of 2013, item 1030 as subsequently amended)
8. **Act on KRS** – it is to be understood as the Act of 20 August 1997 on National Court Register (Journal of Laws of 2013, item 1203 as subsequently amended) as well as provisions of the Act of 28 November 2014 on amending the Act on National Court Register and certain other acts (Journal of Laws item 1924).

EXECUTIVE SUMMARY

The current regulations and practices related to accounting vouchers and bookkeeping in Poland, including cross-cutting tax regulations, were assessed and compared with selected EU countries (France, Germany and UK). The study was undertaken at the request of the Polish Ministry of Finance, and funded under the Financial Reporting Technical Assistance Program (FRTAP)¹, to contribute to efforts to enhance harmonization with other relevant regulations, reduce unnecessary requirements and red tape for entities (especially SMEs and micro entities), and to reflect current and potential future technology changes whilst retaining control over diligence and quality of bookkeeping.

The content, quality and scope of legislation in this area was found to be generally good. In contrast to the other countries studied, however, it takes a detailed, prescriptive approach. The report suggests moving away from setting detailed requirements and towards the development of a clear general framework. This would help preserve the quality of bookkeeping and accounting practices but reduce the need for continuous amendments to regulations to keep pace with changing circumstances, for example technological changes. It would also create space for more liberalization and greater flexibility for market practitioners and would be in keeping with the approach adopted in the other countries looked at. The report identifies gaps and inconsistencies in the areas of accounting policy and maintenance of books; accounting vouchers; financial statements; storage; provision of bookkeeping services; and information technology (IT) and makes a number of suggestions to address these.

BACKGROUND

The Accounting Act, the key pillar of Polish accounting regulations, was created over two decades ago. It has been updated over the years (the legislation used in the study is dated as of January 1, 2015) but developments, especially related to IT, still need to be reflected in the provisions of the law. In 2014 the Polish Government made significant steps towards deregulation of the accounting profession and improved the enforcement of filing and publication requirements for financial statements.

There is no common approach within the EU to regulations on bookkeeping. The comparisons with domestic law and practices in selected EU countries are used in the report to illustrate the different approaches taken.

¹ The FRTAP is implemented by the World Bank Centre for Financial Reporting Reform (CFRR), with funding provided by a grant from Switzerland through the Swiss Contribution to the Enlarged European Union.

Existing regulations, mainly the Accounting Act as the primary piece of legislation regulating accounting and financial reporting and related guidance on bookkeeping issued by the Accounting Standards Committee, are quite prescriptive. They offer very detailed instructions but lack some useful definitions, such as of accounting voucher or electronic evidence.

POLISH BOOKKEEPING REGULATIONS

The study, as agreed with the Ministry of Finance, focused on requirements related to accounting records, journal entries, accounting vouchers, financial statements and archiving as well as requirements related to outsourced bookkeeping services. The area of accounting principles was outside the scope of the report.

The existing framework often provides detailed instructions rather than principle based concepts. Polish regulations address requirements to document applied accounting policy including: methods for valuation of assets and liabilities and calculation of the financial results; chart of accounts; list of accounting books; and description of the data processing system (if used) and data protection system. The Accounting Act requires that accounting books are maintained in the Polish language and in Polish currency. These books may be kept away from an entity's premises if the tax office is informed and books and accounting vouchers are made available as required for external control. Books of accounts are required to be reliable, complete and accurate, with an audit trail enabling re-performance. The audit opinion must state that the audited financial statements are prepared on the basis of the properly maintained books of account.

Further provisions of the Act prescribe:

- a) Requirements for opening and closing the books triggered by defined events, including the beginning of the new financial year, liquidation, business combination etc.
- b) Elements and features of the books of accounts such as: journal, general ledger, subsidiary ledgers, trial balance and inventory of assets and liabilities.
- c) Types and elements of accounting vouchers (but lacks definition of accounting vouchers which is available in Polish accounting literature).
- d) Preparation and approval of the financial statements including required reports and disclosure which has been reduced for SMEs and Micro entities.
- e) Filing of financial statements to the court register and to the tax office. Archiving obligations related to books of accounts, accounting vouchers, accounting policy, employee salary documents, and financial statements as derived from accounting and tax regulations.

- f) Deregulation since August 2014 allows for bookkeeping to be outsourced to any external service organization, provided that they have professional liability insurance, and no convictions for crimes against the reliability of documents, or against assets, commercial trading, money, securities, tax regulations, accounting.
- g) Sanctions for maintaining unreliable books of account or not maintaining bookkeeping.

COMPARISON WITH ACCOUNTING VOUCHERS AND BOOKKEEPING REGULATIONS IN FRANCE, GERMANY, AND THE UK

Although certain similarities exist, there is no common approach to bookkeeping, accounting vouchers, or filing and archiving financial statements across the EU. Member States each define their own requirements but legislation tends to create a policy framework of general principles rather than detail requirements. Adopting this approach in Poland would preserve the overall quality of bookkeeping but leave the organization of internal control systems to entities rather than strict legal regulation.

Unlike accounting and financial reporting principles which have been standardized in the form of International Financial Reporting Standards (IFRS), topics covered in this study are still subject to country-specific regulations. There is no common EU or international approach nor set of guidelines. In France and Germany, the maintenance of books of accounts and accounting vouchers is highly regulated by accounting regulations, commercial code and tax regulations. The system of accounting regulation is driven by government (mainly fiscal) reporting needs. In the UK, the Companies Act 2006 sets out requirements for proper accounting books and archiving. The applicable accounting standards (IFRS and the UK Financial Reporting Standards (FRS)) do not address the maintenance of books of accounts or accounting vouchers. Only FRS 18 refers to accounting policy and includes a general framework for the definition of such policy. The other source of regulations in this common law country are court rulings.

While specifics vary across these countries, they share an approach best described as creating a general framework rather than setting out detailed instructions. Various levels of detail are provided, often in different pieces of legislation (such as the commercial code, tax regulations, accounting law, general chart of accounts) but the focus appears to be more about achieving the overall aim than on the detail.

In Poland, requirements are mainly included in the Accounting Act and follow the pattern of very detailed instructions in the mode of compliance and control. Regulations are sometimes outdated, especially related to IT accounting systems which do not keep pace with the changing IT environment, e.g. use of servers in clouds. Market practitioners

indicate a need for more liberalization, flexibility, and greater consistency with other binding regulations (for example tax and financial reporting), while preserving the adequate quality of bookkeeping which a move towards a framework of general principles should facilitate.

AREAS IDENTIFIED FOR ATTENTION IN POLAND

The study and discussions with finance practitioners (finance managers, accountants and auditors) and IT professionals dealing with accounting systems identified a number of areas in Poland as inconsistent, difficult to apply or outdated.

Key areas identified for attention are:

- Some definitions of terms are missing from the Accounting Act and others lack clarity and consistency, allowing for different interpretations while at the same time requiring their application.
- Polish accounting regulations, although regularly adjusted in line with international practices, are not keeping pace with rapidly changing technology in the bookkeeping profession.
- Restrictions, such as on the use of any language other than Polish (which could enhance cooperation between Polish entities and international groups they are part of, as well as cooperation with international shared service centers), or requirements for separate recognition of cash payments, could benefit from liberalization.
- Achieving full compatibility of tax and accounting regulations appears some way off, but progress will be assisted through unification of some basic definitions, e.g. accounting vouchers, and requirements, e.g. related to periods of archiving.
- Some deadlines and requirements, especially for SME and micro entities, are unnecessarily burdensome and costly. However, any changes should not be at the expense of quality.
- A move from detailed prescriptive rules towards a general principle based approach should make the legislation more universal and resistant to changes in the business environment including IT.
- More flexibility in implementing changes of the accounting system and accounting policies during the financial year would enable entities to react faster to the needs of the market.

RECOMMENDATIONS

The existing legislation creates a robust and generally effective framework but one that is perhaps too detailed and prescriptive. Recommendations have been made which could reduce the administrative burden on businesses, improve the quality of accounting books, address current inconsistencies, and align more closely with the approach taken in other EU countries.

There follows a summary of recommendations made in the report. These seek to make improvements within the existing framework, retaining much of the current detailed regulation and taking account of existing guidance issued by the Accounting Standards Committee (KSR) affiliated at the Ministry of Finance.

Paragraph number	Recommendation
Accounting policy and maintenance of books	
4.1.1	Ensure accounting policy documentation is comprehensible, legible and up-to-date.
4.1.1	Amend requirements for computer assisted bookkeeping. Remove requirement for a detailed IT accounting system description and replace with obligation to keep original technical instructions received from the software provider.
4.1.2	Ensure all entities subject to audit apply national accounting standards.
4.2.1	Define “books of accounts”.
4.2.2	Define “bookkeeping”.
4.2.3	Provide for use of rather than ownership of IT software.
4.2.4	Replace the rigid rule that books must only be kept in Polish to allow for use of another language, on condition that the entity provides a reliable translation if demanded by auditors like in some other EU countries.
4.2.5	Define terms related to closing books of accounts. Allow for a period of adjustment in IT accounting software to assist entities that are subsidiaries of foreign entities and need to close the financial year for group reporting separately to closure of the financial year for statutory purpose and are having to maintain books that comply with two sets of accounting principles.
4.2.6	Allow different periods for closing books according to entity size.

Paragraph number	Recommendation
4.2.7	Make provision for entities transforming during the financial year from simplified tax books to full accounting - promoting solid financial reporting standards and eliminating the requirement to maintain two separate books of accounts during the period of transformation.
4.2.8	Move wording on features of properly kept books of accounts.
4.2.9	Amend wording on monthly closing requirements. Introduce more universal rules, rather than detailed instructions, for the production of some reports.
4.2.10	Amend wording on annual closing requirements to alleviate short deadlines.
4.2.11	Remove requirement for separate recognition of cash payments.
4.2.12	Clarify wording on place where current books of accounts are held.
4.2.13	Clarify wording on place of storage of books of accounts/data storage.
4.2.14	Introduce 15-day notification deadline of a change in storage venue.
4.2.15	Provide for bookkeeping located on servers outside the entity.
4.2.16	Provide for format of analytical records to be at the discretion of the entity.
4.2.18	The Ministry of Finance is preparing a statement on electronic audit techniques (control tool) therefore no recommendations have been made.
Accounting vouchers	
4.3.1	Define terms related to accounting vouchers unified with binding VAT regulations.
4.3.2	Define terms related to electronic accounting vouchers.
4.3.3	Ensure references to accounting vouchers in the Act can be understood to apply interchangeably to both traditional and electronic forms.
4.3.4	Clarify the use of “source documents”, changing where appropriate to “accounting vouchers”.
4.3.5	Remove need for confirmatory printouts of books of accounts.
Financial Statements	
4.4.1	Extend deadlines for preparing financial statements according to entity size.
4.4.2	Unify reporting deadlines set by accounting and tax laws, although linked there are areas of difference in tax and accounting requirements which are burdensome because entities need to comply with both.

Paragraph number	Recommendation
4.4.3	Address a lack of consistency between the Accounting Act and The Commercial Code related to the preparation of financial statements for entities in transformation of their legal forms can lead to confusion by unifying those regulations. Clarify financial statement requirements for partnerships not obligated to apply the Accounting Act.
Storage	
4.5.1	Clarify notion of “records storage”.
4.5.2	Clarify requirements for storage of books of accounts.
4.5.3	Allow for storage, with approval, of books of accounts outside the entity.
4.5.4	Introduce regulation for storage of accounting data on servers outside the entity.
4.5.5	Introduce 10-year financial statement storage requirement. Current regulations have no time limit which can be burdensome and not feasible, especially as the value of those documents deteriorates in time.
4.5.6	Provide a defined period for storage of documentation of accounting policy. Some accounting vouchers (e.g. payroll documentation) has extremely long retention periods which is burdensome, especially for SMEs.
4.5.7	Unify retention periods given by the accounting and tax laws. Introduce defined storage periods for different types of accounting files. Allow filing of accounting vouchers in the National Archives of Personal and Payroll Documentation. This institution already exists and filing there would help ensure that accounting vouchers remain accessible after the expiry of retention periods.
4.5.8	Clarify methods of making files available to third parties.
Provision of Bookkeeping Services	
4.6.1	Ensure greater consistency in some areas of outsourcing accounting services, i.e. with reference to requirements related to domestic and foreign service organizations. Apply provisions of the Accounting Act to entities from other countries providing services in Poland.
4.6.3	Differentiate failure to supervise from specific accounting offences.
Information Technology	
4.7.1	Allow for change of IT system during financial year.
4.7.2	Define “IT system”, “financial and accounting system” and “report”.

1. ANALYSIS OF NATIONAL LEGISLATION, INCLUDING TAX LEGISLATION

1.1. DOCUMENTATION OF ACCOUNTING POLICY

1.1.1. Definition of accounting policy

Accounting policy is an element of accounting. This is set forth in art. 4 par. 3 pt 1 of the Accounting Act.

Accounting policy is nothing else than a set of accounting principles, applied by the entity.

ACCOUNTING POLICY

=

a set of accounting principles, applied by the entity*.

**accounting principles - art. 3 par. 1 pt 11 of the Act – are solutions selected and applied by an entity, permitted by this Act, including those specified in the IAS, ensuring the required quality of financial statements.*

1.1.2. Objective of accounting policy

The objective of the accounting policy is to select such principles of accounting, as will ensure that books of accounts and financial statements present a true and fair view of assets, financial standing and financial result of the entity.

1.1.3. Elements of accounting policy

Elements which must be included in the accounting policy are listed in art. 10 par. 1 of the Accounting Act. It is the minimum scope.

Art. 10 par. 1 of the Accounting Act

Documentation of the adopted accounting principles (policy) should specify at least:

1. the definition of a financial year and the reporting periods included in it;
2. methods for measuring assets and liabilities and for determining the financial result;
3. the bookkeeping techniques, including at least:

- a. internal chart of accounts
 - b. list of the books of accounts
 - c. description of the data processing system,
4. System for protecting data and data files.

Bookkeeping techniques (pt 3) have been treated in a more detailed manner in the Act.

Thus, it has been specified, that:

1. Internal chart of accounts determines:

- general ledger accounts,
 - rules adopted for classifying events,
 - methods for keeping subsidiary ledger accounts as well as their links with the general ledger accounts
2. in case of computer-assisted bookkeeping, accounting policy should include **a list of books of accounts in form of a list of data files comprising the books of accounts** on IT data carriers, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing
3. in case of computer-assisted bookkeeping, **accounting policy should include a description of the data processing system in form of a description of the IT system** containing a list of software programmes, procedures or functions, depending on the software structure, along with a description of the algorithms and parameters as well as the data protection mechanisms provided by the software programme including, in particular, the methods of data access control as well as the data processing system, and, moreover, the designation of the software version and the date it came into use.

1.1.4. Accounting policy and computer-assisted bookkeeping

In case of computer-assisted bookkeeping, accounting policy, in accordance with the Accounting Act, should include:

- **a list of books of accounts in form of a list of data files comprising the books of accounts on IT data carriers**, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing
- **Description of the IT system, including:**
 - depending on the software structure - a list of software programmes, procedures or functions,
 - description of the algorithms and parameters

- description of data protection mechanisms provided by the software programme including, in particular, the methods of data access control as well as the data processing system,
- designation of the software version
- date, on which the software came into use.

1.1.5. Accounting policy and accountability

According to art. 4 par. 5 of the Accounting Act, the Manager of an entity is responsible for the performance of the accounting obligations specified by the Act, including for preparing the accounting policy. The manager of an entity is responsible for the performance of the accounting obligations specified by the Act, including for supervision, also if certain accounting obligations are assigned to a third party with his/her/its consent.

According to art. 10 par. 2 of the Accounting Act, the Manager of an entity defines and updates the accounting policy in writing.

1.1.6. Accounting policy and regulations

In developing an accounting policy, the entities are obligated to follow the provisions of the Accounting Act.

In matters left unregulated by the provisions of the Act, entities may apply:

- domestic accounting standards issued by the Accounting Standards Committee,
- if no relevant domestic standard is available, entities other than those preparing financial statements in accordance with the IAS, may apply the IAS.

Above hierarchy of regulation stems from art. 10 par. 3 of the Accounting Act.

1.1.7. Accounting policy and language

The Accounting Act – art. 10 par. 1 – obligates the entities to possess an accounting policy in Polish. This obligation is also confirmed by the Position of the Accounting Standards Committee of 13 April 2010 on certain principles of maintaining books of accounts (pt 17): “documentation describing the methods of maintaining books of accounts should be available in Polish”.

1.2. BOOKS OF ACCOUNTS

1.2.1. Definition of the books of accounts

The concept of the books of accounts was defined in art. 13 par. 1 of the Accounting Act in a following manner:

Books of accounts consist of files of accounting entries, totals (sums of entries) and balances, which consist of:	the journal
	the general ledger
	subsidiary ledgers
	Summaries: Trial balances of the general ledger accounts and of the subsidiary ledger accounts
	a list of assets and liabilities (inventory)

Par. 2 of the article indicated above refers to computer-assisted bookkeeping, by stating: In the case of computer-assisted bookkeeping, accounting information resources in the form of separate:

- data files
- databases
- separate parts of databases,

irrespective of their place of origin or storage, are considered to be equivalent to such books of accounts.

However, as a condition to maintaining accounting system information resources in the form specified above, an entity must possess software that makes it possible to obtain legible information regarding the entries made in the books of accounts by printing out or transferring them to an IT data carrier.

1.2.2. Language and currency

<i>Art. 9 of the Accounting Act</i>	
Books of accounts are kept:	
in Polish language	in Polish currency

Requirement of art. 9 of the Accounting Act means, that “data pertaining to business transactions should be recognized in books of accounts in Polish and numeric data should be

converted into Polish zlotys”. Data pertaining to business transactions could also be parallel recognized in books of accounts in a foreign language and numeric data in foreign currency.

Detailed explanations in scope of principles of bookkeeping in Polish are presented in Chapter IV of the Position of Accounting Standards Committee. The essential explanations are presented in the table below.

Position of the Accounting Standards Committee of 13 April 2010 on certain principles of bookkeeping – Chapter IV	
Pt 13 and 14	<p>In case of using software developed in a foreign language, the entity is not obligated to possess the entire software in Polish. The requirement of using Polish language for computer-assisted bookkeeping pertains only to data included in the financial-accounting systems, and in particular fixed data, such as:</p> <ul style="list-style-type: none"> a) names of accounts; b) descriptions of types of transactions, posting entries, etc.; c) names of business transactions; d) names of currencies.
Pt 15	<p>The set of reports in Polish available in the financial and accounting system include reports with information content the same as information content of the books of accounts (art. 13 par. 1 of the Act), i.e.:</p> <ul style="list-style-type: none"> a) the journal b) trial balances of the general ledger accounts and of the subsidiary ledger accounts c) trial balances of the general ledger accounts and of the subsidiary ledger accounts d) inventory. <p>Other reports, going beyond minimum requirements in scope of information content of books of accounts, may be treated as auxiliary and do not have to be available in Polish.</p>
Pt 16	<p>Reports with information content the same as information content of books of accounts (pt 15), should also meet other requirements set forth in the Act (e.g. totals at the end of pages, system version number). Those requirements pertain both to the presented data and other elements of the report, such as:</p> <ul style="list-style-type: none"> a) headers and footers of the report; b) names of columns and lines. <p>Availability of reports may be ensured either directly from the financial and</p>

	accounting system or through other IT solutions.
Pt 18	The requirement of maintaining books of accounts in Polish means, that the content of entries (in particular descriptions of events) made in financial and accounting system has to be expressed in Polish. This requirement does not pertain to cases when the entries are made in form of codes, abbreviations or symbols; however, in such a case there should be a list available of allowed and applied codes, abbreviations or symbols, with a description of such codes, abbreviations and symbols provided in Polish. In case of accounting vouchers in form of entries made automatically in the accounting and financial system, in particular interest notes, depreciation accrual, etc. content of those entries, unless it is in form of code, abbreviation or symbol (created automatically by the system) should be available in Polish.
Pt 19	In case of data moved to a durable IT data carrier, it should be archived in Polish. This means, that if data is in form of reports, those reports should be available in Polish.

1.2.3. Place of keeping books of accounts

Place of keeping books of accounts has been set forth in art. 11 and 11a of the Accounting Act as well as pts 20-27 of the Position of Accounting Standards Committee of 13 April 2010 on certain principles of bookkeeping.

<i>Art. 11 of the Accounting Act</i>	
Books of account may be:	
kept by the entity	outsourced for keeping to authorized enterprises

Books of account may be kept:		
At the entity's seat or place of governance	Outside of the entity's seat or place of governance	
	in the entity's branch, office or unit	Outsourced to an enterprise providing services in scope of bookkeeping

Art. 11a of the Accounting Act – in case the books of accounts are kept outside the head office or place of management, the entity's manager is obliged to:

- notify the relevant revenue office of the place where the books of accounts are kept within 15 days of releasing the books
- ensure availability of the books of accounts along with accounting vouchers for authorized external inspection or supervision authorities at the head office or place of management of the entity, or at a different place with the consent of the inspection or supervision authority

According to art. 9 par. 1 of the Act of 13.10.1995 on principles of registration and identification of taxpayers and payers: "Entities, referred to in art. 6 par. 1, 1a and 10, are obligated to update the data required for the identification notice by making a data update notice to head of revenue office no later than 7 days from the moment data change occurred".

The Position of Accounting Standards Committee presents the conditions for the three options of bookkeeping. They are presented in the table below.

Books of accounts kept by the entity:	<p>are kept using the resources (personnel, premises equipment) which at the disposal of the entity. The entity is not limited as to the place where it keeps its books (e.g. head office, branch or plant, unit), which may be located either in Poland or outside its borders.</p> <p>An entity, as per art. 51 of the Act, an entity may authorize a branch (plant) which as organizational unit does not prepare individual financial statements, to keep the books for both the branch (plant) itself and the entire entity. Authorization for a branch (plant) to keep books for the branch (plant) or the entire entity does not result in an obligation for such a branch (plant) to prepare financial statements of the branch (plant) or the entire entity.</p>
Bookkeeping outsourced to another entity	<p>Outsourcing bookkeeping to an enterprise offering services in scope of bookkeeping does not relieve the manager of the entity from the responsibility for performing their duties in scope of accounting.</p> <p>The manager of the entity should ensure that the obligations in scope of accounting are fulfilled by: careful selection of the enterprise providing bookkeeping services, including relevant clauses in bookkeeping services contract, and controlling observance of contractual conditions. Particular attention should be given to those provisions of the contracts, which stipulate responsibility of additional persons – other than the manager of the entity – for specific areas of accounting. Effective supervision over outsourced bookkeeping requires implementation of such solutions as will allow the manager of the entity current control and analysis of bookkeeping entries made (by way of e.g. online access, periodic or on</p>

	demand reporting). Manager of the entity should also receive information as to the qualifications, including certification to provide bookkeeping services, of persons actually performing those activities on behalf of the enterprise, as well as information on active third party liability insurance held by the enterprise.
Books of accounts kept using a server in a location different than the place of bookkeeping	<p>Books of accounts kept using a server in a location different than the place of bookkeeping are deemed to be kept correctly if at least the following conditions are met:</p> <ul style="list-style-type: none"> a) The entity maintains control over the books of accounts and entries made therein; b) The entity ensures that books of accounts are identical with copies of the reports received over a transmission link (wired) or wireless; c) Books of accounts are kept in a reliable, error-free, verifiable manner and on an on-going basis; d) Unequivocal links are ensured between entries in books of accounts and accounting vouchers; e) Data in books of accounts is effectively protected from unauthorized modification, unauthorized access, damage or destruction; f) Books of accounts are always available at the entity's place of bookkeeping; g) The entity has a printout of the books of accounts for closed periods or has their content written down on another permanent data carrier, available and possible to read at the entity's place of bookkeeping, for a period no shorter than required accounting records retention period (5 years).

1.2.4. Criteria of correctness of the books of accounts

Conditions which must be met by books of accounts were specified in art. 24 of the Accounting Act. Pt 1 of that Article states that:

Books of accounts should be kept in a reliable, error-free, verifiable manner and on an on-going basis.

Characteristics of individual criteria are provided in the table below.

Criterion	Act of law	Description
Reliability	<i>Art. 24 par. 2 of the Accounting Act</i>	Entries made in the books reflect the actual state of affairs.
Error-free	<i>Art. 24 par. 3 of the Accounting Act</i>	All the accounting vouchers approved for posting in the books of accounts in a given month have been entered in a complete and correct manner; continuity of entries as well as the flawlessness of the applied calculation procedures was ensured.
Verifiability	<i>Art. 24 par. 4 of the Accounting Act</i>	Books of accounts allow the correctness of entries made and amounts (balances) entered, and of the operation of the applied calculation procedures, to be checked, including in particular if: <ul style="list-style-type: none"> 1) based on the evidence of the entries, it is possible to identify the underlying accounting vouchers and the manner in which they were posted in the books of accounts at all stages of data processing; 2) the entries are arranged chronologically and systematically according to classification criteria which allow to draw up financial statements and other reports, including tax returns, which an entity is obliged to prepare, as well as to carry out financial settlements; 3) in the case of computer-assisted bookkeeping, it is possible to control the completeness of the accounting system files and data processing parameters; 4) access to data files is ensured which makes it possible to obtain, at any time, for any reporting period and irrespective of the technique used, clear and comprehensible information on the substance of the entries made in the books of accounts
On-going basis	<i>Art. 24 par. 5 of the Accounting Act</i>	<ul style="list-style-type: none"> 1) based on the information derived from them, an entity is able to prepare, in the time required, any obligatory financial statements and other reports, including tax returns, as well as to carry out financial settlements; 2) general ledger trial balances are prepared at least for the respective reporting periods and no less frequently than

Criterion	Act of law	Description
		<p>at the end of each month, in a timely manner as mentioned in item 1 above, and for the financial year, no later than the 85th day after the balance sheet date;</p> <p>3) payments received and made in cash, cheques and bills of exchange, as well as any transactions in retail trade and in food services, are recognized on the day on which they were affected.</p>

1.2.5. Opening and closing books of accounts

In order to properly record economic events, books of accounts must be open and closed at required dates. The Accounting Act, in art. 12 par. 1 and 2 provides a catalog of circumstances requiring opening and/or closing books of accounts.

Books of accounts are opened:	Books of accounts are closed:
<ol style="list-style-type: none"> 1) on the date operations commence, which is the date of the first event producing effects of a property-related or financial nature, 2) on the start of each subsequent financial year 3) on the date the legal form is changed 4) on the date of entry onto the relevant register of a combination of entities or a division of the entity, bringing a new entity (entities) into existence, 5) on the date liquidation commences or the entity is declared bankrupt 	<ol style="list-style-type: none"> 1) on the date ending a financial year, 2) on the day the entity terminates its operations, including also the day of its sale, completion of liquidation or bankruptcy proceedings, unless these have been discontinued, 3) on the date preceding a change in the legal form 4) in an entity being taken over by another entity, on the date of the business combination relating to the takeover, i.e. the date the combination is entered in the register, 5) on the date preceding the date of the division or combination of entities, if a new entity comes into existence as a result of the division or combination, i.e. as of the date preceding the date the division or combination is entered in the register, 6) on the date preceding the date an entity is put into liquidation or declared bankrupt 7) on any other balance sheet date specified by separate legal regulations
within 15 days of such events taking place	no later than three months after such events have taken place

According to art. 12 par. 4, **books of accounts of an entity operating as a going concern should be finally closed and opened within 15 days of the approval of the financial statements for a financial year.**

The Accounting Act defines “closing of books of accounts” as an irreversible exclusion of the possibility to make entries in the data files comprising the closed books of accounts.

Catalog of circumstances requiring opening and/or closing books of accounts is a closed catalog.

The Accounting Act also envisages exemptions from the requirement of opening and closing of books of accounts. Exemptions are presented below:

Books of accounts need not be closed or opened if:	Books of accounts need not be closed if:
<ol style="list-style-type: none"> 1) a partnership or a civil partnership is transformed into another partnership, or a company is transformed into another company; 2) a business combination takes place and it is accounted for by the pooling of interests method in accordance with the Act and does not result in a new entity being formed; 3) an entity is declared bankrupt with the possibility of entering into a composition with creditors. 	<ol style="list-style-type: none"> 1) an entity is divided by way of a spin-off; 2) for the financial year throughout which the entity’s operations remained suspended, unless the entity is making depreciation or amortization write-offs, or other events occur with property or financial consequences – does not pertain to securities issuers admitted, intending to apply for, or applying for admission to, trading on one of the European Economic Area regulated markets.

1.2.6. Books of accounts – characteristics

1.2.6.1. General information

Books of accounts comprise:

- the journal
- the general ledger
- subsidiary ledgers
- Summaries: trial balances of the general ledger accounts and of the subsidiary ledger accounts

- a list of assets and liabilities (inventory)

Elements, which must be present in all books of accounts are presented in the table below:

Books of accounts should be:	<ul style="list-style-type: none"> • permanently marked with the (full or shortened) name of the entity to which they relate • permanently marked with the name of the given type of book of accounts • permanently marked with the name of processing software, • clearly marked with the financial year, reporting period and preparation date • carefully stored in a set order
Printouts of books of accounts should:	<ul style="list-style-type: none"> • be permanently marked with the (full or shortened) name of the entity to which they relate • be permanently marked with the name of the given type of book of accounts • be permanently marked with the name of processing software, • be clearly marked with the financial year, reporting period and preparation date • be carefully stored in a set order • consist of automatically numbered pages • have a clearly marked first and last page • include a sum total for each page on an ongoing basis throughout the financial year
<p>Books of accounts should be printed out no later than at the end of the financial year.</p> <p>Transferring the contents of books of accounts to an IT data carrier is considered equivalent to printing out such books.</p>	

1.2.6.2. The journal

Art. 14 of the Accounting Act

The Journal

1. The journal contains a chronological record of events occurring in a given reporting period.
2. The journal should make it possible for its totals to be reconciled with the totals of

the general ledger trial balance.

3. Entries in the journal must be numbered.
4. Sums of the entries (totals) must be calculated in a continuous manner.
5. Journal entries should be made in such a way as to ensure that they may be unambiguously linked to checked and approved accounting vouchers.
6. It is possible to keep one journal, or a number of journals for individual groups of business transactions (sub-journals); if sub-journals are used, then a summary of their totals for a given reporting period should be prepared.
7. **Computer-assisted bookkeeping: an accounting entry should have an automatically assigned item number under which it was entered in the journal, as well as data identifying the individual responsible for the contents of the entry.**

1.2.6.3. The general ledger

Art. 15 of the Accounting Act

The general ledger

1. General ledger accounts contain systematic records of transactions (by type of business transaction).
2. Entries in each specific general ledger account must be made in chronological order.
3. Entries made in the general ledger accounts, are events registered in the journal, either previously or at the same time.
4. Entries in the general ledger are made in accordance with the double-entry bookkeeping system.

1.2.6.4. Subsidiary ledgers

Art. 16 and 17 of the Accounting Act

Subsidiary ledgers

1. Subsidiary ledger accounts contain entries that detail and supplement the general ledger accounts.
2. Subsidiary ledger accounts contain systematic records of transactions (by type of business transaction).

3. Subsidiary ledgers are kept as: a separate system of books, files (sets of accounts) and computerized data files.
4. Balances and entries in subsidiary ledger accounts must be reconciled with the balances and entries in the general ledger accounts.
5. In subsidiary ledger accounts, physical units may be used in addition to, or instead of, monetary units during a reporting period.
6. Subsidiary ledger accounts are kept in particular for:
 - property, plant and equipment, including construction in progress, and intangible assets as well as amortization or depreciation charges thereof;
 - settlements with customers and suppliers;
 - settlements with employees;
 - sales operations;
 - purchase operations;
 - costs and assets significant for the entity;
 - cash operations in the event that a cash register is operated.

1.2.6.5. Trial balances

Art. 18 of the Accounting Act

Trial balances

1. Based on the entries made in the general ledger, at the end of each reporting period, and no less frequently than at the end of the month, a trial balance is drawn up, containing:
 - symbols or names of accounts;
 - the opening balances of accounts, totals for the reporting period and year-to-date from the beginning of the financial year as well as closing balances of accounts;
 - the sum of opening balances, totals for the reporting period and year-to-date from the beginning of the financial year as well as the sum of the closing balances.
2. A statement of all subsidiary ledger account balances should be prepared at least for each books of accounts closing date.
3. A statement of the stocks of any asset group covered by stocktaking should be prepared for each stocktaking date.

1.2.6.6. Inventory

Art. 19 of the Accounting Act

Inventory

1. Inventory is a list of assets and liabilities.
2. Entities that have not previously kept books of accounts in a manner specified in the Accounting Act should draw up a list of assets and liabilities (inventory), confirmed by stocktaking.
3. In entities, which continue keeping books of accounts in a manner specified in the Accounting Act, general ledger accounts' trial balances as well as subsidiary ledger accounts' trial balances constitute the inventory.

1.2.7. Principles of making entries

Entries in the books of accounts are made:

- in a permanent manner,
- without leaving room for any subsequent additions or changes,
- in case of computer-assisted bookkeeping, appropriate procedures and measures protecting against destruction, modification of, or hiding entries should be applied
- in a manner enabling the transaction amount to be determined both in the Polish and foreign currency - in case of transactions in foreign currencies,
- in a manner ensuring their durability for a time no shorter than the time required for storing books of accounts.

Entries in the journal and general ledger accounts should be crosslinked in a manner enabling them to be checked.

1.2.8. Elements of entries

An accounting entry should contain at least:	the date of the business transaction
	type of the underlying accounting voucher
	reference number of the underlying accounting voucher
	date of accounting voucher, if different from the transaction date
	comprehensible text, abbreviation or code of the transaction's description
	amount of the entry

	date of the entry
	designation of the accounts to which it pertains

1.2.9. Books of accounts and taxes

For the purposes of tax law, Tax Ordinance introduces the notion of tax registers.

<i>Art. 3 pt 4 Of Tax Ordinance Act</i>		
TAX BOOKS		
Books of accounts	Tax register of revenue and expenses	Records and registers

As the above shows, for entities subject to provisions of the Accounting Act, tax registers are – for tax purposes – the books of accounts.

According to art. 181 of the Tax Ordinance, tax registers constitute evidence in tax proceedings. If tax registers are kept reliably and correctly, they constitute evidence of the circumstances indicated therein (art. 193 par. 1 of TO).

TAX REGISTERS ARE DEEMED:	
RELIABLE (art. 193 par. 2 of TO) if entries made in the books reflect the actual state of affairs.	CORRECT (art. 193 par. 3 of TO) if they are kept in accordance with principles stemming from separate legislation

Thus, the Tax Ordinance recognizes those tax registers as reliable and correct, as are kept in accordance with accounting principles stemming from the Accounting Act.

1.3. ACCOUNTING VOUCHERS

1.3.1. Definition

One of the binding principles of Polish accounting is that any business transaction which is to be recorded must be previously documented. In other words, there can be no records without an appropriate accounting document².

² Z. Messner, J. Pfaff, *Teoria i zasady rachunkowości*, SKWP, 2013, p. 57

An accounting voucher is a document which constitutes the basis for an entry made in books of accounts³.

The Accounting Act in itself does not provide a direct definition of an accounting voucher. It focuses rather on types of accounting vouchers and their constituent elements.

An accounting voucher is the basis for record (entry) in books of accounts. The Position of the Accounting Standards Committee clarifies, that an entry can also be made based on electronic documents entered into the books, which constitute accounting vouchers. At the same time, pt 7 of the Position describes the term “electronic document”.

Pt 7 of the Position of Accounting Standards Committee

The term “**electronic document**” refers to the form of the document, such as e.g.: electronic invoice, a printout from an Internet banking system, electronic warehouse document, electronic airline ticket, data from billing systems etc.

The term “electronic document” was also defined in the Tax Ordinance.

Art. 3 pt 13 of Tax Ordinance Act

Whenever in the Act a reference is made to:

- 13) **electronic document** - it means an electronic document referred to in Article 3, pt 2 of the Act on Informatization of Activities of Entities Implementing Public Tasks of 17 February 2005 (Journal of Laws No. 64, item 565, as amended).

Art. 3 pt 2 of the Act on Informatization of Activities of Entities Implementing Public Tasks

Terms used in the Act shall be understood to mean:

- 2) **electronic document** – a data file, constituting a separate distinctive whole in terms of meaning, arranged in a specific internal structure and recorded on an IT data carrier.

The above shows that there is no consistency between accounting regulations and tax regulations.

³ *Encyklopedia księgowego*, Infor, Warszawa 2013, p. 79

While talking about definitions, Act on Goods and Services Tax should be mentioned, which, after an amendment enacted in 2012, has introduced a definition of an invoice and electronic invoice into its list of definitions.

<p><i>Art. 2 pt 31 of the VAT Act</i></p> <p>"invoice" shall mean a document in a paper or an electronic form including particulars required under a legislative act or regulations issued pursuant to said act;</p>
<p><i>Art. 2 pt 32 of the VAT Act</i></p> <p>"electronic invoice" shall mean an invoice in an electronic form issued and received in any electronic format;</p>

1.3.2. Types of accounting vouchers

Within the framework of accounting theory, many criteria were developed for classification of accounting vouchers. For the purposes of this study, only the criteria presented in the Accounting Act will be presented, as set forth in art. 20 thereof.

ACCOUNTING VOUCHERS	
<p><i>Art. 20 par. 1 of the Accounting Act</i></p> <p>SOURCE DOCUMENTS</p>	<p><i>Art. 20 par. 2 of the Accounting Act</i></p> <p>OTHER ACCOUNTING VOUCHERS issued by the entity</p>

Source documents listed in the Accounting Act are presented below:

SOURCE DOCUMENTS		
third party external vouchers	an entity's external vouchers	internal vouchers
received from suppliers and customers	the original of which is given to suppliers and customers	pertaining to an entity's internal operations
e.g. purchase invoices	e.g. sales invoices	e.g. accepting materials

Other accounting vouchers issued by the entity (often referred to as secondary in the literature) listed in the Accounting Act are presented below:

OTHER ACCOUNTING VOUCHERS			
collective vouchers	vouchers adjusting previous entries	substitute vouchers	reclassification vouchers
serving to make aggregate entries for a number of source documents that must be listed individually in a collective voucher, e.g. a cash report	result in adjustment of previously made entries, e.g. a VAT correction invoice	issued until a third party external source document is received – however, this may not apply to business transactions concerning purchases subject to value added tax and purchases of non-ferrous metals from private individuals	recognizing existing entries according to new classification criteria, e.g. order to make an entry with use of materials breakdown

Other accounting vouchers are accounting vouchers drawn up by the entity.

Accounting vouchers generated electronically may also be a basis for entries in books of accounts⁴.

Art. 20. 4 par. 5 of the Accounting Act

In the case of computer-assisted bookkeeping, entries made in the books of accounts automatically by means of telecommunication devices, IT data carriers, or developed according to an algorithm (software) based on information already included in the books should be considered equivalent to source documents, provided that at least the following conditions are met at the registration of such entries:

- 1) they become permanently legible and consistent with the content of the relevant accounting vouchers
- 2) it is possible to track their origin and the individual responsible for making the entry
- 3) the procedure applied ensures the possibility to check if the relevant data was correctly processed and the relevant entries are complete and identical;
- 4) the source data is duly protected at its place of origin, in a manner ensuring its invariability during the period of storage required for a given type of accounting voucher

⁴ R. Sereďyński, K. Szaruga, *Komentarz do ustawy o rachunkowości*, ODDK, Gdańsk 2013, p. 166

Thus, in case of computer assisted bookkeeping, the basis for making accounting entries may be⁵:

- electronic accounting vouchers received from third parties and automatically transmitted to the entity's systems by means of telecommunication devices, IT data carriers,
- Vouchers generated automatically, by the entity's systems, created according to an algorithm (software) based on information already included in the books.

1.3.3. Elements of accounting vouchers

1.3.3.1. Requirements of the Accounting Act

Every accounting voucher must include very specific elements, listed in art. 21 of the Accounting Act.

These elements are presented in the table below.

Compulsory elements of accounting vouchers	Possible deviations
Specification of the type and reference number of the voucher	May be omitted, if so stipulated by separate legislation
Specification of the parties (names, addresses) conducting the business transaction	May be omitted, if so stipulated by separate legislation
Description and value of the transaction, if possible, also specified in physical units, and – in case of accounting voucher expressing values in foreign currencies, translation of such values into Polish currency, stated directly on the voucher.	<ol style="list-style-type: none"> 1. May be omitted, if so stipulated by separate legislation 2. In case of data stated in physical units - the value may be omitted on a voucher if data stated in physical units is valued in the course of the accounting process and if the valuation is confirmed on a printout. 3. In case of an accounting voucher with values in foreign currencies, translation stated directly on the voucher may be omitted if the data processing system ensures automatic translation of foreign currencies into Polish currency and this

⁵ R. Sereďyński, K. Szaruga, *Komentarz do ustawy o rachunkowości*, ODDK, Gdańsk 2013, p. 166-167

Compulsory elements of accounting vouchers	Possible deviations
	translation is confirmed by a relevant printout.
Date of the transaction, and if the voucher is drawn up with a different date, also the date the voucher was drawn up	Signatures may be replaced by symbols ensuring the identification of such individuals. This exemption does not apply to: vouchers which evidence the transfer or takeover of an asset, transfer of an ownership title or usufruct right to land, or substitute vouchers.
Signature of the issuer and the individual to or by whom the assets were delivered	May be omitted, if so stipulated by separate legislation
Confirmation of verification and approval of the voucher for recognition in the books of accounts, by indicating the place and manner in which the document is to be posted in the books of accounts (account assignment) and the signature of the individual responsible for such indication	May be omitted, if so required by techniques for making accounting entries.

Accounting documents are not an element of books of accounts, so they may be prepared in a foreign language⁶. However, the Act requires that in such a situation, at the request of inspection authorities or an auditor, documents indicated by them written in a foreign language should be reliably translated into Polish.

1.3.3.2. Control and account assignment of accounting vouchers

Elements of an accounting voucher include:

- Confirmation of verification – control,
- Confirmation of approval for recognition in books of accounts – account assignment.

Accounting documents undergo formal, substantive and calculation control.

⁶ R. Sereżyński, K. Szaruga, *Komentarz do ustawy o rachunkowości*, ODDK, Gdańsk 2013, p. 169

Type of control	Objective of verification
Formal control	<ul style="list-style-type: none"> • verification of correctness, legality and reliability of the accounting voucher, in compliance with provisions of the law and adopted principles
Substantive control	<ul style="list-style-type: none"> • verification of purpose and justifiability of the business transaction • verification of correctness and accuracy of data in the accounting voucher
Calculation control	<ul style="list-style-type: none"> • verification of arithmetic correctness of calculations

Own analysis, based on: R. Seredyński, K. Szaruga, *Komentarz do ustawy o rachunkowości*, ODDK, Gdańsk 2013, p. 169 and K. Haski, *Zasady obiegu i kontroli dowodów księgowych*, SIGMA, Skierniewice 2012, p.95

The entity records principles of control and account assignment of accounting vouchers in the documentation determining the principles of bookkeeping – the accounting policy. Same documentation may specify principles allowing omission of confirmation of verification stated on the voucher, as well as account assignment, if so stipulated by techniques for making accounting entries.

1.3.3.3. VAT invoices

A VAT invoice is an accounting voucher, with respect to which tax regulations have requirements far more detailed than those stemming from the Accounting Act.

Thus, a VAT invoice must meet requirements stemming from:

- the Accounting Act
- VAT Act – art. 106e of the Act of 11 March 2004 on goods and services tax
- Regulation of Minister of Finance of 3.12.2013 on issuing invoices.

1.3.4. Correcting errors in source documents

Errors in accounting vouchers are corrected in a following manner:

Type of voucher	Manner of correction
Entity's external vouchers	Sending a relevant document containing a rectification and providing reasons for this, unless other regulations stipulate otherwise
Third party external vouchers	

Type of voucher	Manner of correction
Internal vouchers	Crossing out any erroneous text or amounts, preserving the legibility of the crossed out expressions or figures, and inserting the correct text as well as the date of the correction and the signature of the authorized individual, unless other regulations stipulate otherwise

1.3.5. Attributes of accounting vouchers

According to art. 22 par. 1 of Accounting Act, accounting vouchers should be:

- reliable – consistent with the actual course of the business transaction to which they pertain,
- complete – containing at least the details specified in the Act,
- free from any calculation errors.

1.4. FINANCIAL STATEMENTS (ENTITY)

1.4.1. Definition of financial statements

The Accounting Act does not provide a definition of financial statements in the glossary (art. 3 par. 1). It focuses more on elements and attributes of financial statements.

1.4.2. Elements of financial statements

According to art. 45 par. 2 and 3 of the Accounting Act, **financial statements** consist of:

- 1) balance sheet;
- 2) profit and loss statement;
- 3) supplementary information, comprising an introduction to the financial statements as well as notes,

and in case of the entities specified in Article 64 par. 1, subject to mandatory annual audit, also:

- 4) statement of cash flows, and
- 5) statement of changes in equity.

According to art. 45 par. 4, annual financial statements are accompanied by a management report, if the obligation to prepare such a report results from the Act or separate legal

regulations. Provision of art. 49 par. 1 states, that companies, limited joint-stock partnerships, mutual insurance companies, mutual reinsurance companies, cooperatives and State-owned companies must also prepare a management report.

Scope of individual financial statements was specified in Annexes to the Act, separately for:

- entities from so-called “general sector”, i.e. other than banks, insurance companies and reinsurance companies – in Annex No. 1 to the Act,
- banks – in Annex No. 2 to the Act,
- insurance companies and reinsurance companies – in Annex No. 3 to the Act
- for micro entities – in Annex No. 4 to the Act.

1.4.3. Micro entities – scope of simplifications

The Act envisages a possibility of certain simplifications in preparation of financial statements for **micro entities**, definition of which is provided in par. 1a of the Account Act:

Art. 3 par. 1a and 1b of the Accounting Act

Micro Entities

1. commercial companies and partnerships (including those under organization), civil partnerships, other legal entities as well as branches of foreign companies (in the understanding of the regulations on freedom of business activity), if:
 - in the financial year for which it is preparing the financial statements and in the preceding financial year
 - and in case of entities commencing their operation in the given financial year, in the year in which they commenced their activity, have **not exceeded** at least **two** of following **three** figures:
 - a) **total assets as of the end of financial year did not exceed 1.500.000 PLN**
 - b) **net revenues from sales of goods and services for the financial year did not exceed 3.000.000 PLN**
 - c) **average annual employment calculated as full time jobs did not exceed 10 people**
2. associations, trade unions, organizations of employers, economic chambers, foundations, representative offices of foreign enterprises, social and professional organizations of farmers, organizations of professional self-government, organizations of artisan self-government and Polish Office of Motor Insurance

Companies - **if they do not conduct business activity;**

3. individuals, civil partnerships of individuals, general partnerships of individuals, and professional partnerships, if their **net proceeds from sales of goods, products and financial operations**

- for the previous financial year;
- in case of entities commencing their activity or bookkeeping in compliance with Accounting Act – in the year, in which they commenced their activity or bookkeeping in compliance with Accounting Act;

amounted to **1.200.000 EUR ≤ Equivalent in Polish currency ≤ 2.000.000 EUR**

4. individuals, civil partnerships of individuals, general partnerships of individuals, and professional partnerships which keep books of accounts voluntarily, if their revenues (in accordance with art. 2 par. 2 of the Accounting Act) amounted to less than **Equivalent in Polish currency ≤ 1.200.000 EUR**

A necessary condition for the entities meeting the above requirements to become micro entities is a decision of the approving body to prepare the financial statements with simplifications envisaged for micro entities by the Accounting Act.

Since for those entities the Act envisages meeting specified criteria for two financial years, it specifies, that micro entities are also entities, which:

5. have applied simplifications envisaged by the Act for micro entities in preparing their financial statements for the previous financial year, and
6. in the financial year, for which the financial statement is prepared, or in the preceding financial year, they have exceeded two of following three figures:
- a) **total assets as of the end of financial year did not exceed 1.500.000 PLN**
 - b) **net revenues from sales of goods and services for the financial year did not exceed 3.000.000 PLN**
 - c) **average annual employment calculated as full time jobs did not exceed 10 people**

Following entities **cannot** be micro entities regardless of the level of revenues:

- public finance sector entities,
- entities operating in the financial market, in particular:
 - banks
 - insurance companies,
 - credit unions,

- entities applying or intending to apply for permits to operate based on provisions of:
 - Banking law,
 - Securities law,
 - Insurance and reinsurance activity regulations,
 - Investment funds,
 - Pension funds,
 - Credit unions.

The Act envisages following simplifications in financial statements of micro entities:

Act of law	Micro entity:
<i>Art.46 par. 5 pt 4); Art. 47 par. 4 pt 4)</i>	May prepare the balance sheet and profit and loss statement in the format provided in Annex No. 4 to the Accounting Act
<i>Art. 48. par. 3 of the Accounting Act</i>	May not prepare notes to financial statements (if specified conditions are met)
<i>Art. 48a. par. 3 of the Accounting Act</i>	May not prepare the statement of changes in equity
<i>Art. 48b. par. 4 of the Accounting Act</i>	May not prepare cash flows statement
<i>Art. 49. par. 4 of the Accounting Act</i>	May not prepare management report (if specified conditions are met)

Application of these simplifications in micro entities is not mandatory and depends on the decision of the approving body. However, making a decision to apply the simplifications requires updating the accounting policy.

1.4.4. Other entities – scope of simplifications

The Accounting Act envisages also other simplifications in scope of financial statements:

Act of law	Entity	Exemption
<i>Art. 45. par. 3 of the Accounting Act</i>	Investment funds	Prepare a statement of changes in net assets (instead of statement of changes in equity)
<i>Art. 45. par. 3a of the Accounting Act</i>	Open investment funds; Specialized investment funds	No obligation to prepare the statement of cash flows

Art. 50 par. 2 and 4 of the Accounting Act

Entities from the so-called “general sector” (other than credit unions) which have not achieved two of the following three figures in the financial year for which it is preparing the financial statements and in the preceding financial year:

- a) **average annual employment calculated as full time jobs did not exceed 50 people**
- b) **total assets as of the end of financial year did not exceed the equivalent of 2.000.000 EUR in Polish currency**
- c) **net revenues from sales of goods and services for the financial year did not exceed the equivalent of 4.000.000 EUR in Polish currency**

may prepare their financial statements in simplified format, i.e. presenting only the items marked with Roman letters and numerals in Annex No. 1 to the Accounting Act.

Art. 50 par. 1 and 3 of the Accounting Act

The information included in the financial statements, as listed in Annexes to the Act, may be:

- a) more detailed, depending on the needs and specific profile of the entity
- b) omitted, if there is no information pertaining to the respective items of the financial statements of an entity for a financial year and for the preceding financial year

1.4.5. Language and currency

Art. 5 of the Accounting Act

Financial statements* are prepared:

in Polish language	in Polish currency
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** and management report*

As in case of books of accounts (art. 9), the Accounting Act consistently imposes an obligation to use Polish language and Polish currency, however numerical data can be represented rounded to full thousands of PLN, if it does not result in misstatement of the entity’s view presented in the financial statements and management report.

1.4.6. Preparing financial statements – responsibility and deadlines

Art. 52 of the Accounting Act

Manager of the entity is responsible for accounting in the entity, which includes responsibility for preparing financial statements (art. 4. par. 3 pt 5). Even in a situation in which certain obligations are assigned to a third party with his/her/its consent, manager of the entity retains responsibility for supervision.

In particular, the Accounting Act states, that the manager:

- ensures preparation of annual financial statements, financial statements for other balance sheet dates, as specified in art. 12 par. 2 of the Act, as well as management report, if required, **no later than three months after the balance sheet date** (art. 52 par. 1-3)
- submits financial statements for auditing (mandatory or voluntary)
- submits them to the approving body in accordance with the legal regulations applicable to the entity, as well as the provisions of the statutes or articles of association (art. 52 par. 1)

3 months after balance sheet date is the final deadline for preparation of financial statements.

Financial statements should be signed by the individual in charge of keeping the books of accounts and by the manager of the entity, and if the entity is under the direction of a governing body composed of more than one member, by all members of the body, specifying the date of the signature. A refusal to sign (by any of the above persons) requires a written justification that should be attached to the financial statements.

1.4.7. Approving financial statements – responsibility and deadlines

Art. 53 of the Accounting Act

Annual financial statements and management report (if such were prepared) of an entity are subject to approval by its approving body as indicated in the company's statutes or articles of association, **by no later than six months from the balance sheet date.**

If the entity is subject to mandatory audit, as per art. 64 par. 1 of the Accounting Act, financial statements must be audited before being submitted for approval.

As per par. 2a, financial statements of entities that have been declared bankrupt are not

subject to approval.

The annual financial statements of a branch of a foreign business entity are considered to have been approved if the financial statements of the foreign business entity covering the data of that branch have been approved.

1.4.8. Penalties and sanctions as per the Accounting Act and the Act on KRS

As per art. 77 pt 2 of the Accounting Act, whoever, contrary to the provisions of this Act, allows that financial statements are not prepared, is liable to a fine or imprisonment of up to two years, or both. Whosoever, contrary to the provisions of the Act, fails to submit financial statements or management reports to the relevant court register, fails to make available to partners financial statements and other documents referred to in Article 68 of the Act is also liable to a fine or penalty of restriction of liberty, as per art. 79 of the Accounting Act.

A fine is also envisaged for failing to submit financial statements to the relevant court register. Since 1 January 2015, pursuant to art. 24 par. 1 of the Act on National Court Register, in case of finding that documents which are mandatory for submission were not submitted within deadline, the register court initially calls the obligated party to submit such documents, setting an additional 7 day deadline. If the party fails to submit the documents by then, the register court imposes a fine, envisaged in the provisions of Code of Civil Procedure on enforcement of non-monetary obligations (coercive proceedings).

If, despite the call of the court, the entity failed to file its financial statements for two subsequent financial years, register court initiates *ex officio* proceedings to disband the entity entered into the register without undergoing liquidation procedure. This stems from art. 25a par. 1 of the Act on National Court Register (KRS). Pursuant to art. 5 of the Act of 28 November 2014 amending the Act on KRS, abovementioned dissolution proceedings are initiated also in case of failure to submit annual financial statements for two subsequent financial years, despite being called to do so by the court, pursuant to provisions which remained in force until 31 December 2014, if obligations relating to the statements are not fulfilled within 6 months from 1 January 2015, i.e. by end of June 2015.

1.4.9. Penal sanctions stemming from the tax penal code

Since 1 January 2015 – pursuant to art. 80b of the Tax Penal Code – an entity which submits its financial statement in the tax office after the deadline envisaged in tax law (art. 27 par. 2 of CIT Act and 45 par. 5 of PIT Act) may expect to be fined for a tax misdemeanor. In light of art. 48 of Tax Penal Code, the fine amount may range from one tenth to twenty

times the minimum wage, unless the Code states otherwise. Currently, the amount may range from 175 PLN to 35.000 PLN.

1.5. STORAGE

1.5.1. The notion of “files”

For storage purposes, the Accounting Act uses the notion of “files”.

<i>Art. 71. par. 1 of the Accounting Act</i>	
Files	1. Accounting policy
	2. Books of accounts
	3. Accounting vouchers
	4. Inventory documents
	5. Financial statements

1.5.2. General principles of archiving

The files should be:

- stored in an appropriate manner,
- protected against unauthorized changes,
- protected against unauthorized disclosure,
- protected against damage or destruction.

1.5.3. Place of archiving files

Documents subject to storage, as per Accounting Act, are:

- accounting vouchers,
- inventory documents,
- accounting policy – after approval of financial statements for the given year,
- books of accounts – after approval of financial statements for the given year,
- financial statements and management report – after approval of financial statements for the given year.

FILES MAY BE STORED:	
<i>art. 73 par.1</i> Within the entity	<i>art. 73 par.4</i> Outside the entity – in the event that they are transferred for storage to another entity providing document storage services
	<i>art. 11a</i> The entity is obligated to: <ul style="list-style-type: none"> • notify the relevant revenue office of the place where the books of accounts are kept within 15 days of releasing the books • ensure availability of the books of accounts along with accounting vouchers for authorized external inspection or supervision authorities at the head office or place of management of the entity, or at a different place with the consent of the inspection or supervision authority

The files are stored:

- in their original form,
- in an established order adapted to the manner in which the books of accounts are kept,
- classified by reporting periods,
- in a manner ensuring their easy retrieval.

The files of entities that have discontinued their operations as a result of a business combination with another entity or transformation of their legal form should be stored by the surviving entity.

The files of entities that have been liquidated should be stored by an appointed individual or entity; relevant court or other authority maintaining a register or record of business activities as well as the revenue office must be informed about the place of storage of such files.

1.5.4. Storage periods

Storage periods stemming from Accounting Act are presented in the table below.

Type of file	Storage period
Approved annual financial statements	permanently

Type of file	Storage period
Books of accounts	5 years
Employee payroll records or equivalents	for the time for which access to such information is required under the legal regulations applicable to retirement pensions and disability allowances as well as under tax regulations, however no less than five years
Accounting vouchers concerning proceeds from retail sales	until the date of the approval of the financial statements for a given financial year, however at least until the date the individuals in charge of assets intended for retail sales are discharged
Accounting vouchers concerning construction in progress, bank and non-bank loans and commercial contracts, claims pursued in civil proceedings or covered by criminal or tax proceedings	for five years starting from the beginning of the year following the financial year in which the transactions and proceedings were finally terminated, paid off, settled or time-barred
Accounting policy	for a period no shorter than five years from the expiry of its validity date
Documents concerning statutory warranties and complaints	one year after the expiry of the warranty validity date or settlement of the complaint
Stocktaking records	5 years
other accounting vouchers and documents	5 years
STORAGE PERIODS ABOVE SHOULD BE CALCULATED STARTING FROM THE YEAR FOLLOWING THE FINANCIAL YEAR TO WHICH THE RESPECTIVE FILES PERTAIN.	

Quoted storage periods are, however, not the minimum periods required in particular by provisions of the Tax Ordinance with respect to: books of accounts, stocktaking documents, accounting vouchers pertaining to revenues from retail sales, accounting vouchers concerning construction in progress, bank and non-bank loans and commercial contracts, claims pursued in civil proceedings or covered by criminal or tax proceedings.

TAX ORDINANCE ACT	
<i>Art. 86 § 1</i>	<i>Art. 70 § 1</i>
Taxpayers obliged to keep tax books shall preserve these books and documents related with keeping the books until the expiry of the limitation period of the tax obligation.	A tax obligation expires upon the lapse of five years from the end of the calendar year in which the tax payment deadline elapsed.

The five year period is a minimum period, which in certain cases may be extended – in particular if the limitation period is interrupted or suspended. Detailed regulations in scope of statutes of limitation of tax obligations are provided in Chapter 8 of the Tax Ordinance Act.

In summary, when taking into account the provisions of both the Accounting Act and Tax Ordinance, minimum records storage periods are:

Type of file	Storage period
Approved annual financial statements	permanently
Books of accounts	6 years
Employee payroll sheets or equivalents	50 years from the day the insured discontinued working for the given entity – pursuant to Act on retirement pensions and disability allowances from Social Insurance Fund
Accounting vouchers concerning proceeds from retail sales	6 years
Accounting vouchers concerning construction in progress, bank and non-bank loans and commercial contracts, claims pursued in civil proceedings or covered by criminal or tax proceedings	6 years starting from the beginning of the year following the financial year in which the transactions and proceedings were finally terminated, paid off, settled or time-barred
Accounting policy	For a period no shorter than five years from the expiry of its validity date
Documents concerning statutory warranties and complaints	One year after the expiry of the warranty validity date or settlement of the complaint
Stocktaking records	6 years

Type of file	Storage period
Other accounting vouchers and documents	6 years
STORAGE PERIODS ABOVE SHOULD BE CALCULATED STARTING FROM THE YEAR FOLLOWING THE FINANCIAL YEAR TO WHICH THE RESPECTIVE FILES PERTAIN.	

When determining records storage periods, one should also remember regulations set forth in specific provisions of the law, which are not analyzed for the purposes of this study.

1.5.5. Records storage in case of computer-assisted bookkeeping

1.5.5.1. Books of accounts

In case of computer-assisted bookkeeping, data protection should consist of (pursuant to art. 71 par. 2 of the Accounting Act):

- using damage-proof data carriers,
- selecting appropriate external protection measures,
- systematically creating backup copies of data files recorded on IT data carriers, provided that the accounting system information is durably recorded, for a time no shorter than the time required for the storage of books of accounts,
- ensuring protection of computer software and IT accounting system data by using appropriate software and organizational solutions protecting against unauthorized access or destruction.

If above conditions are met, books of accounts may take the form of files recorded on IT data carriers.

If the above conditions are not met, the records should be printed out within the time limits prescribed.

1.5.5.2. Accounting vouchers

Following the approval of financial statements, the contents of accounting vouchers may be transferred to IT data carriers ensuring that the vouchers' content is permanently preserved. However, a condition to using such a method of data storage is that the entity should possess devices making it possible to retrieve the vouchers in the form of a printout, unless other legal regulations provide otherwise.

Above storage methods do not apply to:

- documents concerning transfers of property rights to immovable property,
- assignment of responsibility for assets,
- significant contracts,
- other important documents specified by the manager of the entity.

1.5.6. Granting access to files

In accordance with requirements of art. 75, the files can be made available to a third party:

1. for review on the premises of the entity – with required consent of the entity's manager or an individual authorized by him/her,
2. outside the head office of the entity's (branch's) management – with the written consent of the entity's manager and provided that a confirmed list of the documents taken away is left at the entity,

Other legal regulations may regulate access to files otherwise.

1.5.7. Electronic invoices

Since 1 January 2013, Regulation of the Minister of Finance of 20 December 2012 on transmitting invoices in electronic format, principles of storage and procedures for providing access to internal revenue bodies or tax inspection bodies has been in force.

According to § 6.1. invoices sent in electronic format are to be preserved, divided by settlement periods, in any manner which ensures:

- authenticity of origin, integrity of content, and legibility of invoices, from the moment of issuance until the moment of expiration of tax obligation,
- easy retrieval,
- immediate access to invoices granted to internal revenue bodies or tax inspection bodies, on demand, in compliance with separate regulations.

Authenticity of origin and integrity of content have been defined in the Regulation.

The invoices are stored:	
§ 6. 2.	§ 6. 3.
On the territory of the country	Outside the territory of the country, provided that the invoices are stored in electronic format in a manner enabling internal revenue bodies or tax inspection bodies to gain online access to such invoices via means of electronic communication.

Invoices sent in electronic format and stored in same format are made available to internal revenue bodies and tax inspection bodies in a manner enabling immediate download and processing of data contained therein.

1.6. PROVISION OF BOOKKEEPING SERVICES

The matter of providing bookkeeping services is regulated in Chapter 8a of the Accounting Act. Due to expected deregulation of the profession, only the most important matters will be indicated in this study.

1.6.1. Scope of the term

Art. 76a par. 1 defines the matter of bookkeeping services as follows:

Bookkeeping services are a business activity covering:	keeping books of accounts, based on accounting vouchers, containing records of events in a chronological and systematic order
	periodically determining or checking by way of stocktaking the actual balances of assets and liabilities
	measuring the value of assets and liabilities and determining the financial result
	preparing financial statements
	collecting and storing accounting vouchers as well as the other documentation specified in the Act

Business entities performing the activity in scope of bookkeeping services are also authorized to perform activities covering:

- keeping tax books and other records for tax purposes, for and on behalf of taxpayers, tax remitters and collectors, and providing assistance to them in this field,
- preparing, for and on behalf of tax payers, tax remitters and collectors, tax returns and declarations, or providing assistance to them in this field.

1.6.2. Persons and entities licensed to provide bookkeeping services

Until 9 August 2014, entities licensed to provide bookkeeping services were:

- Individuals holding an accountancy certificate,
- Individuals entered into the register of statutory auditors,

- Individuals entered on the tax advisors list.

The individuals referred to above could use the assistance of non-licensed individuals. In such cases, they were obliged to ensure constant and direct supervision over the performance of such activities.

Activity in scope of bookkeeping services could be performed by:

- business entities which are individuals, if they were licensed to perform activities concerning bookkeeping services,
- other business entities, provided that the activities were performed by individuals licensed to perform bookkeeping services.

Changes, introduced by Act of 9 May 2014 on facilitation of access to certain regulated professions (Journal of Laws of 2014, item 768), as of 10 August 2014 have repealed the obligation for providers of bookkeeping services to hold an accountancy certificate form the Ministry of Finance. Now, bookkeeping services may be provided by any person who meets jointly the following conditions, as per art. 76a par. 3 and 76h par. 1:

- has full capacity to perform legal acts and has not been convicted of offences against document credibility, property, business dealings or dealings in money and securities, or of tax offences or the acts specified in Chapter 9 of the Act (listed in pt 1.6.4.), and
- holds a third party liability insurance contract against damages caused in connection with carrying out the business activity.

1.6.3. Scope of responsibility

Art. 4. par. 5 of the Accounting Act

The manager of an entity is responsible for the performance of the accounting obligations specified by the Act, including for supervision, also if certain accounting obligations, save for the responsibility for physical stocktaking, are assigned to a third party with his/her/its consent.

Pt 24 of the Position of Accounting Standards Committee also states, that “outsourcing bookkeeping to an enterprise offering services in scope of bookkeeping does not relieve the manager of the entity from the responsibility for performing their duties in scope of accounting”.

Further on, the standard indicates, that the manager of the entity should carefully select the entity providing bookkeeping services, ensure inclusion of relevant clauses in the contract, and control compliance with conditions of the contract.

1.6.4. Penalties and sanctions as per the Accounting Act

Accounting Act, in Chapter 9, specifies criminal liability applicable also in case of providing bookkeeping services.

Liability pertains to:

- failure to meet the requirements of no criminal record as set forth in art. 76a par. 3.
- failure to meet the obligation of entering into a third party liability insurance contract, as specified in art. 76h par. 1.

Sanctions, envisaged in art. 77 of the Accounting Act are a fine or restriction of liberty.

1.6.5. Penal sanctions stemming from the tax penal code

Providing bookkeeping services results in liability stemming in particular from⁷:

- Tax penal code,
- Penal code,
- Civil code,
- Act on counteracting money laundering and financing terrorism .

Sanctions stemming from the tax penal code	
<i>art. 60 of tax penal code</i>	<i>art. 61 of tax penal code</i>
for failure to keep books of accounts	for unreliable and erroneous bookkeeping
Willful misconduct Sanction: fine of up to 240 times daily wage for the person keeping the books	

⁷ T. Kiziukiewicz, *Zeszyty Naukowe Uniwersytetu Szczecińskiego* nr 625 from 2011,

2. ANALYSIS OF INTERNATIONAL REGULATIONS

2.1. ACCOUNTING IN FRANCE

2.1.1. Background and legal basis

French accounting system is based on the continental model⁸. In many areas it is modeled after German accounting system. It is to a large extent determined by the influence of tax regulations, but accounting principles are independent from tax principles.

Accounting in France does not have a long tradition, or strong theory, and is treated first and foremost as a practical discipline⁹.

The main act of law, regulating the principles of French accounting and chart of accounts is the Plan Comptable General (PCG), enacted by Regulation No. 99-03 of 29 April 1999. In translation, Plan Comptable General means General Chart of Accounts.

Major part of issues related to bookkeeping was set forth in Code de Commerce – French Commercial Code.

Regulations in scope of documentation can also be found in tax regulations, especially those in scope of VAT, and in following documents:

- Livre des procédures fiscales – the book of tax proceedings,
- Code civil – the Civil Code.

2.1.2. Plan Comptable General – General Chart of Accounts - PCG

General Chart of Accounts (PCG) comprises the following five parts:

- Title I – Principles and objectives of accounting,
- Title II - Definitions of assets, liabilities, revenues and costs,
- Title III – Principles of recognition and measurement,
- Title IV – Maintenance, structure and operation of accounts,
- Title V - Financial statements.

⁸ The continental model is characterized by subordinating accounting to information needs of the government, and as a result, in France it's the government that issues regulations in scope of accounting.

⁹ K. Polak, *Rachunkowość międzynarodowa*, praca zbiorowa pod red. Prof. Dr hab. K. Winiarskiej, ODDK, Gdańsk 2009, p. 191.

Issues in scope of bookkeeping are presented in Title IV – Maintenance, structure and operation of accounts. Main provisions are set forth in articles 410-1 to 410-6 and 420-1 to 420-6.

2.1.2.1. Language and currency

<i>art. 410-1 of PCG</i>	
Accounting is conducted:	
in national language	in national currency

Transactions expressed in foreign currencies may remain untranslated until the closing of the year – however, it must be justified by specificity and nature of the entity's operation. In such cases, only balance of the account is translated into national currency as of the day of closing the financial year.

2.1.2.2. Accounting policy

In order to enable understanding of operation of the information processing system and its control, documentation is prepared describing procedures and organization of accounting. This documentation is stored as long, as presentation of accounting documents, to which it pertains, is required. The act does not list required content of such documentation.

2.1.2.3. Data processing

Computer-assisted bookkeeping requires access to documentation pertaining to data analysis, processing and programming. The objective of such access – among other things – is to enable testing necessary to verify the conditions of entering and storing documentation (data).

Any and all accounting data entered into the processing system is recorded in a legible format:

- on paper,
- or on any carrier ensuring the possibility to use it as evidence.

2.1.2.4. Books of accounts

Article 410-6 of PCG lists books of accounts as the journal, general ledger and inventory book, and every entity applying the PCG is obligated to keep these books. The journal and the inventory book must be numbered and initialed.

Written, electronic versions of documents may serve as the journal and inventory books, if they are identifiable and if they are numbered and dated from the moment they were created in a manner ensuring the possibility of using them as evidence.

2.1.2.5. Accounting entries

Entries made in the journal are segregated in the general ledger in order of the applied chart of accounts.

Journal and general ledger are divided into as many subsidiary journals and subsidiary ledgers as necessary due to specific nature of the entity. Entries in subsidiary journals and ledgers must be summarized (sum total) at least once a month in the journal and general ledger.

2.1.2.6. Inventory

Every entity must verify inventory data at least once every twelve months. Stocktaking is a confirmation of all assets and liabilities identified by number and value as of the day of stocktaking. Stocktaking data is preserved and organized in such a manner as to justify the content of each item in the balance sheet.

2.1.2.7. Principles of creating records

Entries are made in accordance with double-entry method.

All accounting entries indicate origin, content and designation of each data item and refer to the documentation which was the basis for entry.

Every entry is based on a dated document, prepared on paper or in a manner which ensures its reliability, durability and possibility to retrieve its contents for the required period of time. Transactions of the same type, performed on the same day and at the same place may be reflected in a single collective document.

Documents are arranged in order specified in the documentation – description of accounting procedures and organization (accounting policy).

Entries are made in the journal:

- day after day, transaction after transaction,
- or by listing, at least once a month, totals of transactions, on condition that all documents enabling verification of such transactions day after day, transaction after transaction are preserved.

Definitive character of records in the journal and the inventory book is ensured by:

- in case of computer-assisted records – approval procedure, which prohibits any changes or deletion of entries,
- in case of other records – no interruptions of entries and no changes made.

Closing procedure, intended to maintain chronology and ensure that entries are unalterable, is performed no later than at the end of the next period.

In case of computer-assisted bookkeeping, if transaction date pertains to a period already closed, transaction is recorded on the first day of the period not yet closed.

2.1.2.8. Summary

PCG provides general framework for bookkeeping. It does not regulate the details. In many instances, it refers to the matters of electronic documentation and data processing. Significant importance is attached to security of data processing systems. PCG does not refer to the matter of storage of documents, or level of detail of subsidiary records.

It is a general document, which however determines the most important issues.

2.1.3. Code de Commerce – French Commercial Code

Provisions pertaining to accounting in scope of bookkeeping were placed, among others, in articles L123-12, L123-22 and L123-23.

Provisions of Code de Commerce, which pertain to accounting	Entries, recording transactions which have an impact on the entity's assets are made in chronological order.
	Stocktaking is performed at least once every 12 months.
	Accounting documents are kept in EUR and in French language.
	Accounting documentation* is stored for ten years. Term is counted from the end of the financial year.
	Accounting documents pertaining to records of transactions and stocktaking are created and kept without any alterations.
	Accounting documentation may serve as evidence in court.

** pertains, among others, to: books of accounts, accounting entries, accounting vouchers, contracts, financial statements*

2.1.4. Livre des procédures fiscales – the book of tax proceedings

This act of law contains the principles for presenting accounting documents during inspection by entities (taxpayers) and required storage periods for tax purposes. These regulations were included in this study, as it is necessary to apply them in bookkeeping.

2.1.4.1. Presentation of accounting documents

In case of computer-assisted bookkeeping, inspection covers all information and data processed in the IT systems, which indirectly or directly contribute to calculation or tax results and to preparation of mandatory declarations. Inspection also covers documentation pertaining to data analysis, processing and programming.

2.1.4.2. Inspection of electronic invoices

Inspection conducted by tax officials is intended to ensure confirmation of authenticity of origin, integrity of content and legibility of invoices issued or received by the taxpayer. For this purpose, all information, documents, data, IT systems and information processing systems are subject to inspection, as well as the documentation describing how data is processed. If inspection covers electronic documents, they have to be made available in electronic version.

If above verification cannot be performed, or if the inspection conducted does not guarantee authenticity of origin, integrity of content and legibility of invoices – the documents will not be considered original invoices.

2.1.4.3. Records storage periods

Books, registers and other documents must be preserved for a period of six years from the date of last operation recorded in the books or the last date at which an entry was made. All information, data, documents, IT systems and information processing systems must be preserved for this period.

If documents mentioned above are prepared or maintained in an electronic format, they should be stored in same format for a period at least equal to period mentioned above.

Original documents pertaining to transactions, which constitute a basis for deductions with respect to sales tax are stored for a period of 6 years.

Documentation pertaining to data analysis, processing and programming should be preserved until the end of the third year following the year to which it pertains.

Invoices in hardcopy must be stored on the territory of France. Invoices stored in electronic format may be stored outside of the territory of France, on condition that quick access to complete data is possible via Internet. Invoices in electronic format cannot be stored in a country, which does not have a cooperation agreement with France or which does not provide direct online access to the entirety of data for the purpose of downloading and use.

Invoices must be stored in their original form – paper or electronic – in which they were submitted or made available.

Taxpayers are obligated to inform relevant authorities about the place where invoices are stored if it is located outside the territory of France, as well as any changes in that respect.

2.1.5. Code civil – the Civil Code

For evidence purposes, Code civil equates electronic documents with paper documents.

Art. 1316-1 Code civil

An electronic document is admissible as evidence in a case, same as a paper document, on condition that the person who created it can be identified and on condition that it is created and stored in conditions which ensure its integrity.

2.2. ACCOUNTING IN GERMANY

2.2.1. Background and legal basis

In literature, it is stated that German accounting system is based on the continental model. In 2009 German accounting law was modernized, and certain elements of Anglo-Saxon accounting model were introduced into the German model. This may mean, that in Germany, a hybrid accounting model is gradually being established¹⁰.

Main acts of law, which regulate accounting in Germany are:

- Handelsgesetzbuch (HGB) – commercial code,
- Abgabeordnung (AO) – tax ordinance.

Depending on ownership format of the entity, detailed regulations in scope of records and reporting are provided in following acts of legislation¹¹:

- Act on limited liability companies (GmbH – Gesetz),
- Act on shareholding companies (AG – Gesetz),
- Act on publication of financial statements (Publizitätsgesetz),
- Act on cooperatives (Genossenschaftsgesetz).

Accounting in Germany is also regulated by:

¹⁰ A. Mazur, *Zeszyty Teoretyczne Rachunkowości*, tom 70 (126), SKWP, Warszawa 2013, p. 74

¹¹ K. Winiarska, *Rachunkowość międzynarodowa*, praca zbiorowa pod red. Prof. Dr hab. K. Winiarskiej, ODDK, Gdańsk 2009, p. 71

- Principles of proper accounting (Grundsatz ordnungsmäßiger Buchführung –GoB),
- Standards and interpretations issued by German Accounting Standards Committee (Deutsches RechnungslegungsStandards Committee)¹².

Many regulations in the area of accounting are based on jurisprudence and interpretations.

Acts of law which regulate the principles of bookkeeping are presented in the table below:

Acts of law which regulate the principles of bookkeeping	
<i>Handelsgesetzbuch (HGB) – commercial code</i>	<i>Abgabeordnung (AO) – tax ordinance</i>
Principles of proper accounting Principles of proper accounting (Grundsatz ordnungsmäßiger Buchführung –GoB),	
Provisions of acts on VAT	

2.2.2. Handelsgesetzbuch – commercial code - HGB

Regulations in scope of bookkeeping are presented in the third volume of the German code of commercial companies – Handelsgesetzbuch.

HANDELSGESETZBUCH	
<i>par. 238-241 of HGB</i>	<i>par. 257-261 of HGB</i>
Bookkeeping Stocktaking	Storage

2.2.2.1. Accounting obligations of enterprises

As per par. 238 of HGB, every¹³ enterprise is obligated to:

- Keep books of accounts,
- Recognize business transactions in books of accounts,
- Recognize assets in books of accounts,

in accordance with principles of proper accounting¹⁴.

¹² A. Mazur, *Zeszyty Teoretyczne Rachunkowości*, tom 70 (126), SKWP, Warszawa 2013, p. 63

¹³ Par. 241A HGB envisages exemptions from the obligation of bookkeeping and stocktaking.

¹⁴ Principles of proper accounting are referred to in pt 2.2.4.

Accounting documentation must be kept in such a manner as to enable an external expert to obtain – in a reasonable timeframe – information about business transaction and standing of the entity. Documentation must be legible.

Since every entry in books of accounts must be confirmed by a source document, enterprises are obligated to keep a true copy of the sent document.

2.2.2.2. Language

Par. 239 of HGB states, that books of accounts are to be kept in a living language.

LIVING LANGUAGE
=
colloquial, everyday, easy to understand language

If during preparation of documents and bookkeeping abbreviations, numbers, letters or symbols are used, their meaning must be defined.

2.2.2.3. Accounting entries and accounting documents – traditional

Entries in books of accounts, and documents constituting the basis thereof, must be:

- complete,
- correct,
- timely,
- ordered.

Regulations prohibit making such alterations in accounting entries and books of accounts as would make it impossible to identify the original content of entry or document. It is also not allowed to make alterations, with respect to which it is not possible to determine whether they were made originally or later.

2.2.2.4. Accounting entries and accounting documents – data carriers

Books of accounts and accounting documents pertaining to them may also be placed in an orderly binder or be kept on data carriers in accordance with the procedure applied by the entity (i.e. in accordance with generally accepted accounting practices). In such a case, availability of data must be ensured throughout the entire storage period so that they can be retrieved at any moment and in reasonable time. If using data carriers, the entity is obligated to ensure that bookkeeping entries and accounting documents meet the requirements described in pt 2.2.2.3.

2.2.2.5. Stocktaking

Stocktaking is mentioned in par. 240 of HGB.

It obligates the enterprises to prepare an inventory, covering all assets and liabilities, including value of individual assets, as well as debt, as of the day of commencement of operation.

At the end of every financial year the enterprise is obligated to conduct stocktaking. HGB does not specify methods or terms of stocktaking. According to the regulations, in case of fixed assets and fast turnover fixed value inventory which is not of primary importance for the entity, stocktaking may be conducted every three years.

2.2.2.6. Storage

Records storage is regulated by par. 257 of HGB.

Subject and periods of storage are presented in the table below.

Subject of storage	Storage period
Books of accounts, inventory, opening balance, financial statements, consolidated financial statements, management reports, organizational documents	10 years
Accounting vouchers	10 years
Commercial letters received	6 years
Commercial letters sent	6 years
Storage period starts at the end of the calendar year in which the last entry was made in the books of accounts, inventory was created, opening balance sheet was prepared, financial statements were prepared, commercial letters were sent or received, or an accounting document was created.	

With respect to storage on data carriers (image carriers, other), German commercial code states as follows:

1. Opening balance sheets and financial statements cannot be stored on data carriers,
2. Books of accounts, inventory, management reports, accounting vouchers, commercial letters may also be stored as a reproduction on image carriers or other data carriers, if they meet generally accepted accounting principles and ensure that:
 - copied documents are visually identical with original documents and legible,

- copied documents are available throughout the entire storage period at any time, and may be retrieved in a reasonable time; the entity is obligated to provide, at its own expense, tools necessary to ensure legibility of documents; if necessary, the entity is obligated to print out the documents at its own expense,
- documents created directly on data carriers may also be stored in printout format.

2.2.3. Abgabeordnung – tax ordinance - AO

Principles of bookkeeping were set forth in par. 140-148. Their scope is similar to regulation provided in HGB.

2.2.3.1. Recording movement of goods

Enterprises are obligated to register incoming and outgoing goods. Documentation requirements are presented in more detail in par. 143 and 144.

2.2.3.2. Books of accounts and accounting vouchers

Par. 145 and 146 contain requirements with respect to books of accounts and accounting vouchers. They are as follows:

1. Books of accounts must be kept in such a manner that an external expert would be able to obtain information about transactions and standing of the enterprise in reasonable timeframe. Transactions must be possible to trace from the moment of origination to the moment of completion.
2. Books of accounts and accounting vouchers relating to them must be kept in a complete, correct, timely and ordered manner.
3. Books of accounts and documents pertaining to them must be kept in a living language. Using languages other than German may result in necessity to translate, upon demand of an internal revenue body. If abbreviations, numbers, letters or symbols are used, their meaning must be clearly defined.
4. Books of accounts and accounting entries must not be altered in a manner making original content undetectable. It is also not allowed to make alterations, with respect to which it is not possible to determine whether they were made originally or later.
5. Books of accounts and accounting vouchers may be also placed in an ordered document binder, or on data carriers, provided they conform with the accounting form, including procedures applied, in compliance with principles of proper accounting.

6. If books of accounts and accounting documents are kept on data carriers, it must be ensured that data is accessible at any time during the storage period and that it is immediately legible.

2.2.3.3. Storage of accounting documents

As per German tax ordinance, principles of storage are as follows:

1. Books of accounts, accounting entries, inventory, annual financial statements, management reports, opening balances, as well as instructions necessary for understanding them and other organization documents, as well as accounting vouchers, are stored for a period of 10 years,
2. Offers received, business and commercial letters, copies of sent commercial and business letters, as well as other documents important for the purpose of taxation are stored for a period of 6 years.

Storage period starts at the end of the calendar year in which the last entry was made in the books of accounts, inventory was created, opening balance sheet was prepared, financial statements were prepared, commercial letters were sent or received, or an accounting document was created.

In scope of storage on data carriers, following regulations are in place:

1. Accounting documents – other than financial statements and opening balances - may also be stored as a reproduction on image carriers or other data carriers, provided they meet generally accepted accounting principles and ensure that copied documents legible and available throughout the entire storage period at any time.
2. When storing documents in form of reproduction on image carriers or other data carries, the enterprise is obligated to provide, at its own expense, tools necessary to ensure legibility of documents.
3. If the enterprise uses a data processing system, internal revenue bodies must have the right to access stored data and to use the data processing system for analysis of such documents.

2.2.4. Grundsatz ordnungsmäßiger Buchführung – principles of proper accounting - GoB

These are the principles of bookkeeping and preparing financial statements, partially codified in HGB, and partially stemming from customary norms, business practice, recommendations and interpretations of various institutions.¹⁵

¹⁵ Ibidem, p. 65

In German accounting law, the most important principles of proper accounting – referring to principles of accounting – are as follows¹⁶:

1. Books of accounts should be reliable and transparent.
2. Business transactions should be recorded in a complete, correct and timely manner.
3. Entries must not be made without source documents.
4. Original content of bookkeeping entries must not become illegible, and in case of computer-assisted bookkeeping, accounting entries should be protected from deletion.
5. All accounting documents and arrangements, other than the balance sheet, may be stored in electronic format, provided that data contained therein can be read in printout form or on screen.
6. Accounting documentation, including: books of accounts, stocktaking documents, opening and closing balances, as well as source documents, should be stored for ten years; business correspondence should be sorted for six years.

2.2.5. Summary

German regulations tackle the most important issues. They provide a framework for principles of proper accounting GoB. Accounting law and tax law are highly aligned. The regulations refer to the matters of electronic documentation in a general manner, setting only the framework for it, but with significant emphasis on creating conditions ensuring security of books of accounts and underlying accounting vouchers.

2.3. ACCOUNTING IN UNITED KINGDOM

2.3.1. Background and legal basis

UK is a typical representative of countries which apply the Anglo-Saxon model of accounting¹⁷.

Sources of law in scope of British accounting are:

- Companies Act 2006 – British Act on companies – in particular sections 15 and 37,
- accounting standards,
- jurisprudence,

¹⁶ K. Winiarska, *Rachunkowość międzynarodowa*, praca zbiorowa pod red. Prof. Dr hab. K. Winiarskiej, ODDK, Gdańsk 2009, p. 72

¹⁷ KP. Mućko, *Rachunkowość międzynarodowa*, praca zbiorowa pod red. Prof. Dr hab. K. Winiarskiej, ODDK, Gdańsk 2009, p. 119

- provisions of acts on VAT and on income taxes.

2.3.2. Companies Act 2006 – British Act on companies

2.3.2.1. Accounting documentation

British Act on companies, in Section 386, determines that every company must maintain appropriate accounting documentation.

Appropriate accounting documentation

is documentation which is sufficient to:

- 1) Present and explain business transactions of the entity,
- 2) Disclose with due diligence – at any time – current situation of the entity,
- 3) Enable ensuring compliance of all documents with applicable regulations.

Accounting documentation must include in particular:

1. daily records of amounts received and paid by the entity, including description of transactions to which such inflow or outflow pertained,
2. recognition of the entity's assets and liabilities.

Additionally, if the entity trades in inventory, its accounting documentation must contain:

1. documents stating the balance of inventory at the end of each financial year,
2. stocktaking documents, based on which documentation from pt 1 was prepared,
3. documents confirming sales and purchase of inventory, containing information enabling identification of inventory items, to which the transaction pertained, the buyer and the seller (this point does not apply to sales of inventory within the framework of regular retail trade).

2.3.2.2. Storage

Accounting documentation of the entity:

- may be stored at the head office of the entity or in other place deemed appropriate by the management,
- must always be available for viewing for the entity's management.

Storage periods of accounting documentation are:

- in case of a private company – 3 years from the day it was created,

- in case of a public company – 6 years from the day it was created,

For tax purposes – in general – storage period is 6 years.

2.3.2.3. Year close

The regulations do not include the notion of “year close”. It can be assumed, that year close is to be effected within deadlines, on which the entities are obligated to submit their financial statements to relevant registers. Those deadlines are as follows:

- in case of a private company – 9 months from balance sheet date,
- in case of a public company – 6 months from balance sheet date.

2.3.2.4. Forms of records

Accounting documentation may be:

- Recorded on paper or in electronic format,
 - arranged in a manner deemed appropriate by the management,
- provided, that the information will be available in the future.

If documentation is stored in electronic format, it must be possible to print it out.

2.3.3. Accounting standards

In UK, there is a choice between applying British accounting standards or IFRS (choice does not apply to listed companies). Currently there are FRS standards in place, issued by Financial Reporting Council. There is also a number of so-called Statements (SSAP), issued by Accounting Standards Board. These however do not regulate the matter of bookkeeping, leaving it in the discretion of the enterprises. FRS 18 is a certain exception here, as it refers to accounting policy. It defines a general framework, that accounting policy should set.

2.3.4. Jurisprudence

Jurisprudence plays a very important role as a source of law, due to the fact, that the legal system is based on case law¹⁸.

2.3.5. Professional certification

Essentially, anyone can call themselves an accountant and provide bookkeeping services, however there is a number of professional organizations of accountants (e.g. ACCA, ICAEW)

¹⁸ Ibidem

which certify qualifications. If someone is a member of such organization, they are obligated to comply with the requirements set forth by such an organization.

3. DEFINITION OF PROBLEMS DIAGNOSED DURING ANALYSIS OF POLISH AND INTERNATIONAL REGULATIONS

3.1. COMPARISON BETWEEN POLISH REGULATIONS AND REGULATIONS IN OTHER COUNTRIES

In light of the characteristics of regulation in Poland, France, Germany and UK, as described in previous chapters, one general conclusion can be drawn, namely: there is no uniform regulation of bookkeeping principles in various countries. Nonetheless, a number of areas can be named, which distinguish the scope of Polish regulation from other described countries. Most important ones include issues presented in the table below:

Area	Poland	Other countries
Regulations	a single act of law	regulations dispersed among several acts of law
Accounting policy – elements	content strictly defined	content defined in general terms; a lot of emphasis on enabling understanding of information processing systems and inspection thereof
Accounting policy – usefulness	prevalence of formal aspect over usefulness	prevalence of usefulness over the formal aspect
Books of accounts – criteria of proper bookkeeping	detailed characteristics of individual features	general description of features of properly kept books; in many cases, those features are only listed
Books of accounts – opening and closing	detailed definition of various cases of opening and closing the books	indication of the moment of closing books of accounts for the year
Books of accounts - characteristics	<ul style="list-style-type: none"> detailed requirements in scope of printouts detailed requirements with respect to each type of books 	very general regulation
Accounting	<ul style="list-style-type: none"> detailed characteristics of 	very general regulation

Area	Poland	Other countries
vouchers	types of vouchers <ul style="list-style-type: none"> • detailed characteristics of elements of accounting vouchers 	
Books of accounts, accounting vouchers and bookkeeping entries kept on a computer	frequent references to computer assisted bookkeeping – however applied wording gives rise to doubt	frequent references to computer assisted bookkeeping – focus on ensuring access to data, its security and enabling understanding of data processing principles by inspections
<p>Regulations of the Accounting Act are very detailed and – one could say – exhaustive. However, they contain too many cases of overly detailed wording in scope of computer assisted bookkeeping.</p> <p>International regulations tend to rather provide a framework for proper bookkeeping, leaving details at the discretion of the users. The matter of computer assisted bookkeeping is most frequently mentioned in context of the need to ensure security of data and access, as well as understanding of data processing principles by users, including in particular external inspectors.</p>		

3.2. AREAS OF POLISH REGULATION IN NEED OF CHANGE

The Accounting Act was enacted in 1994. Vast majority of the provisions pertaining to principles of bookkeeping come from the same period.

The Act should provide a framework more general than the current one, and detailed issues should be regulated by National Accounting Standards, application of which should be mandatory.

Below, we present **the main identified problem areas, along with recommended directions for change:**

3.2.1. Elimination of ambiguity and sensitivity to interpretation, caused by lack of regulation of definitions and notions

Wording of the Act is ambiguous and may be understood by its users differently, due to lack of regulation of certain notion in the definitions dictionary. Examples of such notions

include: accounting voucher, financial and accounting system, final closing of the books, etc. While the Act imposes specific requirements on the entities in scope of applying those notions, it does not define them sufficiently, which gives rise to doubts. Another problem in this area could be lack of uniform legal basis binding for the entities developing the accounting policy. A good example of that could be giving the entities a choice of applying the national accounting standards or not, which, as a consequence, leads to lack of comparability of financial statements.

3.2.2. Updating the regulations to include technological changes, which occurred in the past decade

Over the past twenty years, computer techniques of bookkeeping have been developing very rapidly. At the moment – in current state of technology – many of the provisions of the Accounting Act become obsolete. Examples of such provisions include: obligation that the entity must possess software that makes it possible to obtain legible information regarding the entries made in the books of accounts (art. 13 par. 3) and requirement that books are kept and stored in the same place. In the first case, emergence of so-called “cloud” technologies resulted in a situation, in which the entity no longer must possess the software, using it on subscription basis instead. In the second case, increased popularity of remote access and globalization of IT services have resulted in possibility of complete decoupling the place where books are stored (the server) from the place where they are kept by authorized persons. At the same time, as electronic documents become increasingly common, additional concerns and problems have emerged with respect to them, such as should be addressed in the Accounting Act.

3.2.3. Taking into account much greater intensity and frequency of contact between the enterprises and foreign entities

Increasing integration of Polish market with foreign markets, as well as removing barriers to cross-border trade, have resulted in increased number of foreign entities operating in Poland, and a growing number of entities forming a part of capital groups. These entities frequently use financial and accounting systems which are common for the entire organization they are a part of, and internal procedures force greater integration with foreign entities by e.g. remote initiation of certain processes in the financial system, resulting in entries being made in the books of the Polish entity, developing common accounting policies, uniform across the organization.

In light of ongoing globalization and pressure to reduce costs, an increasingly common solution is to create large organizations providing external accounting services, so-called shared services centers, which frequently serve entities from a number of countries, including Poland. In such a situation, on one hand, certain solutions become problematic,

such as e.g. limitations on possibilities of outsourcing bookkeeping to enterprises from outside the EU and European Economic Area, and on the other – there is a clear risk of lowering the quality of accounting, due to lack of quality requirements with respect to enterprises and individuals providing external bookkeeping services.

3.2.4. Lack of consistency between the provisions of Accounting Act and other domestic legislation (e.g. tax law)

Accounting Act, being an act of law, should be consistent with regulations of other branches of the law. Unfortunately, in comparing the provisions of Accounting Act with Acts on personal income tax and corporate income tax, in scope of requirements in scope of reporting, and with other tax regulations Another example could be different terms for notification in case of keeping the books outside of the entity's head office or management premises required by the Accounting Act and Act of 13 October 1995 on principles of registration and identification of taxpayers and payers. Documentation storage periods also differ between the Accounting Act and tax regulations.

Lack of uniformity of regulations and definitions (notions) in scope of areas common to accounting and tax regulations results in interpretation concerns among the entities.

3.2.5. Liberalization of excessively rigid terms and obligations imposed on enterprises, especially in the small and medium entities sector

In certain cases, provisions of the Accounting Act impose overly shot deadlines for performance of certain activities, which may be onerous to entities, especially small and medium ones. Examples of such provisions include: too short deadlines for printing out certain reports (e.g. for trial balances for the financial year – art.24 par. 5 pt 2) or closing books of accounts after the day ending the financial year (art. 12 par. 2).

The Act also imposes certain obligations on the entities, such as e.g. preparation of a monthly trial balance, which in case of entities reporting on a cycle different than monthly is an additional, unjustified burden. Another example could be very long storage periods for certain documents, with no regard to the fact, that information contained therein after a certain period becomes “obsolete” and is no longer useful.

Another reason for doubts is putting all of the responsibility for quality of books of accounts on manager of the entity, especially in situations, in which the manager has outsourced bookkeeping to another entity providing bookkeeping services. Manager of the entity often is not qualified to enforce such supervision. In combination with relaxed requirements with respect to persons providing bookkeeping services, introduced in 2014, it may increase the risk of deteriorated quality of the books.

3.2.6. Elimination of excessive detail in defining parameters in exchange for definition of general principles

In some places, the provisions of Accounting Act define scope of certain reports, e.g. format of subsidiary ledgers (art. 16 par. 1) in excessive detail, which also seems unnecessary. This leads to additional costs for those entities, which must adapt certain reports, which indeed serve as auxiliary records, to the requirements of Accounting Act. Leaving the format of analytical records to the discretion of the entity would allow a more universal nature of provisions.

3.2.7. Facilitation of introducing modifications during the financial year

The Accounting Act conspicuously does not regulate the possibility of introducing certain changes during the financial year, which can be problematic for the entities. Examples include: implementation of computer systems and possibility to adopt accounting principles (policy) during the course of the financial year. The second issue is important for entities which so far did not apply the provisions of the Accounting Act (e.g. sole proprietorships, civil partnerships or general partnerships) transforming into a commercial company, during the transition period, from preparation of the transformation plan to the day the transformed company is entered into the National Court Register. At this point, they cannot perform such an action unless they notify a relevant tax office before the beginning of financial year about their intention to keep accounting records in form of books of accounts. This limitation causes them practical problems with respect to obligations in scope of preparing financial statements.

Proposed directions for change in regulations were collected in form of recommendations, divided into following seven thematic groups:

- 4.1. Accounting policy
- 4.2. Books of accounts
- 4.3. Accounting vouchers
- 4.4. Financial statements
- 4.5. Storage (archiving)
- 4.6. Provision of bookkeeping services
- 4.7. Other

Alongside each recommendation information is provided about the provision which requires modification or act of law, which needs to be amended.

4. RECOMMENDATIONS

4.1. ACCOUNTING POLICY

4.1.1. Mandatory elements of accounting policy

Act of law: Art. 10. par. 1 of the Accounting Act

An entity should possess documentation describing in Polish the accounting principles (policy) adopted by it, including in particular those relating to:

- 1) the definition of a financial year and the reporting periods included in it;**
- 2) methods for measuring assets and liabilities and for determining the financial result;**
- 3) the bookkeeping techniques, including at least:**
 - a) an internal chart of accounts specifying the general ledger accounts, the rules adopted for classifying events, methods for keeping subsidiary ledger accounts as well as their links with the general ledger accounts,**
 - b) a list of the books of accounts and, in the case of computer-assisted bookkeeping, a list of data files comprising the books of accounts on IT data carriers, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing,**
 - c) a description of the data processing system, and in the case of computer-assisted bookkeeping, a description of the IT system containing a list of software programmes, procedures or functions, depending on the software structure, along with a description of the algorithms and parameters as well as the data protection mechanisms provided by the software programme including, in particular, the methods of data access control as well as the data processing system, and, moreover, the designation of the software version and the date it came into use;**
- 4) the system for protecting data and data files, including accounting vouchers, books of accounts and other documents underlying disclosures made therein.**

4.1.1.1. Problem

Using, in pts 3b and 3c, wording incomprehensible for financial and accounting services, with respect to computer assisted bookkeeping.

Arguments:

Accounting policy is a basic element of accounting. It is based on accounting policy that financial and accounting services should understand principles of accounting and solutions applied in the entity. This documentation should be first and foremost comprehensible, legible and up-to-date. Experience shows, that most entities do have an accounting policy. However, frequently it is only in order to meet a formal requirement. Also, in many cases the accounting policy is not updated.

The greatest doubts and controversy are caused by the requirement to include in the accounting policy, in case of computer-assisted bookkeeping:

- a list of data files comprising the books of accounts on IT data carriers, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing
- a description of the IT system containing a list of software programmes, procedures or functions, depending on the software structure, along with a description of the algorithms and parameters as well as the data protection mechanisms provided by the software programme including, in particular, the methods of data access control as well as the data processing system, and, moreover, the designation of the software version and the date it came into use;

Wording of the above paragraphs is ambiguous and understood differently by accountants and IT specialists. As a result, sometimes it is difficult to determine unequivocally what the accounting policy really should contain. Usually, instead of a description of the IT elements, software instruction is attached (user manual, system description, module description, etc.) – in general, something that will allow the entity to “defend itself” as having a complete accounting policy, in particular at inspection time. IT companies which deliver such documentation may be unwilling to include required descriptions and elements, as software is usually protected by copyright. On the other hand, even if descriptions are provided, they are usually simply incomprehensible for financial and accounting services as well as inspectors.

From the perspective of persons, who use IT systems in their daily work for bookkeeping, description of data structure, algorithm, parameters and procedures is not important. What is important and necessary is an up-to-date user manual which, in a comprehensible manner, almost step by step, will take the user through methods/techniques of recognition of a business event, preparing a report, list, valuation, etc. However, the law does not require this kind of documentation¹⁹.

¹⁹ A. Paśawska, *Od amerykanki w chmury, czyli o technikach prowadzenia księgowości*, Rachunkowość nr 12 z 2013 roku, p. 5.

4.1.1.2. Recommendations

Recommendation 1:

Replacing the requirement to include in the accounting policy, in case of computer-assisted bookkeeping:

- a list of data files comprising the books of accounts on IT data carriers, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing,
- a description of the IT system containing a list of software programmes, procedures or functions, depending on the software structure, along with a description of the algorithms and parameters as well as the data protection mechanisms provided by the software programme including, in particular, the methods of data access control as well as the data processing system, and, moreover, the designation of the software version and the date it came into use,

by a requirement to possess up-to-date user documentation (appropriate for the software version in use).

Placement of the recommendation

Art. 20 par. 1 of the Accounting Act Art. 10. par. 1 of the Accounting Act – modification of par. 1 pt 3 b and c.

Recommendation 2:

Responsibility for providing up-to-date user documentation should be transferred to software vendor. Responsibility of the manager of the entity in this case should be limited to ensuring that up-to-date user documentation is in place.

Placement of the recommendation

Art. 10 par. 2 of the Accounting Act – adding a sentence setting forth responsibility of the software vendor for providing up-to-date user documentation.

Recommendation 3:

Introducing, to main list of definitions, a definition of “user documentation” and indication of elements it should include, among which, besides the detailed description of operation of the IT system - a list of data files comprising the books of accounts on IT data carriers, specifying their structure, their mutual links and functions in the organization of all the books of accounts and in data processing, list of programmes (modules), principles of data protection provided by the software.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

Recommendation 4:

It is proposed to make it possible to keep user documentation in a foreign language, with stipulation of obligation to translate it upon demand of inspection bodies or statutory auditors. To this purpose, art. 9 could be worded: “Books of accounts are kept in the Polish language and currency, with due regard to provision of art. 10 par.”, and to art. 10 a new paragraph should be added, worded as follows: “User documentation, referred to in art. 10 par. 1 pt 3b and 3c, may be prepared in a foreign language. In such case, upon demand of inspection bodies or statutory auditor, reliable translation of indicated content into Polish must be provided”.

Placement of the recommendation

Art. 9 and art. 10 of the Accounting Act – modification of provisions of art. 9 and adding a new paragraph to art. 10.

4.1.2. Application of National Accounting Standards

Act of law: Art. 10. par. 3 of the Accounting Act

In matters left unregulated by the provisions of the Act, when adopting accounting principles (policy), entities may apply the domestic accounting standards issued by the Accounting Standards Committee. If no relevant domestic standard is available, entities other than those listed in Article 2 par. 3 may apply the IAS.

4.1.2.1. Problem

Lack of uniform legal basis binding for the entities developing the accounting policy leads to lack of comparability of financial statements.

Arguments:

Discretion in application of national accounting standards in cases unregulated by the law makes financial statements incomparable. Users of financial statements may be misled – of course, not necessarily on purpose.

It often happens, that statutory auditors are put in an uncomfortable situation as well. This happens in case the entity applies principles significantly divergent from regulations of national accounting standards. A good example would be provisions for employee benefits.

Currently, it turns out, national accounting standards are applied:

- by entities which want to present reliable data in compliance with applicable regulations – in every case,
- by entities which want to present reliable data in compliance with applicable regulations – in case their application influences presented data in line with expectations of the management.

If financial data resulting from application of national accounting standards is not satisfactory for the management – it can simply be changed in a chosen area. In such a case it is difficult to argue the obligation to apply national accounting standards with the management.

When, during conversations with accountants, a question is asked: “Is application of national accounting standards mandatory in Poland” response is often hesitant. Usually the first response is affirmative. Most of survey participants have indicated that national accounting standards are mandatory.

4.1.2.2. Recommendations

Introduction of obligation to apply national accounting standards in cases unregulated by the law. Exemption from the obligation for entities whose annual financial statements are not subject to compulsory audit by statutory auditors. Exemption should be conditional on materiality principle. Application of IAS should be left as an option in case of absence of regulation by the law and absence of national accounting standards. We propose that in art. 10 par. 3 – in first sentence the phrase “entities may apply” should be replaced with “entities apply, taking into account the materiality principle” and adding par. 4 to art.10, worded as follows: “In case annual financial statements of the entity are not subject to compulsory audit and publication as per art. 64 par. 1, the entity may choose not to apply the national accounting standards.”

Placement of the recommendation
<i>Art. 10 of the Accounting Act</i>

4.2. BOOKS OF ACCOUNTS

4.2.1. Definition of the books of accounts

<i>Act of law: art. 13 of the Accounting Act</i>
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1. Books of accounts consist of files of accounting entries, totals (sums of entries) and balances, which consist of:
 - 1) The journal;
 - 2) The general ledger;
 - 3) Subsidiary ledgers;
 - 4) Summaries: trial balances of the general ledger accounts and of the subsidiary ledger accounts;
 - 5) A list of assets and liabilities (inventory).
2. In case of computer-assisted bookkeeping, accounting information resources in the form of separate computer data files, databases or separate parts thereof, irrespective of their place of origin or storage, are considered to be equivalent to such books of accounts.

4.2.1.1. Problem

There is no definition of books of accounts in the Act's list of definitions. books of accounts is imprecise in case of computer assisted bookkeeping.

Arguments:

A notion as important as definition of books of accounts should be placed at the beginning of the Act, in the list of definitions. Wording of par. 2 should be more precise.

4.2.1.2. Recommendations

Placing the definition of books of accounts from art. 13 par. 1 and 2 in the list of definitions. A modification of par. 2 is also proposed, consisting of adding, after the words "are considered equivalent to" the words "listed in par. 1"

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

4.2.2. Definition of bookkeeping

Act of law: none

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4.2.2.1. Problem

There is no definition of bookkeeping in the Act's list of definitions.

Arguments:

Explanation of the notion of bookkeeping has been included in the Position of the Accounting Standards Committee, in pt 2 as "making records of economic events in the books of accounts, in an organized and continuous manner, based on accounting vouchers, as well as grouping and reconciliation thereof". A notion as important as definition of bookkeeping should be placed at the beginning of the Act, in the list of definitions.

4.2.2.2. Recommendations

Implementing the provisions of pt 2 of the Position of Accounting Standards Committee to the list of definitions of the Accounting Act, by defining bookkeeping as: "making records of economic events in the books of accounts, in an organized and continuous manner, based on accounting vouchers, as well as grouping and reconciliation thereof".

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

4.2.3. Books of accounts "in the cloud"

Act of law: Art. 13. par. 3 of the Accounting Act

As a condition to maintaining accounting system information resources in the form specified in par. 2 above, an entity must possess software that makes it possible to obtain legible information regarding the entries made in the books of accounts by printing out or transferring them to an IT data carrier.

4.2.3.1. Problem

Phrase "entity must possess software" is obsolete.

Arguments:²⁰

Entities very frequently no longer own the software. Many companies use software outsourcing. More and more often, data is stored "in the cloud", which is used on subscription basis – the entity has the right to use the operator's software, databases,

²⁰ Developed based on Ibidem, *Rachunkowość w chmurze*, p. 7

infrastructure, but holds no ownership title to either. Therefore, the Act should not refer to ownership of software.

4.2.3.2. Recommendations

Provisions of the Accounting Act should take into consideration the possibility of using software in form of outsourcing. The matter of ownership should be omitted from the Act – it will give it a more universal character. We propose replacing the words “entity must possess software” with the words “entity must have the possibility to use software”.

Placement of the recommendation
<i>Art. 13. par. 3 of the Accounting Act</i>

4.2.4. Books of accounts - language

<i>Act of law: art. 9 of the Accounting Act</i>
Books of accounts are kept in the Polish language and currency.

4.2.4.1. Problem

Information recognized in books of accounts only in Polish.

Arguments:

In light of globalization, when Polish entities are frequently members of foreign capital groups, which use uniform accounting systems, including an integrated chart of accounts, in certain situations the need arises to use languages other than Polish. Permission to keep books of accounts in languages other than Polish would definitely be a major convenience for foreign entities operating in Poland, especially those, which create central accounting departments for their subsidiaries from several countries, including Poland, in one country or entrust their bookkeeping to international accountancy service providers, so-called shared services centers. This group of users have complained about overly rigid, in their opinion, requirements of Polish regulations, especially in context of solutions implemented by other EU countries. For example, in Germany and Austria the regulations permit bookkeeping in other generally used language (usually: English) on condition that in case of inspection by internal revenue bodies or audit by statutory auditor, the entity would provide a reliable translation of indicated content into the language of the given country. Some of the users, in requesting liberalization of this provision, at the same time pointed out potential problems stemming from the ambiguity of the term “reliable” and concern, that internal revenue bodies would always require expensive certified translations.

At this point, it would be good to refer to the definition of the word "reliable" (*wiarygodny*), which, according to a dictionary of Polish language²¹ means “deserving trust, beyond doubt; true, sure authentic” and to heretofore practice of internal revenue bodies in scope of documents prepared in foreign languages. Art. 287 § 1 of the Tax Ordinance states, that the entity is obligated to provide, at the request of the inspector, a Polish translation of documents prepared in a foreign language concerning the matters being the object of inspection. However, this does not mean that it must be done by a certified translator. Tax Office has the right, in case of doubts as to accuracy of translation, to bring in an expert, as per art. 197 of the tax Ordinance.

4.2.4.2. Recommendations

It is proposed to make it possible to keep user documentation in a foreign language, with stipulation of obligation to translate it upon demand of inspection bodies or statutory auditors. For this purpose, current wording of art. 9 would have to be modified by inserting following content in par. 1: “Books of accounts are kept in the Polish language and currency, with due regard to provision of art. 10 par.” (relevant description under **4.1.1. Recommendation 4**) and by adding par. 2: “Books of accounts may be kept in a foreign language. In such case, at the request of inspection authorities or an auditor, documents indicated by them written in a foreign language should be reliably translated into Polish.

Placement of the recommendation

art. 9 of the Accounting Act

4.2.5. Closing books of accounts - notions

Act of law: Art. 12. par. 5 of the Accounting Act

Closing of books of accounts is an irreversible exclusion of the possibility to make entries in the data files comprising the closed books of accounts, with due regard to art. 13 par. 2 and 3.

4.2.5.1. Problem

There is no definition of notions “final closing of the books” and “closing the month”.

Arguments:

The Act uses the notions: “closing the month”, “closing the books of accounts”, “final closing

²¹ Słownik Języka Polskiego, Wydawnictwo Naukowe PWN

of books of accounts”, but only the notion of “closing the books of accounts” is defined. As a result, explanations were necessary, and the Accounting Standards Committee has presented such in its Position. However, explanations do not have the character of definitions. Essentially, the entities still have problems understanding what “closing the books of accounts” really means. While “closing the month” is understandable, it is difficult to find differences between “closing the books of accounts” and “final closing of the books of accounts” – difference seems to be in name only. Some of the entities pointed out, that for them, a good solution would be to introduce the so-called adjustment months or periods, especially if early closing of the books is required in, *inter alia*, foreign capital groups of which they are part. This way, closing the year for the purposes of the capital group could be clearly differentiated from closing the year for the purpose of domestic reporting. On the other hand, statutory auditors and other inspectors (from e.g. internal revenue bodies) have pointed out the practice of entities notoriously not closing the books for many months after the balance sheet date, and keeping the documents in a so-called “buffer”, which stemmed from the entities not understanding the requirement to close the books. This matter should be regulated, so as to make the Act more systematic and provide the users with uniform explanations.

4.2.5.2. Recommendations

Recommendation 1:

Adding the basic notion of “closing the month” to the list of definitions. For that purpose, implementation of provisions of pt 34 of the Position of Accounting Standards Committee which defines closing the month as “excluding the possibility of making entries or adjustments of entries in the given month”.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

Recommendation 2:

Adding the basic notion of “closing the books of accounts” to the list of definitions. For this purpose, implementation of art. 12 par. 5 of the Accounting Act: “Closing of books of accounts is an irreversible exclusion of the possibility to make entries in the data files comprising the closed books of accounts”.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

Recommendation 3:

Adding the basic notion of “closing the year” to the list of definitions.

Defining the notion of “closing the year” as “irreversible exclusion of the possibility to make any entries in the closed financial year”.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding another definition.

Recommendation 4:

In connection with Recommendation 3, modification is necessary of art. 12 par. 4, in which the phrase “final closing and opening of books of accounts” should be replaced by the phrase “closing the year and final opening of books of accounts for the next year”.

Placement of the recommendation

Art. 12 par. 4 of the Accounting Act – modification of the provision in line with wording above.

Recommendation 5:

In connection with Recommendation 2, modification is necessary of art. 12 par. 5. The objective of the modification is a clear indication of possibility to make accounting entries not in individual months of the financial year, as those are closed, but in the so-called thirteenth month. Therefore, it seems reasonable to supplement par. 5 with the sentence “After books of accounts are closed and until the day financial statements are approved, accounting entries are made in the additional month”.

Placement of the recommendation

Art. 12 par. 5 of the Accounting Act – adding a sentence worded as above.

4.2.6. Closing books of accounts - deadlines

Act of law: Art. 12. par. 2 of the Accounting Act

Books of accounts are closed, (...):

- 1) on the date ending a financial year (...)**
– no later than three months after such events have taken place.

4.2.6.1. Problem

The deadline for closing the books is too short in case of the day ending the financial year.

Arguments:

Some of the accountants pointed out, that the period of three months from the balance sheet date for closing the books is often – especially for small entities - not sufficient. Therefore, this provision is often not observed. Entities make accounting entries in time depending on the date of planned approval of financial statements, or date of submitting the financial statements to the relevant tax office (this matter is discussed in more detail in pt 4.4.2. of this study). It would be worthwhile to consider extending the deadline for closing books of accounts by at least a month. End of the fourth month seems to be the threshold date for practical reasons, as entities which are not legal persons operate on a financial year equaling the calendar year, and their owners need the financial information to settle the personal income tax by April 30th.

4.2.6.2. Recommendations

We propose differentiating the periods for closing the books depending on the size of the entity: for micro entities it would be 4 months from balance sheet date, and for other entities - 3 months from balance sheet date. In such a case, art. 12 par. 2 should be supplemented so as to include the sentence: “In case of micro entities, a possibility is allowed to close the books of accounts for a day ending the financial year within 4 months from balance sheet date”.

Placement of the recommendation

Art. 12 par. 2 of the Accounting Act – adding a sentence worded as above.

4.2.7. Voluntary application of books of accounts - limitation

Act of law: Art. 2. par. 2 of the Accounting Act

Individuals, civil partnerships of individuals, general partnerships of individuals or professional partnerships may also apply the accounting principles specified in this Act from the start of the following financial year, if their net proceeds from the sales of goods, products and financial operations for the previous financial year are lower than the Polish currency equivalent of EUR 1,200,000. In such a case, these individuals or partners are obliged to notify the Revenue Office competent for their income tax matters before the start of the financial year.

4.2.7.1. Problem

Restricting the possibility of voluntary application of the provisions of the Accounting Act for individuals, civil partnerships of individuals, general partnerships of individuals or professional partnerships by a requirement to notify the Revenue Office before the start of financial year results in problems for entities which are in process of transforming into an entity obligated to apply the principles of accounting.

Arguments:

The problem pertains to transformation of sole proprietorships and partnerships operating based on revenue and expense ledger. These entities are bound by a transformation procedure stemming from Code of Commercial Companies (hereinafter referred to as CCC), including: obligation to prepare financial statements, referred to in art. 558 § 2 pt 4 and art. 584⁷ § 2 of CCC for the purpose of transformation and measurement of assets. Since the transforming entity does not apply the provisions of the Accounting Act, such statements usually only comprise the balance sheet, prepared as of a specific day in the month preceding presentation of transformation plan to the partners. From that day until the day of transformation is effected, i.e. the new transformed company is entered into the register and old company is deregistered, usually a few months pass, during which the company is operating, selling, buying, incurring costs and achieving revenues.

The transforming entity must then prepare another financial statement, as of the day preceding the day of change of legal format, as per art. 12 par. 2 pt 3). If such an entity did not notify the Revenue Office before the start of financial year that it wants to apply books of accounts voluntarily, it must continue keeping records in the tax revenue and expense ledger. The users have pointed out here, that they miss the right to open books of accounts already in the “transition period”, so in order to meet the above reporting requirements, and ensure continuity between one and the next set of financial statements, they often keep the books on an informal basis.

In such situations, it seems justifiable to allow moving to the books of accounts even before the transformed company is entered into the business register, e.g. since the day of preparation of the financial statements referred to in art. 558 § 2 pt 4 and art. 584⁷ § 3 of CCC.

4.2.7.2. Recommendations

We propose adding par. 2b, worded as follows: “If the entity, referred to in par. 2, begins the process of transformation into a commercial company during the financial year, it may open the books of accounts and apply principles of accounting as set forth in the Accounting Act, no earlier than at the beginning of the financial year, and no later than on the day as of which it prepared the financial statement, referred to in art. 558 § 2 pt 4 and art. 584⁷ § 3 of the Code of Commercial Companies. In such cases, the persons or partners before the

start of the financial year are obligated to notify the Revenue Office competent for their income tax matters within 15 days from opening the books of accounts”.

Placement of the recommendation
<i>Art. 2 of the Accounting Act</i>

4.2.8. Features of the books of accounts

<i>Act of law: Art. 24. par. 1 of the Accounting Act</i>
Books of accounts should be kept in a reliable, error-free, verifiable manner and on an on-going basis. (...)

4.2.8.1. Problem

Placement in the regulations.

Arguments:²²

The article lists the features of properly kept books of accounts. It sets forth a general, basic, immutable principle. For this reason, it should not be placed at the end of the chapter, but at its very beginning.

4.2.8.2. Recommendations

Placing the entire art. 24 between art. 9 and art. 10 of the Accounting Act. Since modification of art. 24 is discussed below, this refers to the placement of already modified art. 24.

Placement of the recommendation
<i>As indicated above.</i>

4.2.9. Current bookkeeping – closing the month

<i>Act of law: art. 24 par. 5 pt 2 and art. 18 par. 1</i>
<i>Art. 24 par. 5 pt 2)</i>

²² Developed based on O. Włodkowski, *Przepisy karne ustawy o rachunkowości*, Wolters Kluwer Polska Sp. z o.o., 2012, Warszawa, p. 40-41

Books of accounts are considered to be kept on an on-going basis, if:

- 1) (...),**
- 2) general ledger trial balances are prepared at least for the respective reporting periods and no less frequently than at the end of each month, in a timely manner as mentioned in item 1 above, and for the financial year, no later than the 85th day after the balance sheet date.**

Art. 18 par.1

Based on the entries made in the general ledger, at the end of each reporting period, and no less frequently than at the end of the month, a trial balance is drawn up.

4.2.9.1. Problem

Preparing trial balances on a monthly basis is too frequent and – from the perspective of the entities – unnecessary.

Arguments:

Entities reporting in periods other than monthly (e.g. quarterly, semi-annually) entities which make VAT or income tax settlements quarterly, as well as entities which pay their income taxes in a simplified procedure, should not be obligated to prepare monthly trial balances. A sufficient obligation for the books of accounts to be deemed kept on ongoing basis, would be preparing trial balances for individual reporting periods, within deadlines enabling such entities to meet their reporting obligations. A reporting period – as per art. 3 par. 1 pt 8 – is a period for which financial statements are drawn up according to the procedure set forth in the Act, or other statements prepared based on books of accounts; Such reduced encumbrance for the entities must not, however, result in a risk that the entities would be able to delay making accounting entries.

4.2.9.2. Recommendations

Deleting from art. 24 par. 5 pt 2 and art. 18 par. 1 of the Accounting Act the phrase “no less frequently than at the end of each month”.

Adding to art. 24 par. 1 pt 5 a next sub-point (4) requiring that bookkeeping is current, with proposed wording: “the month is closed no later than on the last day of the next month”.

Placement of the recommendation

Art. 24 par. 5 pt 2 and art. 18 par. 1 – as indicated above.

4.2.10. Current bookkeeping – closing the year

Act of law: Art. 24 par. 5 pt 2 of the Accounting Act

Books of accounts are considered to be kept on an on-going basis, if:

- 1) (...),**
- 2) general ledger trial balances are prepared at least for the respective reporting periods and no less frequently than at the end of each month, in a timely manner as mentioned in item 1 above, and for the financial year, no later than the 85th day after the balance sheet date.**

4.2.10.1. Problem

Deadline for preparation of general ledger trial balances for a financial year is too short. Deadline for preparation of general ledger trial balances (85 days) is inconsistent with provisions of art. 12 par. 2, which says: “Books of accounts are closed, (...): - no later than three months after such events have taken place” (3 months).

Arguments:

The users have emphasized the incomprehensible from their perspective deadline for preparation of trial balances of 85 days after balance sheet date, since it is not related either to books closing deadlines nor to deadlines for preparing tax statements. In practice, in many entities this provision remains defunct. Therefore, it would seem reasonable to align the two deadlines (85 days and 3 months). Nonetheless, keeping in mind the issue described in pt 4.2.6. above, those deadlines should be extended at least for small and medium entities – as is the case for example in Germany.

4.2.10.2. Recommendations

In art. 24 par. 5 pt 2 of the Accounting Act, we propose replacing the phrase “no later than the 85th day after the balance sheet date” with following wording: “no later than at the deadline for closing the books of accounts”.

Placement of the recommendation

Art. 24 par. 5 pt 2 – as indicated above.

4.2.11. Current bookkeeping – cash turnover

Act of law: Art. 24 par. 5 pt 3 of the Accounting Act

Books of accounts are considered to be kept on an on-going basis, if:

(...),

- 3) payments received and made in cash, cheques and bills of exchange, as well as any transactions in retail trade and in food services, are recognized on the day on which they were affected.**

4.2.11.1. Problem

Requirement of recognizing cash payments in the books of accounts causes additional work for entities, in which cash payments are of marginal importance.

Arguments:

Provisions of the Accounting Act should be more universal, rather than regulate selected transactions in such detail. The entities have pointed out, that the requirement of recognizing payments received and made in cash on the day on which they were effected as one of conditions of considering the books to be kept on ongoing basis seems obsolete. Additionally, it does not function in practice.

In the era of widespread cashless payments, entities other than those operating in retail and food services, significantly limit their cash transactions in terms of number and value, or even eliminate cash desks entirely. In such a situation, it is perfectly enough to recognize cash transactions in the books once a month. Cheques and bills of exchange play a very limited role in business.

Even in retail and food services it seems that such a restrictive approach is not necessary, if cash payments are registered on a cash register and documents are preserved in accordance with applicable requirements of tax regulations. In entities with a large network of local outlets, accounting is usually kept in one place. On the other hand, small food service entities and stores which only have one or two locations frequently outsource accounting services from an external service provider. In both cases, daily submission of accounting documents for the purpose of recognizing them in the books would generate high costs and would not be practical. Experience of statutory auditors and other inspectors shows, that just keeping accounting entries pertaining to cash balances is not sufficient to ensure an appropriate level of internal control over these assets. A far more effective fraud deterrent are frequent, continuous and ad hoc inspections of cash register and balances performed by operations managers.

4.2.11.2. Recommendations

We propose deleting pt 3.

Placement of the recommendation

Art. 24 par. 5 pt 3 – as indicated above.

4.2.12. Place of keeping books of accounts

Act of law: Art. 11 and 11a of the Accounting Act

Art. 11 par.1

Books of accounts kept by the entity.

Art. 11a

In case the books of accounts are kept outside the head office or place of management, the entity's manager is obliged to:

- 1) notify the relevant revenue office of the place where the books of accounts are kept within 15 days of releasing the books**

4.2.12.1. Problem

This provision is illogical – it pertains to the place of bookkeeping, and in par. 1, instead about the place, it talks about who keeps the books.

There is no clear indication of the place of bookkeeping if the books are kept in the entity.

Arguments:

The provision pertains to the place of bookkeeping. However, in par. 1 there is a misleading sentence: “Books of accounts are kept **by** the entity”. Since the next paragraph speaks not about bookkeeping by a third party, but rather about keeping them in a place other than the entity's head office or place of management, it should be inferred that what the legislators had in mind with respect to par. 1 was keeping the books “**at** the entity”.

Assuming, that par 1. indeed pertains to the place where bookkeeping is done, the entities are not clear as to the actual possibility of choosing the place of bookkeeping – this pertains in particular to having branches, offices, etc. Art. 11a indicates obligations which occur if books are kept in a place other than the entity's head office or place of management. There is a certain mental leap between art. 11 and 11a, resulting in concern about keeping the books in e.g. a branch, or another place “constituting a part of the entity”.

In connection with doubts as to application of art. 11, relevant provisions were included in the position of the Accounting Standards Committee. Pt 1 of the Position says, that books of accounts are kept “using the resources (personnel, premises, equipment) which are at

the disposal of the entity”. The entity is not limited as to the place where it keeps its books (e.g. head office, branch or plant, unit), which may be located either in Poland or outside its borders. It is perhaps worth consideration as to whether this catalog could remain open. Art. 11a will become much clearer then. It will then state unequivocally, that keeping the books outside the entity’s head office or place of management is subject to relevant notifications.

4.2.12.2. Recommendations

We propose to modify art. 11 par. 1 of the Accounting Act by replacing the word “by” with the word “at”. The provision will then be worded: “Books of accounts kept at the entity”.

We propose adding to art. 11 par. 1a, worded as follows: “The entity may keep its books of accounts at its head office, place of management, branch, plant, office, place of operation”.

Placement of the recommendation

Art. 11 of the Accounting Act – as indicated above.

4.2.13. Place of bookkeeping and place of storage of books of accounts

Act of law: Art. 11a pt 1 of the Accounting Act

In case the books of accounts are kept outside the head office or place of management, the entity’s manager is obliged to:

- 1) notify the relevant revenue office of the place where the books of accounts are kept within 15 days of releasing the books**

4.2.13.1. Problem

Place of bookkeeping and place of storage of books of accounts are equated. Lack of clarity in interpretation of these provisions was pointed out by, among others, the users from capital groups, which establish central accounting departments for their entities, the so-called internal shared services centers (insourcing).

Arguments:

The part of the sentence saying “from the day of releasing the books” suggests that bookkeeping is the same as storage of books of accounts. Besides that, the Accounting Act does not clearly differentiate between bookkeeping and storage of books of accounts. In the era of computerization, organization of work in accounting has changed fundamentally. Currently, the place of bookkeeping is increasingly often different than the place of storage

of books of accounts, as well as data. Notification of data storage place is regulated by art. 73 par. 4 of the Accounting Act.

Another issue which requires consideration is the issue of introducing the provision about the obligation to notify in case of discontinuation of keeping the books in a place other than the entity's head office or place of management.

4.2.13.2. Recommendations

Recommendation 1:

We propose replacing, in art. 11a pt 1), the words "from the day of releasing the books" with words "from the day of change of place of keeping the books".

Placement of the recommendation

Art. 11a pt 1 of the Accounting Act – as indicated above.

Recommendation 2:

In art. 11a, we propose replacing the words "are kept outside the head office" with words "are or were kept outside the head office".

Placement of the recommendation

Art. 11a pt 1 of the Accounting Act – as indicated above.

4.2.14. Deadlines for notification in case books are kept in a place other than the entity's head office or place of management.

Act of law: Art. 11a pt 1 of the Accounting Act

In case the books of accounts are kept outside the head office or place of management, the entity's manager is obliged to:

- 1. notify the relevant revenue office of the place where the books of accounts are kept within 15 days of releasing the books**

4.2.14.1. Problem

Deadlines for notification differ between accounting and tax regulations.

Arguments:

According to art. 9 par. 1 of the Act of 13 October 1995 on principles of registration and

identification of taxpayers and payers: “Entities, referred to in art. 6 par. 1, 1a and 10, are obligated to update the data required for the identification notice by making a data update notice to head of revenue office no later than 7 days from the moment data change occurred”. Therefore, a doubt arises, whether the notice (data update) submitted in line with tax requirements is sufficient to satisfy the provisions of the Accounting Act. Should notification be submitted on relevant tax forms, or should it be done by a separate letter. Thus, content of this provision as currently worded is only formal – for the entities, compliance with tax regulations is more important, and a different notification deadline in the Accounting Act may be misleading. Some of the users have also pointed out, that a seven days deadline is too short, especially in context of other deadlines required by the Act.

4.2.14.2. Recommendations

We recommend introducing a 15-days deadline for notifying the revenue office.

Placement of the recommendation

Art. 9 par. 1 of the Act of 13.10.1995 on principles of registration and identification of taxpayers and payers – as indicated above.

4.2.15. Books of accounts kept using a server in a location different than the place of bookkeeping

Act of law: none

-

4.2.15.1. Problem

There is a need to regulate the matter of bookkeeping conducted on servers located outside the place of bookkeeping.

Arguments:

Above matter was explained in detail in the Position of the Accounting Standards Committee. Due to frequent and common occurrence of this situation, it requires regulation by law.

4.2.15.2. Recommendations

We propose to implement pt 27 of the Position of Accounting Standards Committee to the Accounting Act, by adding art. 11b, worded as follows:

Books of accounts kept using a server in a location different than the place of bookkeeping are deemed to be kept correctly if at least the following conditions are met:

- a) The entity maintains control over the books of accounts and entries made therein;
- b) The entity ensures that books of accounts are identical with copies of the reports received over a transmission link (wired) or wireless;
- c) Books of accounts are kept in a reliable, error-free, verifiable manner and on an on-going basis;
- d) Unequivocal links are ensured between entries in books of accounts and accounting vouchers;
- e) Data in books of accounts is effectively protected from unauthorized modification, unauthorized access, damage or destruction;
- f) Books of accounts are always available at the entity's place of bookkeeping;
- g) The entity has a printout of the books of accounts for closed periods or has their content written down on another permanent data carrier, available and possible to read at the entity's place of bookkeeping, for a period no shorter than required accounting records retention period (5 years).

Placement of the recommendation

New art. 11b of the Accounting Act.

4.2.16. Subsidiary ledgers – the form of records

Act of law: Art. 16. par. 1 of the Accounting Act

Subsidiary ledger accounts contain entries that detail and supplement the general ledger accounts. They are kept in a systematic manner as a separate system of books, files (sets of accounts) and computerized data files, reconciled with the balances and entries in the general ledger accounts.

4.2.16.1. Problem

The provision pertaining to forms of keeping the analytical records is detached from reality, which is dominated by IT systems.

Arguments:²³

Techniques of building analytical records should not be detailed in the law. Currently, the

²³ Own research, based on A. Paślawska, *Od amerykanki w chmury, czyli o technikach prowadzenia księgowości*, Rachunkowość 12/2013, Warszawa 2013, p. 3-4

records – as per the Accounting Act – are to be kept in form of separate system of books, files (sets of accounts) and computerized data files. It happens very often, however, that an analytical account is a part of a synthetic account, rather than something separate. Determining the forms of keeping analytical records in the era of rapid technological changes will result in the need to change of the provisions of the law, which will have to be effected so as to ensure that the Act “keeps up” with technology. Leaving the format of analytical records to the discretion of the entity would allow a more universal nature of provisions of the Act.

4.2.16.2. Recommendations

We propose to modify the second sentence of art. 16 par. 1 of the Accounting Act in a following manner: “They are kept in a systematic manner, in a form appropriate for the specific nature of the entity, identified and described in the accounting policy, reconciled with the balances and entries in the general ledger accounts”.

Placement of the recommendation

Art. 16 pt 1 of the Accounting Act – as indicated above.

4.2.17. Trial balances – form of the report

Act of law: Art. 18. par. 1 of the Accounting Act

- 1) **Based on the entries made in the general ledger, at the end of each reporting period, and no less frequently than at the end of the month, a trial balance is drawn up, containing:**
 - a) **symbols or names of accounts;**
 - b) **the opening balances of accounts, totals for the reporting period and year-to-date from the beginning of the financial year as well as closing balances of accounts;**
 - c) **the sum of opening balances, totals for the reporting period and year-to-date from the beginning of the financial year as well as the sum of the closing balances.**

4.2.17.1. Problem

Excessive regulation of the scope of trial balance is detached from reality, which is dominated by IT systems.

Arguments:

Some of the users have pointed out, that requirements in scope of totals for the reporting period and year-to-date from the beginning of the financial year are not used in practice. On the other hand, persons implementing IT systems have pointed out, that requirement of the Act in this scope result in the need to modify existing solutions in scope of totals and balances, already implemented in the financial and accounting systems and used in other countries; this results in additional costs. However, some of the accountants did speak in favor of usefulness of totals for the reporting period and year-to-date for the purpose of current control of correctness of books and entries. Therefore, it seems reasonable to leave this provision unchanged.

4.2.17.2. Recommendations

We recommend to leave this provision unchanged.

Placement of the recommendation
-

4.2.18. Single control file

<i>Act of law: none</i>
-

4.2.18.1. Problem

Checking books of accounts using IT techniques.

Arguments:

Increasingly frequent use of the possibility to keep and store records in electronic format means, that external control bodies (including audit by statutory auditors, tax inspection) must be prepared to analyze the books of accounts in an IT environment. This situation will be more and more widespread – it is expected, that electronic invoices will be used more and more commonly, and that, with time, will also determine their storage and preservation. There are various possibilities of analyzing the books of accounts, depending on the software used by the entity. There is a problem with systems generating files, which cannot be edited, or editing is very time-consuming. It would seem, that in order to save time of the entity and of external inspectors, as well as to increase efficiency of inspection, it would be necessary to obligate the entities to have software enabling generating specific reports in a format easily read and analyzed by inspectors – e.g. by applying XML standard.

4.2.18.2. Recommendations

The Accounting Act should include a provision indicating the obligation for the entity to possess software enabling generating printouts of at least the journal in a manner allowing easy analysis. However, the Act should not specify in detail the format of the printouts – due to changes in technology and rapid progress in IT. Detailed regulations in this scope should be left to tax legislation, in context of changes in scope of downloads of accounting vouchers in electronic format by internal revenue bodies and possibility to edit them for the purpose of e.g. tax inspection, tax investigation, or tax enforcement proceedings, as well as the single control file; at this time, no provisions in this scope are proposed to be included in the Accounting Act.

Placement of the recommendation
-

4.3. ACCOUNTING VOUCHERS

4.3.1. Definition of accounting voucher

<i>Act of law: none</i>
-

4.3.1.1. Problem

The Accounting Act does not include a definition of a basic notion of “accounting voucher”. Chapter 2 of the Accounting Act lists types of accounting vouchers, their elements, features and error correction.

Arguments:

Introduction of the notion of “accounting voucher” seems necessary for the purpose of making the Act more systematic.

The most important feature of the accounting voucher is its unequivocal linkage to business transaction, to which it pertains. For example: a notary deed documenting sale of property, or estimation of provisions with appropriate calculation issued by relevant persons.

From the user perspective, consistency with tax regulations is very important. This is because accounting vouchers are used both for the purpose of making entries, reflecting economic events, in the books of accounts, and for proper documentation and calculation of taxes. In tax regulations pertaining to documenting transactions (in particular those

pertaining to VAT invoices) we see less formalization of accounting vouchers as compared to previous years. However, regardless of form, in which the invoices are issued or sent, the following must be ensured: **legibility**, i.e. no doubt as to the individual elements, **integrity** of content, i.e. protection against accidental rather than deliberate modification of the document, and **authenticity of origin**, which is understood as certainty with respect to identity of the issuer of the document. Authenticity of origin, integrity of content and legibility of the document (voucher) can be assured by way of any business controls, which determine a reliable audit trail between the document (voucher) and the transaction or event to which it pertains.

4.3.1.2. Recommendations

Based on provisions of art. 20 par. 1 of the Accounting Act, we propose to include following notions in the list of definitions in the Act: “accounting voucher”, “authenticity of origin”, “integrity of content ” and “legibility” and define them as follows: An accounting voucher is a document constituting the basis for an entry made in the books of accounts, in a manner ensuring legibility, integrity of content and authenticity of origin, as well as unequivocal link to business transaction to which it pertains:

- “Authenticity of origin – means certainty as to the identity of the issuer of the voucher”
- “Integrity of content of the voucher – is ensured by protecting the voucher against modification”.
- “Legibility of the voucher – means a situation in which there is no doubt as to the content and meaning of individual elements of the voucher”.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act – adding new definitions.

4.3.2. Definition of electronic accounting voucher

Act of law: none

-

4.3.2.1. Problem

The Accounting Act does not include a definition of “electronic accounting voucher”.

Arguments:

Provisions of the Accounting Act pertain first and foremost to traditional accounting

vouchers (hardcopy). In connection with progress, development of IT systems, electronic data exchange, numerous doubts arise as to the acceptable forms of accounting vouchers. Accounting Standards Committee, in its Position, has undertaken an attempt to clarify these matters. The Committee specified, that the term "electronic document" refers to the form of the document, such as e.g.: electronic invoice, a printout from an Internet banking system, electronic warehouse document, electronic airline ticket, data from billing systems etc.

In general, the notion of "electronic document", of which "electronic accounting voucher" seems to be a subset, is defined differently in different disciplines – there is no uniform definition. In order to harmonize the provisions of the Accounting Act with tax regulations, Accounting Act would have to base some provisions on the Tax Ordinance. The problem is, however, that the Tax Ordinance in scope of definition refers to the Act on informatization of entities implementing public tasks, which defines electronic document as "data file, constituting a separate distinctive whole in terms of meaning, arranged in a specific internal structure and recorded on an IT data carrier". This definition is inconsistent with the Position of the Accounting Standards Committee, and authors of publications mention its ambiguities, including those quoted by Ms Sylwia Kotecka²⁴:

- change of status of an electronic document during transmission – the document is not at the time "recorded on an IT data carrier", so an e-document effectively ceases to be one,
- an electronic document is a "data file arranged in a specific internal structure" – such an interpretation may limit the notion of an electronic document exclusively to forms located on websites; moreover, it is not clear whether the internal structure of the electronic document may be determined by technical standards, or does it have to be defined by law.

Essentially, the most pertinent definition of an electronic document can be found on Wikipedia: "For legal purposes, an electronic document is any document which can be presented in a digital format. Such documents can be converted in any manner and recorded on any carrier, provided that they can be later retrieved and restored to their original form. The same electronic document may be saved in many places and on many carriers at the same time". Such a definition corresponds to explanations of the Position of Accounting Standards Committee.

Due to the need to ensure consistency with tax regulations, as indicated in pt **4.3.1**, it means, that acceptable electronic formats must be those, which ensure **legibility**, **integrity** of content and **authenticity** of origin. These features of the document may be ensured:

- By way of any business controls, which determine a reliable audit trail between the

²⁴ Own research, based on: p. Kotecka, *Prawne aspekty nowych regulacji w obszarze dokumentu elektronicznego*, Elektroniczna administracja, nr 3/2007

document (voucher) and the transaction or event to which it pertains, and

- By identifying sources, between which the documents would be transmitted, e.g. E-mail addresses or dedicated web portals, and
- By putting the document in an appropriate format, granting at least minimum protection against accidental modification or editing of its content.

4.3.2.2. Recommendations

It is proposed to include the notions of “electronic document” and “electronic accounting voucher” as well as “IT data carrier” to the list of definitions in the Act. Definitions should be as general as possible, so as to avoid the need to amend the Act in line with technological progress.

Following definitions are proposed:

- “Electronic accounting voucher is an electronic document constituting the basis for an entry made in the books of accounts, in a manner ensuring legibility, integrity of content and authenticity of origin, as well as unequivocal link to business transaction to which it pertains”
- “Electronic document is any document recorded on an IT data carrier, which can be presented in digital format”
- “IT data carrier” is a material or device serving the purpose of recording, storing and reading data in digital form”

Placement of the recommendation
<i>Art. 3. par. 1 of the Accounting Act – adding new definitions.</i>

4.3.3. Equating traditional and electronic accounting vouchers

<i>Act of law: none</i>
-

4.3.3.1. Problem

Regulations contained in the Accounting Act – Chapter 2 – pertain in most cases to traditional accounting vouchers.

Arguments:

There are doubts voiced among the users as to the electronic accounting vouchers already in use.

4.3.3.2. Recommendations

It is proposed, that in the list of definitions, after the definition of the notions of “accounting voucher” and “electronic accounting voucher”, following text should be added: “whenever in the Act a reference is made to an accounting voucher, it is to be understood to mean electronic accounting voucher as well”.

Placement of the recommendation

Art. 3. par. 1 of the Accounting Act.

4.3.4. Entries in the books of accounts made automatically:

Act of law: art. 20 par.5

In the case of computer-assisted bookkeeping, entries made in the books of accounts automatically by means of telecommunication devices (...) should be considered equivalent to source documents (...).

4.3.4.1. Problem

Are those entries equivalent to source documents or accounting vouchers.

Arguments:

Art. 20 par. 1-3 specifies types of accounting vouchers. This division suggests, that we have accounting vouchers called „source documents” in form of third party external vouchers, own external vouchers and internal vouchers, as well as other accounting vouchers, such as collective vouchers, vouchers adjusting previous entries, and settlement vouchers.

Entries in books of accounts, which are made automatically via telecommunication devices - while meeting the legal criteria – are referred to by the Act as source documents. In practice, such entries are also made based on e.g. other accounting vouchers, such as collective vouchers (source documents are in the modules, subsystems, etc., and in the books collective entries are made based on collective vouchers). The situation would be more clear, if the words “source documents” was replaced by “accounting vouchers”.

At this point, it should be mentioned, that in literature, terms “accounting vouchers” and “source documents” are treated as synonyms. However, wording of art. 20 par. 1-3 indicates, that the notion of “accounting voucher” is a broader term than “source document”.

4.3.4.2. Recommendations

Recommendation 1:

It is proposed to replace, in art. 20 par. 2 the sentence “Entries in the books of accounts are made based on accounting vouchers, confirming that a business transaction was effected, hereinafter referred to as “source documents”” with sentences “Entries in the books of accounts are made based on accounting vouchers, confirming that a business transaction was effected. The main accounting vouchers are:.....”

Placement of the recommendation
<i>Art. 20. par. 2 of the Accounting Act.</i>

Recommendation 2:

It is proposed to replace, in art. 20 par. 4, first sentence, the phrase “In the event that it is justifiably impossible to obtain third party external source documents” with the phrase “In the event that it is justifiably impossible to obtain third party external accounting vouchers”.

Placement of the recommendation
<i>Art. 20. par. 4 of the Accounting Act.</i>

Recommendation 3:

It is proposed to replace, in art. 20 par. 5, first sentence, the phrase “should be considered equivalent to source documents” with the phrase “should be considered equivalent to accounting vouchers”.

Placement of the recommendation
<i>Art. 20. par. 5 of the Accounting Act.</i>

4.3.5. Elements of accounting vouchers

<i>Act of law: art. 21 par. 2 and 3</i>
2. The value may be omitted on a voucher if data stated in physical units is valued in the course of the accounting process and if the valuation is confirmed on a printout.
3. An accounting voucher expressing values in foreign currencies should contain a

translation of such values into Polish currency according to the exchange rate prevailing on the date of the transaction. The result of the translation should be stated directly on the voucher unless the data processing system ensures automatic translation of foreign currencies into Polish currency and this translation is confirmed by the relevant printout.

4.3.5.1. Problem

The need to create printouts in case of using a data processing system.

Arguments:

Due to the fact, that accounting processes will be computerized to a growing extent, and hardcopy accounting vouchers will be replaced by electronic vouchers, importance will increase of accurate and comprehensible description of techniques of documenting accounting entries. In this context, the requirement to attach printouts is problematic – for one, due to time-consuming work and economic reasons, and two, due to impossibility of attaching a printout to a document, which more and more often will be in electronic format. For example, the technique of documenting accounting entries may specify that relevant printouts would be created monthly and placed in specified locations.

In practical application, it should be pointed out, that sometimes the accounting voucher which will be appropriate for entering the cost into books of accounts will also be the appropriate document for tax purposes, although frequently it will be insufficient. This pertains mostly to vouchers confirming the nature of the transaction (objective, nature, connection to revenue etc.).

4.3.5.2. Recommendations

It is proposed, that the phrases in art. 21 par. 2 “is confirmed on a printout” and in par. 3 “is confirmed by a relevant printout” should be replaced by, respectively, phrases “which is confirmed in a manner specified in the technique of documenting accounting entries” in par. 2 and “confirmed in a manner specified in the technique of documenting accounting entries” in par. 3.

Placement of the recommendation

Art. 21 par. 2 and 3 of the Accounting Act

4.4. FINANCIAL STATEMENTS

4.4.1. Preparing and approving financial statements – deadlines

Act of law: Art. 52 par. 1 and art. 53 par. 1 of the Accounting Act

Art. 52 par.1

The manager of an entity should ensure that the annual financial statements are prepared no later than three months after the balance sheet date, and should submit them to the appropriate authorities in accordance with the legal regulations applicable to the entity, as well as the provisions of the statutes or articles of association.

Art. 53 par.1

Subject to par. 2b below, annual financial statements of an entity are subject to approval by its approving body by no later than six months from the balance sheet date. Before approval, the annual financial statements of the entities referred to in Article 64 below are subject to audit in accordance with the rules set out in Chapter 7.

4.4.1.1. Problem

The deadline for closing the books is too short in case of the day ending the financial year, and the same is true of the deadline for preparing financial statements. As a result of changes of deadlines for closing the books of accounts proposed in recommendation 1 in pt 4.2.6, deadlines related to financial reporting should be extended accordingly.

Arguments:

Three months from balance sheet date is often not enough time for entities to prepare financial statements, especially if they are subject to audit. Therefore, this provision is often not observed. The entities have pointed out, that preparation of financial statements by the end of third month from the balance sheet date is sometimes only an appearance of effort and the actual date of preparation of financial statements depends on the date of planned approval thereof. The entities have pointed out the convergence of deadlines for closing the books of accounts and preparing financial statements. Another difficult to understand aspect was a fairly long time (three months) that the legislators envisaged as a period between preparation of financial statements and approval thereof, even in case of entities subject to mandatory audit.

Under the circumstances, the need for extension of deadline for approval of financial statements by the approving body was also considered. Allowing extended deadlines for

approval of financial statements, and consequently, of filing them with the court register, would be a relief for some entities. However, most of those interviewed did not see the need for extension. Due to facilitated communication between the manager of the entity and the body approving financial statements, as well as the need to access information contained in financial statements, it is recommended to leave the provision unchanged.

4.4.1.2. Recommendations

Recommendation 1:

Differentiation of deadlines for preparing financial statements depending on size of the entity: for large entities, 3 months from balance sheet date, and for micro entities, 5 months from balance sheet date. In such a case, in art. 52 par.1 needs to be modified by replacing words “...no later than 3 months from balance sheet date...” with words “no later than 4 months from balance sheet date...”,.

Placement of the recommendation
<i>Art. 52. par. 1 of the Accounting Act</i>

Recommendation 2:

We also propose adding par. 1a, worded as follows: In case of micro entities, possibility is allowed to prepare financial statements no later than 5 months from balance sheet date and submit them to the appropriate authorities in accordance with the legal regulations applicable to the entity, as well as the provisions of the statutes or articles of association, with due regard to art. 53 par. 1.”

Placement of the recommendation
<i>Art. 52 of the Accounting Act – adding par. 1a, as proposed above.</i>

Recommendation 3:

Art. 53 of the Accounting Act – no change in deadlines for approval of financial statements.

Placement of the recommendation
-

4.4.2. Submission of financial statements to internal revenue offices – scope and deadlines

Act of law: art. 27 par.2 of the Act on corporate income tax and art. 45 par. 1 and 5 of the Act on personal income tax

Art. 27 par. 1 and 2 of the Act on corporate income tax

1. Taxpayers (...) shall submit to internal revenue offices tax returns made using a standard form, reporting the amount of income (loss) in a given tax year - by the end of the third month of the following year (...).
2. Taxpayers who are obligated to prepare financial statements shall submit to a internal revenue office their financial statements accompanied by an opinion and report of statutory auditor within 10 days from the day of approval of annual financial statements, and in the case of companies - accompanied also by a copy of a resolution of a general meeting approving the financial statements. The obligation to submit an opinion and report does not apply to taxpayers whose financial statements are exempt from the audit obligation pursuant to separate provisions.

Art. 45 par. 1 and 5 of the Act on personal income tax

1. Taxpayers shall submit tax returns to internal revenue offices, using a standard form, reporting the amount of income earned (loss incurred) in a tax year by 30 April of the year following a tax year (...).
5. Taxpayers who keep books of accounts and are obligated to prepare financial statements attach financial statements to the tax returns.

4.4.2.1. Problem

Different set of requirements with respect to taxpayers of corporate income tax and taxpayers of personal income tax in scope of deadlines and set of documents to be attached to financial statements submitted to the internal revenue office. In case of taxpayers of personal income tax, obligations in scope of financial reporting do not take into account deadlines and requirements of the Accounting Act. Entities have issues with interpretation of regulations pertaining to reporting obligations in case of partnerships and natural persons conducting business activity (sole proprietorships).

Arguments:

In scope of financial reporting, provisions of the Act on corporate income tax take into account deadlines for preparation and approval of financial statements, stemming from the Accounting Act, and differentiate between entities depending on whether they are subject

to mandatory audit of financial statements or not. Provisions of art. 27 par. 1 of the Act on corporate income tax only require submission of reports on the amount of income (loss) in a given tax year - by the end of the third month of the following year. In following the requirements of art. 52 and 53 of the Accounting Act, many entities at that time are still in process of auditing their financial statements. Therefore, the tax return is often of "preliminary" nature, as the taxpayers submit the adjustment invoice only after the audit of financial statements is completed. On the other hand, provisions of art. 27 par. 2 of the Act on corporate income tax clearly refer to the Accounting Act and require the entities obligated to prepare financial statements to submit to the internal revenue office the financial statements along with opinion and report of statutory auditor, and copy of a resolution of a general meeting approving the financial statements within 10 days from the day of approval of annual financial statements. The obligation to submit an opinion and report does not apply to taxpayers whose financial statements are exempt from the audit obligation. This regulation clearly states, that unless the financial statements have been approved by the authorized body, they cannot be submitted to the internal revenue office. Moreover, the taxpayers who had their financial statements audited by an authorized entity on a voluntary basis are not obligated to submit statutory auditor's report and opinion to the internal revenue office. In this respect, provisions of the tax law fully take into account the deadlines for approval of financial statements stemming from the Accounting Act, and their requirements in scope of set of documents to be submitted by the entity, except for additional requirement to submit the statutory auditor's report, are consistent with obligations in scope of submission of financial statements to a relevant court register, in accordance with art. 69 of the Accounting Act.

Requirements pertaining to taxpayers of personal income tax are completely different. Pursuant to art. 45 par. 1 of Act on personal income tax, they are obligated to file tax returns with the internal revenue office, using a standard form, reporting the amount of income earned (loss incurred) in a tax year by 30 April of the year following a tax year, and entities which are obligated to prepare financial statements attach financial statements to the tax returns. (pursuant to art. 45 par. 5 of Act on personal income tax). Financial statements submitted at such time may be not yet approved, or – in case of entities subject to mandatory audit – not audited. Later date of approval (in accordance with art. 53 of the Accounting Act) does not obligate the entities to re-submit the financial statements. There is also no obligation to submit to the internal revenue office the copy of a resolution of a general meeting approving the financial statements, or opinion and report of statutory auditor, even if the financial statements were subject to mandatory audit pursuant to art. 64 par. 1 of the Accounting Act.

As a result, internal revenue bodies often receive from taxpayers preliminary versions of financial statements, which may differ from the final one. As opposed to the case of taxpayers of corporate income tax, internal revenue bodies do not receive statutory auditor's opinion or report.

4.4.2.2. Recommendations

We propose replacing the content of art. 45 par. 5 of Act on personal income tax by same content as in art 27 par. 2 of Act on corporate income tax. "Taxpayers who are obligated to prepare financial statements shall submit to a internal revenue office their financial statements accompanied by an opinion and report of statutory auditor within 10 days from the day of approval of annual financial statements, and in the case of companies - accompanied also by a copy of a resolution of a general meeting approving the financial statements. The obligation to submit an opinion and report does not apply to taxpayers whose financial statements are exempt from the audit obligation pursuant to separate provisions."

Placement of the recommendation

Art. 45 par. 5 of the Act on personal income tax

4.4.3. Preparing financial statements in partnerships which do not apply the principles of accounting

Act of law: art.558 § 1 and § 2 of Code of Commercial Companies

Art.558 § 2 pt. 4 of Code of Commercial Companies

The following documents shall be attached to the transformation plan:

- 4) the financial statements drawn up for the company in connection with the transformation as at the date referred to in § 1 pt 1 above, with the use of the same methods and the same layout as the last annual financial statements.**

4.4.3.1. Problem

In case of civil partnerships of individuals, general partnerships of individuals and professional partnerships, which previously were not, or are not – during preparation of financial statements as an attachment to the transformation plan - obligated to apply the accountancy principles as per art. 2 par. 1 pt 2) of the Accounting Act, it is not clear as to what methods should be used in preparation of those financial statements.

Arguments:

The problem pertains to transformation of partnerships operating based on revenue and expense ledger. These entities are also bound by a transformation procedure stemming from Code of Commercial Companies (hereinafter referred to as CCC), including: obligation to prepare financial statements, referred to in art. 558 § 2 pt 4 and art. 5847 § 2 of CCC for

the purpose of transformation and measurement of assets. Since the entity undergoing transformation has not applied the accounting principles so far, and was not obligated to prepare annual financial statements, it has no basis for preparation of those statements, or the later financial statements, prepared as of the day preceding the day of transformation (as per art. 12 par. 2 pt 3) of the Accounting Act).

At this point, it should be mentioned, that in case of transformation of sole proprietorships, this problem was regulated by adding art 584⁷ § 3 of Code of Commercial Companies, worded as follows: “If an entrepreneur is not obligated to keep books of accounts pursuant to the Accounting Act of 29 September 1994, the financial statements (...) are prepared based on a summary of the entries in the revenue and expense ledger and other records kept by the company for tax purposes, physical inventory and other documents enabling the statements to be prepared.”

4.4.3.2. Recommendations

It is proposed to add par. 3 in art. 558 § 2 pt 4 of Code of Commercial Companies, worded as follows: “If a partnership is not obligated to keep books of accounts pursuant to the Accounting Act of 29 September 1994, the financial statements referred to in § 2 (4) are prepared based on a summary of the entries in the revenue and expense ledger and other records kept by the company for tax purposes, physical inventory and other documents enabling the statements to be prepared.”

Placement of the recommendation
<i>Art. 558 of the Code of Commercial Companies</i>

4.4.4. Financial statements - language

<i>Act of law: Art. 45. par. 5 of the Accounting Act</i>
Financial statements and management reports should be prepared in the Polish language and currency. (...)

4.4.4.1. Problem

Financial statements are to be prepared in Polish only.

Arguments:

In the era of globalization, when Polish entities are frequently members of foreign capital groups, which use uniform accounting systems, including an integrated chart of accounts, in

certain situations the need arises to use languages other than Polish. (this issue is discussed in more detail in pts 4.1.1 and 4.2.4).

In this situation, a question arises of allowing preparation of financial statements in languages other than Polish. However, in this case it does not seem advisable, due to public nature of the documents and their availability to a broad range of users. On the other hand, the entities themselves have admitted, that the obligation to prepare financial statements in Polish is not a major encumbrance for them, since, as opposed to the books of accounts, they are prepared fairly rarely (usually once a year).

4.4.4.2. Recommendations

No changes.

Placement of the recommendation
-

4.5. STORAGE

4.5.1. Definition of records storage

<i>Act of law: none</i>
-

4.5.1.1. Problem

Do provisions of chapter 8 in certain places refer to the current period or the period after approval of financial statements – in general, the regulations are clear, and applied interpretation correct, but in thorough reading of some provisions one must notice the need for definitions regulation.

Arguments:

The Accounting Act does not contain the notion of “records storage”, and chapter 8 of the Accounting Act talks about storage both during the current period and after approval of financial statements. Absence of definitions results in interpretation difficulties with respect to art. 73 par. 4 of the Act, which says: “The files (...) may be stored in the manner specified in par. 1–3 above outside the head office of the entity in the event that they are to be transferred for storage to another entity providing document storage services”. It is generally accepted that this point pertains to archiving (storage after approval of financial

statements), but it is not unequivocal (one could come to a conclusion, that accountancy practices must provide storage services as well).

4.5.1.2. Recommendations

It is proposed to add to par. 1 art. 71 of the Accounting Act a sentence worded as follows: “records storage pertains both to current period and period after approval of financial statements”.

Placement of the recommendation
<i>Art. 71. par. 1 of the Accounting Act.</i>

4.5.2. Storage location

Act of law: Art. 73 par. 1 and 4 of the Accounting Act

art. 73 par. 1 and 4

- 1. Accounting vouchers and stocktaking records should be stored at an entity (...)**
- 4. The files referred to in Article 71 par. 1 above may be stored (...) outside the head office of the entity in the event that they are to be transferred for storage to another entity providing document storage services. The provision of Art.11a should be applied accordingly.**

4.5.2.1. Problem

There is no clear indication of the place of records storage if the books are kept in the entity. This topic is similar to **4.2.12**. Reference to art. 11a is ambiguous.

Arguments:

Assuming, that par 1. indeed pertains to the place where bookkeeping is done, the entities are not clear as to the actual possibility of choosing the place of bookkeeping – this pertains in particular to having branches, offices, etc. Reference in art. 73. par. 4 of the Accounting Act to art. 11a of same Act means, that the entity has obligations in case of storage of books of accounts outside the head office of the entity or its place of management. There is a certain mental leap between art. 73 par. 4 and 11a, resulting in concern about storing the books in e.g. a branch, or another place “constituting a part of the entity”.

In accordance with the VAT Act, taxpayer whose business domicile is on the territory of Poland are obligated to store the invoices on the territory of Poland. However, if we are dealing with electronic invoices, above provision does not have to be applied and invoices

can be stored abroad, in electronic format. However, online access to these invoices must be provided, as well as data downloading and processing ability.²⁵

4.5.2.2. Recommendations

Recommendation 1:

It is proposed to supplement art. 73 par. 1 with an indication of place of storage of books of accounts in case they are stored by the entity, by adding following wording: “The entity may store its books of accounts at its head office, place of management, branch, plant, office, place of operation”.

Placement of the recommendation
<i>Art. 73. par. 1 of the Accounting Act.</i>

Recommendation 2:

It is proposed to add par. 5 to art. 73 and inserting there the provisions of art. 11a of the Accounting Act, while art. 11a needs to be modified by replacing the phrase “place of bookkeeping” with the phrase “place of storage of books of accounts”. It will then state unequivocally, that keeping the books outside the entity’s head office or place of management is subject to relevant notifications.

Placement of the recommendation
<i>Art. 73. par. 5 of the Accounting Act.</i>

4.5.3. Storage outside the entity

<i>Act of law: Art. 73. par. 4 of the Accounting Act</i>
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“The files referred to in Article 71 par. 1 above may be stored in the manner specified in par. 1–3 above outside the head office of the entity in the event that they are to be transferred for storage to another entity providing document storage services.” The provision of Art.11a should be applied accordingly.

4.5.3.1. Problem

The problem is essentially described in the sections above, “Definition of records storage”

²⁵ Individual interpretation IPPP2/443-1151/14-2/KOM by Director of Tax Chamber in Warsaw, of 5 February 2015.

and “Storage location”. It is also linked to the topic “Definition of bookkeeping”.

Arguments:

Literal wording of the provision could mean two things: Either only the place of storage of financial statements after approval is subject to notification to the internal revenue office, and current storage is not notified, or both are notified, but storage may only be provided to an entity which provides services in scope of document storage”. In the second case, it should be noted that accountancy practices often do not include document storage in their registration parameters, and statutory auditor firms cannot have such a parameter – they are prohibited from doing so by a statutory list specifying scope of activity. A separate issue is a problem of long term storage of certain documents, e.g. payroll sheets (this matter is discussed in more detail in pt 4.5.7).

4.5.3.2. Recommendations

It is proposed, that art. 73 par. 4 should contain the sentence: “after approval of the financial statements, the files may be stored outside the entity only by entities providing services in scope of documents storage, or institutions created for that purpose pursuant to separate legislation”.

Placement of the recommendation
Art. 73. par. 4 of the Accounting Act.

4.5.4. Archiving “in the cloud”

Act of law: none
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4.5.4.1. Problem

No regulation of the option of storage in the “cloud”.

Arguments:

The Accounting Act does not regulate the matter of files storage, which may be effected in electronic format, in the so-called cloud. The provisions regulating storage only speak about archiving in the entity or outside of it. Here, the matter arises of storage by the entity but not physically at the entity (this also pertains to the situation in which storage is provided by an authorized entity, but not physically at its own premises). This pertains to the situation in which data is stored in the cloud, which means using a subscription service on external servers. Provisions of the tax law, indicating the possibility of storage on serves outside the

country, do not indicate the ownership of the server, etc. The only requirement is to ensure online access.

4.5.4.2. Recommendations

It is proposed to introduce to chapter 8 of the Accounting Act a provision regulating the possibility of storage of electronic data using servers located outside the entity, on condition of providing access to this data. Such a permission should also pertain to the situation of archiving data by entities providing services in scope of document storage.

Placement of the recommendation
<i>Chapter 8 of the Accounting Act.</i>

4.5.5. Archiving financial statements (storage)

<i>Act of law: Art. 74. par. 1 of the Accounting Act</i>
Approved annual financial statements should be stored permanently.

4.5.5.1. Problem

In comparing the regulations in force in other countries, Poland is the only country which requires permanent storage of approved financial statements. This matter was pointed out by nearly all the survey participants, who opined, that there is no justification or need for permanent storage.

Arguments:

Approved annual financial statements are submitted to the relevant court register. It is usually the National Court Register (KRS). Storage of files by KRS is regulated by the Regulation of Minister of Justice of 5 March 2004 on storage of case files and their transfer to state archives or to be destroyed (Journal of Laws of 2004, No. 46, item 443).

Analysis of the provisions of the Regulation shows, that files from the business register are stored for a period of 30 years and then transferred to state archives or destroyed – decision in this scope is taken by a committee appointed by the president of the relevant court.

It would seem reasonable to introduce a limit on storage period for approved financial statements. Storage period could be 10 years. However, such limitation of required storage period should be conditional upon submission of approved financial statements to the

relevant court register. The problem here will be financial statements of natural persons conducting business activity and civil partnerships, which apply provisions of the Accounting Act. A natural person conducting business activity is not required to be entered into KRS, and may commence business operations upon being entered into register of businesses. Accounting Act (art. 69) names only the court register as body competent for submission of approved annual financial statements. It does not envisage an obligation to submit financial statements to any other registry.

Such a solution would be a convenience for the entrepreneurs, reducing their administrative burdens – does not apply to natural persons conducting business activity and partners of civil partnerships.

4.5.5.2. Recommendations

It is proposed that art. 74 par. 1 should be worded as follows: “Approved annual financial statements, which were submitted to the National Court Register, should be stored for a period of 10 years from the end of the year in which the financial statements were approved”. Financial statements not submitted to the National Court Register should be stored for a period of 30 years from the end of the year in which the financial statements were approved.

Placement of the recommendation
<i>Art. 74. par. 1 of the Accounting Act.</i>

4.5.6. Archiving the accounting policy

<i>Act of law: Art. 74 par. 2 pt 5 of the Accounting Act</i>
Documentation of the bookkeeping method adopted – for a period no shorter than five years from the expiry of its validity date.

4.5.6.1. Problem

There is no clear definition as to when the validity date of accounting policy expires.

Arguments:

Many entities do not update their documentation of accounting policy. In many cases, the update is effected in form of individual annexes, but a consolidated text is not produced. It is difficult for the entities to determine the moment when the validity date of accounting policy expires.

In order to formulate this in a more clear manner, French regulations could be used, which in context of the accounting policy say: “Documentation of accounting policy is stored as long, as presentation of accounting documents, to which it pertains, is required.”

4.5.6.2. Recommendations

It is proposed to change the wording in scope of accounting policy storage period as follows: replacing the phrase in art. 74 par. 2 pt 5 “for a period no shorter than five years from the expiry of its validity date” with a phrase “as long, as presentation of accounting documents, to which it pertains, is required”.

If the description of the IT system is not going to be an element of accounting policy, it will be necessary to specify its storage period in the Accounting Act.

Placement of the recommendation

Art. 74 par. 2 pt 5 of the Accounting Act – modification of wording.

4.5.7. Storage periods for books of accounts and accounting vouchers

Act of law: Art. 74 par. 2 pt 1-4 and 6-8 of the Accounting Act

Art. 74 par. 2 and 3

2. Other files should be stored for at least:

- 1) books of accounts – 5 years;**
- 2) employee payroll sheets or equivalents thereof - for the time for which access to such information is required under the legal regulations applicable to retirement pensions and disability allowances as well as under tax regulations, however no less than five years;**
- 3) Accounting vouchers concerning proceeds from retail sales - until the date of the approval of the financial statements for a given financial year, however at least until the date the individuals in charge of assets intended for retail sales are discharged;**
- 4) Accounting vouchers concerning construction in progress, bank and non-bank loans and commercial contracts, claims pursued in civil proceedings or covered by criminal or tax proceedings - for five years starting from the beginning of the year following the financial year in which the transactions and proceedings were finally terminated, paid off, settled or time-barred;**
- 5) (...);**

- 6) Documents concerning statutory warranties and complaints - 1 year after the expiry of the warranty validity date or settlement of the complaint;
 - 7) stocktaking records – 5 years;
 - 8) Other accounting vouchers and documents – 5 years.
3. Storage periods determined in par. 2 above should be calculated starting from the year following the financial year to which the respective files pertain.

4.5.7.1. Problem

There are no uniform storage periods for books of accounts and accounting documents specified in the Accounting Act and other regulations, including in particular tax regulations.

Arguments:

Tax Ordinance Act, in art. 86 par. 1 obligates the taxpayers to store books of accounts and related documents until the statutes of limitation on tax obligation expire. According to art. 70 par. 1 of Tax Ordinance, statutes of limitation on a tax obligation expire in 5 years from the end of calendar year in which tax payment term expired (however, one should keep in mind the regulations determining interruptions of the limitation period). In general, this means a need to store books and accounting documents for a period of 6 years after the financial year to which given books and documents pertain. In comparison to requirements of tax law, regulations of the Accounting Act quoted in the frame above seem to be defunct – actually, they should not be applied, as in confrontation with tax law they might cause serious trouble to the entities. All the participants of the survey have pointed out the need to harmonize the provisions of tax and accounting law.

Entities also point out certain practical problems with meeting the requirements of art. 74 par. 2 pt 2 with respect to storage of payroll lists, payroll sheets, or other documents based on which pension or disability benefits are calculated, for a period of 50 years from the day the insured discontinued employment with the given payer. This stems from art. 125a par. 4 of the Act of 17 December 1998 on retirement pensions and disability allowances from Social Insurance Fund (Journal of Laws of 2009, No. 153, item 1227 as amended).

In order to:

- provide better security to employees themselves, by better protection of their personal data and ensuring physical security of documents, and
- Reduce costs of small and medium companies,

it would be worth considering, whether perhaps the employer's obligation to store such documents should be limited to a few years period, same as in case of other documents. After that period, employers would transfer the documents to State Archive of Personnel and Payroll Records, which store relevant records.

Principles of transferring such documentation to state archives would require regulation in the provisions of Act of 14 July 1983 on national archival fund and archives (Journal of Laws of 2011, No. 123, item 698, as amended)

4.5.7.2. Recommendations

Recommendation 1:

It is proposed to introduce storage periods listed below, counted from the beginning of the year following the financial year to which the given files pertain.

Type of file	Storage period
Books of accounts	6 years
Employee payroll sheets or equivalents	For the time for which access to such information is required under the legal regulations applicable to retirement pensions and disability allowances as well as under tax regulations, however no less than 6 years
Accounting vouchers concerning proceeds from retail sales	6 years
Accounting vouchers concerning construction in progress, bank and non-bank loans and commercial contracts, claims pursued in civil proceedings or covered by criminal or tax proceedings	6 years starting from the beginning of the year following the financial year in which the transactions and proceedings were finally terminated, paid off, settled or time-barred
Documents concerning statutory warranties and complaints	One year after the expiry of the warranty validity date or settlement of the complaint
Stocktaking records	6 years
Other accounting vouchers and documents	6 years

Placement of the recommendation

Art. 74 par. 2 pt 1-4 and 6-8 of the Accounting Act – modification of wording.

Recommendation 2:

We propose adding par. 3, worded as follows: In case of the files indicated in par. 2 pt 2),

the entities may transfer them to State Archive of Personnel and Payroll Records, on principles set forth in separate legislation”.

Placement of the recommendation
<i>New paragraph in art. 74 of the Accounting Act.</i>

4.5.8. Granting access to files

<i>Act of law: art. 75 of the Accounting Act</i>
Files or a part thereof may be made available to a third party:
1) for review on the premises of the entity – requires consent of the entity’s manager or an individual authorized by him/her,
2) outside the head office of the entity’s (branch’s) management – requires written consent of the entity’s manager and provided that a confirmed list of the documents taken away is left at the entity, (...).

4.5.8.1. Problem

Methods of making files available to third parties on the entity’s premises but not in the head office (branch) are not determined.

Arguments:

Doubts may arise with respect to making the files available e.g. at place of business operations, which is neither the head office nor branch office, etc.

Here we propose to refer to the place of business operations, especially since in the VAT regulations the competence of internal revenue body as a principles is determined not according to head office or place of residence, but place of business operations.

4.5.8.2. Recommendations

It is proposed to modify wording of art. 75 pt 2 by replacing the phrase “outside the head office of the entity’s (branch’s) management” by phrase “outside the head office or place of business operations of the entity”.

Placement of the recommendation
<i>Art. 75 pt 2 of the Accounting Act.</i>

4.5.9. Computer printouts

Act of law: Chapters 2 and 8 of the Accounting Act

Chapters 2 and 8 of the Accounting Act.

4.5.9.1. Problem

Frequent doubts of entities with respect to the possibility of electronic storage.

Arguments:

Entities are often not sure about possibilities of electronic storage. It is illustrated by high frequency of inquiries made by representatives of entities in that respect. Also in the Report on performance of II part of the Task, Attachment 15 – Selected comments of entrepreneurs collected during direct interviews within the framework of measurement of administrative burdens in provisions of commercial law, developed by Ministry of Economy, there is a statement saying: “It would be a great simplification for many entrepreneurs if archived accounting documentation could be stored in electronic format”. In general, provisions of Chapters 2 and 8 of the Accounting Act unequivocally refer to printouts, but they also open a possibility to move data to IT data carriers (provided that certain conditions are met). Tax regulations do not include such an unequivocal determination.

4.5.9.2. Recommendations

Since the scope of provisions of the Accounting Act is sufficient and understandable, it is proposed to leave them unchanged,

Placement of the recommendation

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4.6. PROVISION OF BOOKKEEPING SERVICES

4.6.1. Provision of bookkeeping services - unequal requirements with respect to domestic and foreign entities

Act of law: Art. 11 par. 2; Art. 76a par. 3; Art. 76h par. 1

Art. 11. par. 2

An entity may outsource bookkeeping to a company referred to in Article 76a par.3 below, or to a company based in another member state in the understanding of Article 2 par.1, item 4 of the Act on Providing Services in the Republic of Poland, dated 4 March 2010 (...), carrying out a business activity in this area.

Art. 76a par. 1 and 3

- 1. Bookkeeping services are a business activity within the meaning of the legal regulations on freedom of economic activity, consisting of providing services in the field of the activities referred to in Article 4 par. 3 items 2–6 above.**
- 3. The activity referred to in par.1 and 2 above may be conducted by business entities, on condition that activities in this scope will be performed by persons who:**
 - 1) have full legal capacity;**
 - 2) were not convicted by a final and non-appealable court judgment of offences against document credibility, property, business dealings or dealings in money and securities, of tax offences or the acts specified in Chapter 9 of the Act.**

Art. 76h par.1

- 1. The business entities referred to in Article 76a par.3 above are obligated to conclude a third party liability insurance contract against damages caused in connection with carrying out the business activity referred to in Article 76a par. 1 and 2 above.**

4.6.1.1. Problem

Foreign entities are excluded from the requirements of chapter 8a in scope of provision of bookkeeping services. This results in a risk of lower quality of provided services.

Arguments:

In the era of progressing globalization, an increasingly frequent solution is to outsource accounting services to so-called shared services centers, which frequently provide services to entities from a number of countries, including entities from Poland, which apply the provisions of Accounting Act. Such entities may be located either in Poland or abroad. In the second case, the notion of foreign company applies, as stated in art. 11 par. 2.

Due to the fact, that the provision is formulated as an alternative (using the word “or”), in case of outsourcing bookkeeping services to a foreign entity such an entity is not required to

meet any of the obligations from chapter 8a, i.e. neither requirements in scope of clean criminal record (art. 76a par. 3) nor in scope of mandatory third party liability insurance (art. 76h par. 1). Such requirements are imposed by the Act on Polish entities providing bookkeeping services. Such inconsistency favors foreign entities at the expense of Polish ones. Moreover, lack of regulation and even very limited requirements with respect to foreign entities increases the risk of reduced quality of provided services.

Proposed solution refers to requirements of art. 10 par. 1 pt 10) of the Act of 4 March 2010 on Providing Services in the Republic of Poland, according to which “The service provider, before entering into a written contract, and in case of absence of a written contract – before commencing provision of services, is obligated to provide the client following information (if in place): (...) about mandatory insurance or financial guarantee, along with information on insurer or guarantor, as well as about territorial scope of insurance;”.

4.6.1.2. Recommendations

Recommendation 1:

We propose adding par. 3a to art. 76a, worded as follows: “Provisions of par. 3 apply respectively to entities from other member states, conducting business activity in this scope, in the understanding of art. 11 par. 2”.

Placement of the recommendation
<i>Art. 76a of the Accounting Act</i>

Recommendation 2:

We propose adding par. 2a to art. 76h, worded as follows: “Provisions of par. 1 apply respectively to entities from other member states, conducting business activity in this scope, in the understanding of art. 11 par. 2”.

Placement of the recommendation
<i>Art. 76h of the Accounting Act</i>

4.6.2. Provision of bookkeeping services by foreign entities - limitations

<i>Act of law: Art. 11 par.2</i>
<i>Art. 11. par. 2</i>

An entity may outsource bookkeeping to a company referred to in Article 76a Section 3 below, or to a company based in another member state in the understanding of Article 2 Section 1, item 4 of the Act on Providing Services in the Republic of Poland, dated 4 March 2010 (...), carrying out a business activity in this area.

4.6.2.1. Problem

Limited possibility of outsourcing bookkeeping services to foreign entities from certain countries.

Arguments:

In the era of progressing globalization, an increasingly frequent solution is to outsource accounting services to so-called shared services centers, which frequently provide services to entities from a number of countries, including entities from Poland, which apply the provisions of Accounting Act. Such entities may be located either in Poland or abroad.

Definition of a foreign entity stems from the Act on Providing Services in the Republic of Poland. According to this definition, “member state” means a member state of European Union, member state of European Free Trade Agreement (EFTA) – a party to agreement on European Economic Area and states, which entered into agreements with European Community and its member states, regulating freedom of services provision.

Some users have pointed out that the provisions regulating outsourcing bookkeeping services to foreign entities limit this possibility only to certain countries. It would seem that this problem could be important for entities - members of international capital groups, which create shared services centers in selected countries.

4.6.2.2. Recommendations

However, due to the risk of lowering the quality of services provided, as well as inconsistent criteria for foreign entities (this matter is discussed in more detail in pt 4.6.1.), we do not suggest changing these regulations.

Placement of the recommendation

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4.6.3. Responsibility for supervision

Act of law: Art. 4. par. 5 of the Accounting Act

The manager of an entity is responsible for the performance of the accounting obligations specified by the Act, including for supervision, also if certain accounting obligations, save for the responsibility for physical stocktaking, are assigned to a third party with his/her/its consent. (...)

4.6.3.1. Problem

Accumulation of responsibility of the manager of the entity in case accounting obligations are assigned to a third party. This issue pertains both to accountancy practices and employees of the entity. There is no direct indication of responsibility of persons, to whom the obligations in scope of accounting were assigned. This responsibility stems only from provisions of art. 77-79 of the Accounting Act, which pertain to criminal liability.

Arguments:

In case of assigning accounting obligations to a third party, manager of the entity is responsible for:

- performance of obligations in scope of accounting,
- supervision.

It is evident that there is an accumulation of responsibility of the manager of the entity. It should be considered, whether maybe at least in case of small and medium entities – in case of assignment of accounting obligation to a third party with their consent, in particular to persons providing bookkeeping services – responsibility of the manager of the entity should be limited to supervision only.

At this point, it is worthwhile to look at art. 77-79 of the Accounting Act, which pertain to criminal liability. Among offences against Accounting Act, offence related to lack of supervision was not listed. In a situation of tort – if the manager of the entity assigns tasks in scope of accounting to another person - manager of the entity will also be liable as perpetrator. He/she will also be liable for supervision – however they will not be penalized based on the Accounting Act, as art 77-79 do not specify any sanctions for lack of supervision.

4.6.3.2. Recommendations

Recommendation 1:

In order to differentiate the offence of “lack of supervision” from such accounting offences as: „failure to keep books of accounts”, “failure to prepare financial statements”, “posting inaccurate data in books of accounts”, including inaccurate data in financial statements”,

“incorrect bookkeeping”, “incorrect preparation of financial statements”²⁶, it is proposed to insert another point in art. 77, “failure to meet supervision obligations”.

Placement of the recommendation

Art. 77 of the Accounting Act – a new point added.

Recommendation 2:

It is proposed to add to art. 4 par. 5 of the Accounting Act a sentence worded as follows: “Persons, to whom tasks in scope of accounting were assigned with their consent are responsible for performance of accounting obligations”.

Placement of the recommendation

Art. 4 par. 5 of the Accounting Act – modification of wording by adding a sentence.

4.7. OTHER

4.7.1. Change of IT system during the year

4.7.1.1. Problem

The Accounting Act does not provide a procedure for handling change of IT system during the year.

Arguments:

Many entities, for various reasons, change their IT systems during the year. Many doubts arise then. The Accounting Standards Committee, in its Position, in pts 35-45 has provided detailed regulation in this scope. Change of software, or parts thereof, or even only the version, also causes controversy in terms of requirements in scope of marking the books of accounts with the name of data processing system – what should those markings be in case of a switch during the course of the year.

4.7.1.2. Recommendations

It is proposed to:

- in case application of national accounting standards becomes mandatory – create a

²⁶ O. Włodkowski, *Przepisy karne ustawy o rachunkowości*, Wolters Kluwer Polska Sp. z o.o., Warszawa 2012, p. 290

new national accounting standard pertaining to change of IT systems during the year and implement pts 35-45 of the Position of Accounting Standards Committee therein,

- in case application of national accounting standards does not become mandatory – implement pts 35-45 of the Position of Accounting Standards Committee in the Accounting Act.

Placement of the recommendation
<i>New national accounting standard or Accounting Act.</i>

4.7.2. Notions included in the Position of the Accounting Standards Committee

4.7.2.1. Problem

In the Accounting Act, there are no definitions of notions: IT system, financial and accounting system, report.

Arguments:

Accounting Act using notions of: IT system, financial and accounting system, report without providing definitions results in lack of clarity and different interpretations by users.

4.7.2.2. Recommendations

It is proposed to insert notions: IT system, financial and accounting system, report, contained in pts 3, 4 and 5 of the Position of Accounting Standards Committee to the list of definitions of the Accounting Act.

Placement of the recommendation
<i>Art. 3. par. 1 of the Accounting Act – adding new definitions.</i>

CONCLUDING REMARK

In preparing this study, our main objective was first and foremost to provide, in the Accounting Act and in scope of bookkeeping, provisions that would be clear and adapted to technological progress without increasing administrative burdens to the enterprises.

