
The Use of Financial Accounting by Small and Medium Enterprises in Poland

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Abstract:

Purpose: The purpose of the article is to examine the frequency of using data from accounting and the perception of accounting functions by small and medium-sized enterprises in Poland.

Design/Methodology/Approach: The research tool used was a questionnaire conducted on a group of 150, randomly selected business entities from the group of small and medium-sized enterprises (SMEs). The questionnaire survey was conducted in January and February 2021. The questionnaire contained 21 metric and content questions of single-choice, multiple-choice, and Likert scale questions. The study used the Chi-square test of independence and nonparametric Gamma and Cramer correlation coefficients.

Findings: Based on the conducted research, it was revealed that all analysed small and medium-sized enterprises use accounting data to conduct their business activities. Large companies use this data with greater frequency. Regardless of their size, the surveyed SMEs identify other accounting functions besides the information function, such as analytical (90% small and 99% medium-sized enterprises), reporting (98% small and 98% medium-sized enterprises), controlling (90% small and 97% medium-sized enterprises), evidential (90% small and 96% medium-sized enterprises). In an open-ended question, 21 (including 17 medium-sized) of the 150 surveyed companies listed other accounting functions, including managerial, organizational, decision-making, strategic, in planning, hedging, statistical, economic, business support, in obtaining financing.

Practical Implications: Thanks to the identification of many accounting functions, new technologies and data availability, entrepreneurs can successfully use this data in the daily functioning of business entities and make better decisions.

Originality/Value: The accounting functions identified by companies from the SME sector go beyond those described in the literature, which may constitute another subject of research.

Keywords: Small and Medium-sized Enterprises, data accounting, financial accounting.

JEL codes: G30, M41.

Paper Type: Research article.

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1. Introduction

Small and medium-sized enterprises (SMEs) are crucial to the development of any economy. They make significant contributions to job creation and economic development. The social and economic benefits of their activities allowed them to be considered as an area of strategic economic importance (Neagu, 2016). Peter Drucker asserted that small and medium-sized enterprises are the main catalyst for economic growth (Drucker, 2009). Small and medium-sized enterprises experience many barriers to their growth, among which are lack of managerial capacity or qualified employees or limited access to finance due to information asymmetry (Statistics Poland, 2018).

Accounting is the primary source of information in a business. It is perceived as the language of business, used to communicate transactions and their results. It is an organized system for recognizing, measuring, capturing, and presenting the activities of an enterprise. Information from accounting provides the foundation for decision making in business operations (Kaminski, 2020). This system is constantly changing due to the globalization processes and harmonization processes of accounting policies, providing a reliable and credible information source about the asset and financial position of the entity (Kuczyńska-Cesarz, 2017). The usefulness of accounting information is driven by external user needs. In order for the financial information to be useful, it is required to have a number of qualitative characteristics, resulting from national and international balance sheet law (Kaczmarczyk, 2012).

In addition to its informational function, accounting also has reporting, control, evidential, and analytical functions. The reporting function is performed by producing various reports and providing them to external users (Szydełko, 2016). The evidentiary function of accounting is the preparation of accounting evidence that is the basis for recording economic operations (Głębocka and Szewieczek, 2015). The control function aims to: protect assets from theft and destruction, create impulses for better management of assets, protect creditors by controlling liquidity (Kurek and Zielińska, 2006). The analytical function is realized through the use of numerical data contained in reports and their interpretation for current and periodic evaluation of activities and support in the management process (Micherda, 2000).

The paper purpose is to examine the frequency of using data from accounting and the perception of accounting function by small and medium-sized enterprises in Poland. The main hypothesis was formulated according to which, apart from its informational function, accounting plays other roles in the conduct of business by small and medium-sized enterprises in Poland. In order to fulfill the purpose of the research and to verify the main hypothesis, auxiliary hypotheses were made. According to the first hypothesis, the frequency of using accounting data depends on the size of the company. Another hypothesis is that companies identify other accounting functions besides the information function, regardless of their size.

2. Micro, Small and Medium-sized Enterprises as the Subject of Accounting in Poland

Micro, small and medium-sized enterprises in Poland are defined in the Act of 6 March 2018 Entrepreneurs' Law (Journal of Laws 2018 item 646) depending on the indicators achieved (Table 1).

Table 1. *Size categories of enterprises*

	Average number of employees	Net turnover from the sale of goods, products and services as well as financial operations or balance sheet total
Micro	<10	< 2 million euros
Small-sized	<50	< 10 million euros
Medium-sized	<250	<50 million euros (annual turnover) <43 million euros (balance sheet total)

Source: Polish entrepreneurs law.

Table 2 presents the structure of enterprises according to the number of employees in 2019.

Table 2. *The number of enterprises by size class in 2019 in Poland*

Number of people employed	Number of enterprises	The structure of enterprises (%)	Number of people employed as of 31 December	The structure of employment (%)
Up to 9 people	2 144 162	9.00%	4 129 453	41.24%
Between 10 and 49 people	48 911	2.20%	1 046 070	10.45%
Between 50 and 249 people	14 780	0.70%	1 576 002	15.74%
250 and more people	3 751	0.02%	3 262 634	32.58%
Total	2 211 604	100.00%	10 014 159	100.00%

Source: Statistics Poland, Activity of non-financial enterprises in 2019.

Micro, small and medium-sized enterprises (employing up to 250 people) constitute the vast majority of non-financial enterprises in Poland. These enterprises accounted for a total of 67.43% of the non-financial sector in 2019. Therefore, they constitute, as in other EU-28 countries, a significant economic sector.

In Poland, not all enterprises are obliged to keep full books of account and to prepare financial statements. The vast majority of micro and small entrepreneurs account for themselves on the basis of simplified records, such as a tax book of revenues and expenses, a revenue account or a tax card (Table 3). The purpose of the simplified records is to establish the correct tax liabilities in settlements with the Tax Office. These records do not provide information about the financial or asset situation to the same extent as full accounting books and the financial statements prepared on their basis (Bauer, 2013).

Table 3. The number of enterprises which keep in 2019:

Number of people employed	Books of account	Tax book of revenues and expenses	Revenue account	Tax card
Up to 9 people	245 400	1 429 920	393 552	75 290
Between 10 and 49 people	32 090	16 637	166	18
Between 50 and 249 people	14 520	260	-	-
250 and more people	3 751	-	-	-
Total	295 761	1 446 817	393 718	75 308

Source: Statistics Poland, Activity of non-financial enterprises in 2019.

The obligation to keep full books of account results from the Accounting Act of 29 September 1994. In particular, it applies to the entities specified in Article 2 of the Accounting Act of 1994, including, inter alia, public interest entities such as banks, investment funds, pension funds, local government units, commercial companies (partnerships and joint stock companies, regardless of their size) and other entities that in the previous financial year achieved net revenues from sales of goods, products and financial operations amounting to at least the equivalent in Polish currency of 2,000,000 euros (Accounting act, 1994). Until 2018, the amount of revenue obliging to keep full accounts was 1,200,000 euros and until the 2008 year 800,000 euros. The Accounting Act of 29 September 1994 determines the basic rules, including in particular:

- maintaining books of accounts,
- preparation of financial statements,
- auditing (if is required) and publication of the financial statements.

The financial statements, in accordance with the Polish Accounting Act, consist of the balance sheet, the profit and loss account and additional information to the financial statements. Entities subject to audit by an independent auditor shall prepare a cash flow statement and a statement of changes in equity (fund). The Accounting Act includes the possibility of applying simplifications to the accounting principles used and to the financial statements prepared, depending on the size or legal form of the entity. This is the result of introducing the provisions of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on annual financial statements, consolidated financial statements and related statements of certain types of entities into the Polish Accounting Act, Journal of Laws No. EU L 182 of 29/06/2013, containing provisions on the principles of subsidiarity and proportionality in the area of administrative burdens on economic units of various sizes (Nowak, 2016).

Simplifications in the Polish Accounting Act are provided for micro and small entities. The status of micro or small entity may be adopted by a resolution of the body approving the financial statements, once the conditions provided for in the Act have been met. For micro and small entities, quantitative thresholds have been introduced regarding the qualification of companies and other legal persons to

categories other than those listed in the Entrepreneurs' Law Act. These are as follows (Table 4):

Table 4. *Quantitative criteria for qualifying as micro and small entities under the Accounting Act*

	Balance sheet total PLN	Net revenue from sale of goods and products PLN	Employment
Micro entity	<1,500,000	< 3,000,000	<10
Small entity	<25,500,000	< 51,000,000	<50

Source: Own creation based on Polish Accounting Act.

3. Research Tool

The research tool used was a questionnaire conducted on a group of 150 randomly selected business entities from the group of small and medium-sized enterprises, keeping full accounts in accordance with the Polish Accounting Act. The questionnaire survey was conducted in January and February 2021. The questionnaire contained 21 metric and content questions of single-choice, multiple-choice and Likert scale questions.

For this study, the Chi-square test of independence and the non-parametric gamma and Cramer correlation coefficients were used. To examine the relationship between respondents' answers to questions about:

- frequency of accounting data use and size as measured by employment and total assets,
- identifying other accounting functions besides information, and company size as measured by employment,

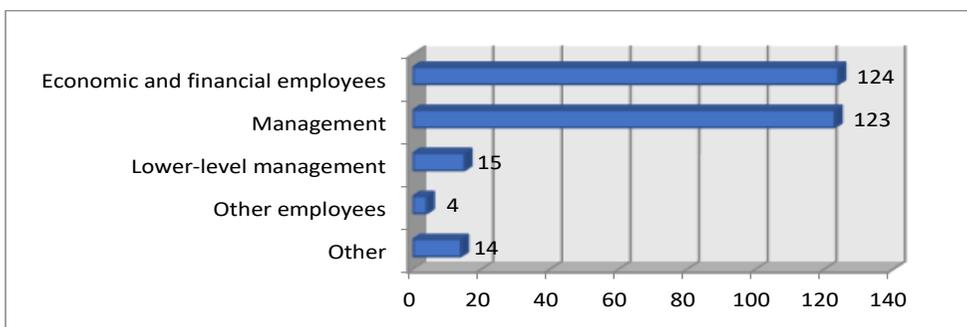
Chi-square test was used (with correction for Yates' continuity when the class size did not exceed 8 items). The relationship strength was assessed using the Cramer coefficient (values from 0 to 1) and using the gamma coefficient (values from -1 to 1 additionally taking into account the direction of the relationship). The independent variables in the research were enterprise size by the number of employees up to 49 and over 50 and total assets.

The survey was conducted in January and February 2021. In the surveyed group, 40% were enterprises with up to 49 employees and 60% with more than 50 employees. The examined balance sheet total of the companies was: in 37% up to 2 million euros, in 38% from 2 to 10 million euros and 25% from 10 to 50 million euros. Responses were provided by an economic and financial specialist, including the CFO (51% of the sample), an accounting department employee (41%), and a management board (8%).

4. Results of Survey

The first question addressed the issue of keeping accounting books in an enterprise. The chief accountant with a subordinate accounting department keeps the accounting books in 78% of the small and medium-sized enterprises surveyed in Poland. An accounting firm's bookkeeping service is used by 13% of the surveyed enterprises, and an independent accountant keeps the accounting books in 9% of the surveyed enterprises. Another question requested access to data from the accounts with the possibility of more than one answer. Economic and financial employees and management have the greatest access opportunities (Figure 1). Other individuals mentioned with access to this data included: the board of directors, external and internal auditors, owners, senior managers, and the controlling department.

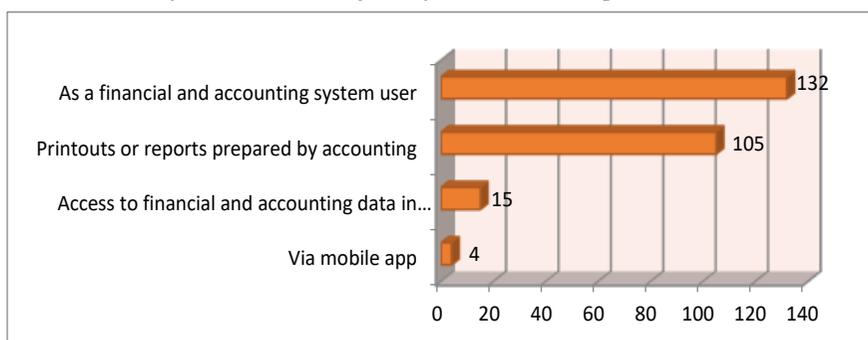
Figure 1. People with access to data from accounting books



Source: Own creation based on the survey results.

The survey on the form of access to the data from the accounting books of the surveyed enterprises showed that they use them to the greatest extent as a user of the financial and accounting system and through printouts and reports prepared by the accounting department. To a lesser extent, respondents are using cloud-based data access and a mobile app on their phone (Figure 2):

Figure 2. How do you obtain data from your accounting books



Source: Own creation based on the survey results.

The implementation of the accounting information function aims to provide information that is customized regarding content, timing, and detail level for the user. An analysis of the use of data from the various elements of the financial statements, from the statement of turnover and balances and from printouts of accounting entries confirmed the high usefulness of the information contained therein. To the greatest extent, small and medium-sized enterprises use the balance sheet, the income statement, the statement of transactions and balances, and printouts of accounting entries. To a lesser but also high degree (more than 50% of "definitely yes" and "yes" responses) from the notes to the financial statements, the cash flow statement, and the changes in equity statement (Table 5). It follows that entrepreneurs find the most useful information in these documents supporting business activities in their units.

Table 5. *The use of data from financial statements, balance sheets and printouts of accounting entries by SMEs in Poland (% structure of responses).*

Name of the document	Response given (% of SME sample surveyed)				
	Definitely yes	Yes	No opinion	No	Definitely no
Balance	32.00	65.33	-	2.00	0.67
Profit and loss account	23.33	76.67	-	2.00	-
Cash flow statement	10.67	49.33	-	34.67	5.33
Statement of changes in equity	8.00	46.00	6.67	36.67	2.67
Additional information and explanations	8.67	67.33	6.67	17.33	-
Statement of turnover and balances	18.67	75.33	-	5.33	0.67
Entries from accounts	16.67	74.67	2.00	6.67	-

Source: *Own creation based on the survey results.*

Timeliness is a desirable characteristic of information that enables action based on current data, determining the quality of information (Chojnacka-Komorowska, 2018). An examination from which period accounting data are used by the companies confirms that the current and previous year's data are the most useful. More than half of the SMEs surveyed use data from 2 years ago, and more than 49% use data from 3 years ago. Accounting data older than 3 years are also useful (Table 6). The structure of the responses confirms that both current and historical data are used in running the business.

Table 6. *From what period is accounting data used in running a business*

Name of the document	Response given (% of SME sample surveyed)				
	Definitely yes	yes	No opinion	No	Definitely yes
The current financial year	22.67	76.67	-	0.67	-
Previous financial year	15.33	80.67	-	4.00	-
2 years back	2.00	60.00	-	36.00	2.00
3 years back	0.67	48.67	-	49.33	1.33
More than 3 years old	-	36.67	2.00	58.00	3.33

Source: *Own creation based on the survey results.*

The next question concerned the frequency with which small and medium-sized enterprises use accounting books to conduct their business. Chi-square test was used to examine whether SMEs use data daily, weekly, monthly, semi-annually, annually, and whether they do not use data at all. To interpret the mentioned coefficients, Cohen's scale can be used, where absolute values above 0.5 are evaluated as high dependence, between 0.3 and 0.5 - medium, between 0.1 and 0.3 - low, below 0.1 - negligible (no dependence). The frequency of using accounting data depends significantly on the size of the company and the balance sheet total. This means that larger companies (employing more than 50 people) and with higher balance sheet totals use accounting data at least once a day more than smaller companies (Table 7).

Table 7. Chi-square test results with gamma and Cramer coefficients for the question about the frequency of using accounting data

Question	Independent variable	Chi-square	p-value	Gamma coefficient	Cramer's coefficient
How often is your company's accounting data used to conduct business?	Employing: a) 49 persons or b) more than 50 persons	8.55	0.013927	0.437	0.239
	Balance sheet total for the year	9.79	0.044075	- 0.329	0.181

Source: Own creation based on the survey results.

The last issue analyzed was whether Polish small and medium-sized enterprises believe that accounting has other functions besides information with multiple answers possible. In the entire collection of 150 companies, 88% responded positively, recognizing other accounting functions, and 10% had no opinion. Regardless of size, the surveyed SMEs identify other accounting functions besides the information function, such as analytical (90% small and 99% medium-sized enterprises), reporting (98% small and 98% medium-sized enterprises), control (90% small and 97% medium-sized enterprises), evidence (90% small and 96% medium-sized enterprises).

In an open-ended question 21 (including 17 medium-sized enterprises) out of 150 surveyed small and medium-sized enterprises indicated its other functions, including management, organizational, decision-making, strategic, planning, securing, statistical, economic, business support, including its role in acquiring financing. An analysis of the relationship using the Chi-square test was conducted, which confirmed that regardless of size, small and medium-sized enterprises in Poland identify other accounting functions besides information (Table 8).

5. Conclusions

The article aimed to determine how often accounting data are used and which accounting functions SME entities perceive. By conducting the research on a

representative group of 150 randomly selected enterprises for the survey, the objective was achieved and the hypotheses were verified.

Table 1. Chi-square test result for a question stating other functions than just information

Question	Independent variable	Chi-square	p-value
Is it a true statement that besides the information function, there are other important functions in accounting?	Employing: a) 49 persons or b) more than 50 persons	3.35	0.3406

Source: Own creation based on the survey results.

The statement that the size of a company and its balance sheet total determines how often accounting documents are used is genuine. The conducted research shows that enterprises employing more than 50 people use data from accounting books at least once a day to a greater extent than smaller economic units.

Furthermore, SME entities acknowledge that there are other functions of accounting besides the information function. More than 90% notice the other functions mentioned in the literature, such as analytical, reporting, controlling and evidential. Interestingly, about 15% of the companies (of which more than 80 in this grouping were medium-sized companies) also recognise other functions. These included statistical, economic, strategic and managerial.

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