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## SOME ASPECTS OF HARMONISATION OF POLISH ACCOUNTING SYSTEM WITH IFRS

Economic internationalization in this century is an irreversible process, and the driving forces of this process are transnational structures, business organizations, globalization of financial markets, political and regulatory conditions for business scaling. An integral element of the world economy is international accounting, harmonization and standardization of its principles, developed on its basis, considered in many aspects and at many levels.

The article examines the process of harmonization of the accounting system in Poland with the International Financial Reporting Standards (IFRS). The stages of development of the convergence of Polish GAAP with IFRS in a historical perspective are shown, with particular attention to the harmonization of accounting in the European Union, as the main trigger for the implementation of IFRS in Poland. Some distinguishing features of GAAP from IFRS are analyzed and conclusions are drawn.

The purpose of the study is to show the stages of harmonization of Polish GAAP with IFRS and highlight some of the distinguishing characteristics between Polish GAAP and IFRS.

To achieve this goal, the following tasks are set:

- a review of the literature of Polish researchers on the harmonization of accounting and the development of accounting in Poland over the past 20-40 years.
- to consider the harmonization of the European Union as the main trigger affecting the Polish accounting system
- highlight the development of Polish GAAP after accession to the European Union and explore the stages of harmonization of Polish GAAP with IFRS.
- show some distinctive characteristics of Polish GAAP and IFRS and draw conclusions.

When writing this work, qualitative research methods were used, such as observation, the scientific method, case study, expert interviews and content analysis.

**Key words:** economic internationalization, IFRS, harmonization, standardization, GAAP.

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### Поляк есеп жүйесін ХҚЕС-пен үйлестірудің кейбір аспектілері

Қазіргі ғасырдағы экономикалық интернационализация – бұл қайтымсыз процесс, ал бұл процестің қозғаушы күштері – трансұлттық құрылымдар, бизнес-ұйымдар, қаржы нарықтарының жаһандануы, бизнесті масштабтаудың саяси және реттеуші шарттары. Әлемдік экономиканың ажырамас элементі – оның негізінде жасалған, көптеген аспектілерде және көптеген деңгейлерде қарастырылатын оның принциптерін Халықаралық есепке алу және үйлестіру және стандарттау.

Мақалада Польшаның бухгалтерлік жүйесін халықаралық қаржылық есептілік стандарттарымен (ХҚЕС) үйлестіру процесі зерттелген. Польшада ҚЕХС енгізудің негізгі триггері ретінде Еуропалық Одақта бухгалтерлік есепті үйлестіруге ерекше назар аудара отырып, тарихи перспективада Польша ҚЕХС-ның ХҚЕС-ке жақындасуының даму кезеңдері көрсетілген. ҚЕХС-тен ҰҚБЖ-ның кейбір ерекше белгілері талданып, қорытынды жасалды.

Зерттеудің мақсаты – Польша ЖБЕҚ-ны ҚЕХС-пен үйлестіру кезеңдерін көрсету және Польша ЖБЕҚ-ның ҚЕХС-пен арасындағы кейбір айрықша сипаттамаларын көрсету.

Қойылған мақсатты ашу үшін келесі міндеттер қойылады:

- Польшадағы соңғы 20-40 жылдағы бухгалтерлік есепті үйлестіру және бухгалтерлік есепті дамыту туралы поляк зерттеушілерінің әдебиеттеріне шолу.
- Еуропалық Одақтың үйлесімділігін Польшаның бухгалтерлік есеп жүйесіне әсер ететін негізгі триггер ретінде қарастыру.
- Еуросоюзге қосылғаннан кейін Польша ЖБЕҚ-ның дамуын ашып көрсету және Польша ЖБЕҚ-ның ХҚЕС-пен үйлестіру кезеңдерін зерттеу.

- Польша ҚЕХС және ҚЕХС-тің кейбір ерекше сипаттамаларын көрсетіп, қорытынды жасаңыз. Бұл жұмысты жазу кезінде бақылау, ғылыми әдіс, case study, сараптамалық сұхбат және мазмұнды талдау сияқты сапалы зерттеу әдістері қолданылды.

**Түйін сөздер:** экономикалық интернационалдандыру, ХҚЕС, үйлестіру, стандарттау, ЖБЕК.

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### **Некоторые аспекты гармонизации польской системы бухгалтерского учета с МСФО**

Экономическая интернационализация в нынешний век – это необратимый процесс, а движущими силами этого процесса являются транснациональные структуры, бизнес-организации, глобализация финансовых рынков, политические и регуляторные условия масштабирования бизнеса. Неотъемлемыми элементами мировой экономики являются международный учет, гармонизация и стандартизация его принципов, разработанных на его основе, рассматриваемых во многих аспектах и на многих уровнях.

В статье изучен процесс гармонизации бухгалтерской системы Польши с Международными Стандартами Финансовой Отчетности (МСФО). Показаны этапы развития сближения ОПБУ Польши с МСФО в исторической перспективе, уделяя особое внимание на гармонизацию бухгалтерского учета в Европейском союзе, как основного триггера внедрения МСФО в Польшу. Проанализированы некоторые отличительные черты ОПБУ от МСФО и сделаны выводы.

Цель исследования – показать этапы гармонизации ОПБУ Польши с МСФО и осветить некоторые отличительные характеристики между ОПБУ Польши с МСФО.

Для раскрытия поставленной цели ставятся следующие задачи:

- обзор литературы польских исследователей о гармонизации бухгалтерского учета и развитии бухгалтерского учета в Польше последних 20-40 лет;
- рассмотреть гармонизации Европейского союза как основного триггера, влияющего на систему бухгалтерского учета Польши;
- осветить развитие ОПБУ Польши после присоединения к Евросоюзу и исследовать этапы гармонизации ОПБУ Польши с МСФО;
- показать некоторые отличительные характеристики ОПБУ Польши и МСФО и сделать выводы.

При написании данной работы применялись качественные методы исследования, как наблюдение, научный метод, case study, экспертное интервью и контент-анализ.

**Ключевые слова:** экономическая интернационализация, МСФО, гармонизация, стандартизация, ОПБУ.

## **Introduction**

In Poland, two strategies can be distinguished for the development of the accounting system after the accession of the country to the European Union, depending on the type of business entities. Since since 2006 there has been a division of economic entities into two groups, one group applies International Financial Reporting Standards (IFRS), and the other operates in accordance with the Accounting Law. This separation is due to the adoption of Regulation 1606/2002 of the European Parliament and of the Council on the mandatory application of IAS / IFRS in listed companies, banks and insurance companies.

Many companies have faced problems in implementing IFRS, due to such circumstances as the lack of accountants who know IFRS, the accounting system that has not been adapted to IFRS, including

computer accounting programs. In this regard, a lot of work had to be done not only at the state level, but also at the level of those companies that were supposed to keep records in accordance with IFRS. A small part of the tasks for listed companies, banks and insurance companies was to create new accounting policies, develop new working charts of accounts, make changes to accounting computer programs or acquire new ones, and revalue assets and depreciation procedures.

However, all the company's expenses for the implementation of IFRS are justified by the most important advantage of attracting new investors. Also, the combination of companies, business scaling are the positive aspects of preparing financial statements in accordance with IFRS.

This work is devoted to some aspects of the harmonization of Poland's accounting system with

IFRS, in the context of the main changes that have taken place in Polish GAAP over the past 20-30 years. The purpose of the study is to show the stages of harmonization of Polish GAAP with IFRS and highlight some of the distinguishing characteristics between Polish GAAP and IFRS.

To achieve this goal, the following tasks are set:

- a review of the literature of Polish researchers on the harmonization of accounting and the development of accounting in Poland over the past 20-40 years,

- to consider the harmonization of the European Union as the main trigger affecting the Polish accounting system,

- highlight the development of Polish GAAP after accession to the European Union and explore the stages of harmonization of Polish GAAP with IFRS,

- show some distinctive characteristics of Polish GAAP and IFRS and draw conclusions.

### Methodology

When writing this work, qualitative research methods were used, such as observation, the scientific method, case study, expert interviews and content analysis.

The observation consisted in studying the legal acts, rules and regulations on accounting in Poland and in the European Union, also with the history of the development of GAAP in Poland. The scientific method of research was used to evaluate the regulatory principles and justification methods. On the basis of direct observation and case study, the accounting policies of individual economic entities were studied. Also, based on expert interviews, scientific methods and observations, the author made a content analysis.

#### *1. Harmonization of accounting principles*

The processes of international economic integration cover almost all spheres of economic activity. Integration on a regional scale and revolutions in both technological, IT and telecommunications have largely provoked broad processes of globalization. On the basis of globalization, the distribution of resources is changing, integration barriers are being removed, and the boundaries of national capital are being erased. This has led to the creation of new transnational companies and new user groups that have different information needs.

Information, including generated by accounting systems, is a key resource for external and internal communication of the company.

Economic internationalization in this century is an irreversible process, and the driving forces of this process are transnational structures, business organizations, globalization of financial markets, political and regulatory conditions for business scaling. An integral element of the world economy is international accounting and harmonization and standardization of its principles, developed on its basis, considered in many aspects and at many levels (Ewa Śnieżek , Joanna Piłacik, 2014).

Accounting harmonization is a process of increasing the comparability of financial statements prepared on the basis of various regulations in different countries. Differences in financial reporting are a significant barrier to organizations seeking funding in international markets and to investors seeking the best possible capital allocation (Śnieżek E.M., 2008).

Harmonization of accounting principles consists in deliberately limiting the decisions used in accounting (and primarily in financial reporting) by defining such a set within which business entities can make accounting choices, primarily regarding the adoption and consistent application of specific accounting principles. The result of this approach is a state of harmony in which the range of possible differences between enterprises is easy to identify and interpret. "Harmonization is a phrase used in international accounting to describe the process of reducing reporting differences between countries"

(Walton et al., 1998: 8).

Professor A. Jaruga emphasized, however, that at the same time, "harmonization implies the availability of options, a certain flexibility within the established framework, which allows business entities to choose solutions within the framework of their accounting policies" (Jaruga, 2002: 3).

1. "International harmonization of accounting principles is a continuous process aimed at adapting accounting rules and its institutional infrastructure to changing economic and social conditions (Jaruga, 2002: 76)

2. "Harmonization of international accounting is understood as a movement towards similarity in the choice between alternative accounting solutions. International standardization, on the other hand, is a process that limits choice, which eventually leads all firms to adopt the same accounting method. Standardization can be carried out without harmonization if there were no differences between countries in the choice of available accounting methods and, as a result, an internationally recognized method would be widely accepted (Jaruga, 2002: 20).

Standardization means the unification of accounting principles, ensuring the greatest possible degree of comparability of financial statements (Walińska, 2005: 29).

In the context of globalization, the comparability of the information received has become the basis for the proper functioning of economic entities and the propensity of investors to invest their funds.

## *2. Issues of accounting standardization in the global environment*

Standardization requires institutional support both internationally and nationally. Many countries have established national committees (councils) to develop and publish national accounting standards. Among the many organizations supporting the processes of harmonization of accounting, the following should be noted:

- International Federation of Accountants (IFAC);
- International Auditing Practice Committee (IAPC);
- Group of four (G-4);
- European Association of Accountants (EAA);
- Organization for Economic Cooperation and Development (OECD);
- International Organization of Securities Commissions (IOSCO);
- Association of Investment Management and Research (AIMR).

Of particular note is the work of the International Accounting Standards Board (IASB), which results in International Financial Reporting Standards and brings together more than 100 professional bodies. As a result of the activities of the Supervisory Board, accounting standards have been developed – models that should be applied to financial reporting. They define the principles, methods and procedures of financial accounting. International Accounting and Financial Reporting Standards (IAS/IFRS) are prepared through a multi-stage process, through extensive discussion and consultation, in which the Preparatory (Steering) Committee plays a leading role.

A. Jaruga emphasized that “the implementation of the new strategy in practice requires the development of a new infrastructure, a new mechanism for the implementation of International Accounting Standards and, in particular, institutional strengthening and validation, as well as the creation of technical and economic conditions for high-quality financial reporting” (Jaruga, 2002: 36).

In Poland, the National Accounting Standards Committee was established in 1997 with the consent of the Minister of Finance and the Chairman of the

Securities and Exchange Commission. “The purpose of the committee is to support and cooperate in the regulation of accounting. Its main tasks include: analysis of International Accounting Standards in terms of their appropriateness and possibility of their adaptation to Polish conditions, development of accounting standards and best practices, issuance of opinions on new legal acts in terms of their “adaptation” (compliance) with accounting rules accounting” (Jaruga, 2002: 74).

The National Accounting Standards Committee in Poland played a very important role in adapting the Polish Accounting Law of 1994 to international standards.

Despite the widespread opinion about the need for uniform accounting standards on a global scale, there is still no clear answer to the question of how to achieve this harmonization. Whether to create new universally applicable standards or, better yet, consider one of the existing solutions as a universally applicable model. The latter option seems to be the most justified, both in terms of the labor intensity of the work and the associated costs. However, many authors are wondering which of the existing standards should be taken as a benchmark, since there are IFRS and US GAAP, due to the influence of the American stock exchange on the global economy.

As A. Jaruga emphasizes, “the concept of an accounting standard was established in the UK and the USA in the understanding of a template, a standard promulgated by a national body of accounting experts and representatives of science, which was preceded by a long period of research and extensive consultations with a large participation of practitioners. Accounting standards include item by item issues related to the recognition, measurement (estimation) and presentation in the balance sheet and other financial statements of their selected components, as well as disclosure of additional information in the notes and explanations “ (Jaruga, 2002: 6).

The standards are the basis for the preparation of financial statements, the preparation of reports required of listed companies, and the establishment of national accounting principles as a model for their preparation. Advantages of the application from the standards in the first place:

- 1) the possibility of greater comparability of financial data for investors;
- 2) increased willingness to invest outside the home country;
- 3) reduction of capital costs;
- 4) improving the efficiency of resource allocation;



5) higher economic growth (Jaruga et al., 2007)

Given these strengths of IFRS, many non-listed companies should switch to IFRS in order to scale their business and attract investors.

As global capital markets integrate, the logic behind a unified system of accounting standards seems clear. Although, there are questions as to whether a single system of international accounting standards will really contribute to the comparability of financial information and whether it will really improve the efficiency of capital allocation. Discussions about this are still ongoing. However, the processes of harmonization and standardization of accounting principles are inevitable, integral to globalization and irreversible.

### *3. Regulatory directives of the European Union in the light of the harmonization of accounting*

The International Accounting Standards Board also cooperates with many intergovernmental organizations. The most important, besides those mentioned before, belongs to the European Union, it is worth emphasizing that it was the European Union that was the first economic community to undertake the harmonization of accounting rules in the early 1970s.

As a result of convergence activities, the European Commission approved rules requiring listed companies in the European Union to prepare consolidated financial statements in accordance with International Accounting Standards no later than 2005 (Van Hulle, 2001: 569; Jaruga, 2006: 9–29). The EU Directives proved to be an important step towards the gradual harmonization of accounting in Europe. As a result of a complex and lengthy legislative process, Member States, including Poland, were required to bring their national regulations in line with the guidelines deriving from the directives.

A radical breakthrough in the process of accounting harmonization was introduced by Directive 2003/51/EC of June 18, 2003, amending Directive IV 86/635/EEC and Directive VII 91/674/EEC. These changes resulted from the adoption by the European Union of Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (Ignatowski, 2009).

Another breakthrough came in 2013 with the introduction of Directive 2013/34/EU of the European Parliament and of the Council on consolidated financial statements and annual financial statements of certain types of entities.

The main objectives of its introduction are, on the one hand, the need to reduce and simplify

the administrative burden, as well as greater transparency of payments to government bodies, and on the other hand, increase the transparency and comparability of financial reporting and protect the basic needs of users.

The new directive was part of the Europe 2020 strategy, and therefore was intended to create a sustainable economy and simplify the functioning of small and medium-sized enterprises, which accounted for 99% of European companies (Śnieżek & Piłacik, 2014: 39-55).

Consequently, these directives influenced the development of the accounting system and its convergence with the IFRS of the member countries of the European Union, including Poland.

### *4. Stages of harmonization of the Polish accounting system with IFRS*

Until the end of the 1980s, Poland had a planned economy and the change in the political situation in the country in the 1990s led to economic transformations leading to a free market economy. Although at the beginning, accounting regulation was still determined by tax legislation (Gierusz & Gierusz, 2018)

In 1991, the Decree of the Ministry of Finance on Accounting was adopted, which regulated the financial reporting policy. This allowed the Ministry of Finance to define the accounting and reporting rules for businesses.

Some authors consider 1994 to be the beginning of the harmonization of the Polish accounting system, since in 1994 the Parliament adopted the Law on Accounting, Certified Auditors and their Self-Government Bodies. The transformation in Polish accounting in the early 2000s was driven by Poland's efforts to join the EU. The started path of harmonization of the accounting system was continued in 2000 by amending the Law on Accounting. The new terminology and procedures included in the Accounting Law were in line with IFRS and the focus was on accounting rather than taxation, which strengthened the separation from tax legislation.

In 2001, the Polish Committee for Accounting Standards was established, which develops national accounting standards in the form of a directive and publishes them.

However, the Accounting Law remained the only law governing accounting policy until 2006.

In subsequent years, as a result of the mandatory application of IFRS in specific cases, two types of organizations emerged: those that apply IFRS and those that adhere to the Accounting Law. It is worth emphasizing that, for matters not addressed by IFRS,

entities applying IFRS rely on the Accounting Law and other relevant national legislation. Such issues include inventory, data protection and criminal liability, etc.

In this regard, the application of regulatory documents on certain aspects for companies applying IFRS is as follows:

1. Valuation of assets and liabilities under IFRS.
2. Preparation of financial statements in accordance with IFRS.
3. Mandatory application of the Accounting Law only in matters not regulated by IFRS.
4. The possibility of applying the National Accounting Standards in matters not regulated by IFRS and the provisions established by the Law.

Order of legal rules for companies that operate in accordance with the Accounting Law:

1. Obligatory observance of all rules established by the Law.
2. The possibility of applying the National Accounting Standards in matters not regulated by the Law.
3. The possibility of applying IFRS in matters not regulated by the Law and National Accounting Standards (Grabinska et al., 2014).

The classification of the main users of information generated by the accounting system follows from the accepted corporate financing methods. The Polish capital market is still a young market compared to other European countries.

Currently, the Polish economy is dominated by the SME sector, which has developed rapidly since the beginning of systemic transformations. The significant role of this sector depends on the number of enterprises and their employees, as well as on its share in GDP (which is about 50% of Poland's GDP). In 2020, large enterprises accounted for only 0.2% of the total number of Polish companies (Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce 2022, Polska Agencja Rozwoju Przedsiębiorczości, 2022)

Various authors as Konrad Grabinska, Marcin Kedziora, Jerzy Gierusz, Maciej Gierusz the following stages of harmonization of the Polish accounting system with IFRS are identified, which echo the stages of development of the Polish accounting system:

- Stage I – Decree of the Minister of Finance of January 15, 1991, accounting principles and the Accounting Law, adopted on September 29, 1994, it entered into force on January 1, 1995 and was valid until the end of December 2001. Some authors consider Stage 1 since 1994, when the autonomous accounting regulation was ratified, but the author of

this article believes that the turning point was still 1991, when the Ministerial Order on Accounting Policy was adopted, which was the beginning of a new era (Jerzy Gierusz, Maciej Gierusz, 2018).

- Stage II – from January 1, 2002, when the Accounting Law of November 9, 2000 was amended and entered into force, until the end of 2004 – this stage can be called the process of convergence of Polish accounting rules with IAS / IFRS;

- Stage III – from January 1, 2005, when the Law of August 27, 2005 came into force, allowing individual organizations to apply IFRS / IAS and mandatory adoption of IFRS by companies listed on the Warsaw Stock Exchange;

- Stage IV – 2014 and 2015: adaptation of the Accounting Law to the requirements of Directive 2013/34/EU issued by the European Parliament and the European Commission.

The ratification of the Accounting Act in 1994 was, on the one hand, a consequence of the dynamic development of financial markets, and on the other hand, the need to adopt EU directives to the Polish legal system. This applies in particular to the 4th Directive (78/660/EEC) of 25 July 1978 on the annual accounts of entities and the 7th Directive (83/349/EEC) of 13 June 1983 on consolidated financial statements (The Accounting Act was dated 29 September 1994 (Journal of Laws No. 121, item 591 with subsequent changes; Gierusz, J., 2001:5).

The introduction of the law allowed us to solve several important problems:

- identification of important indicators to determine their effectiveness of equity capital, leasing, exchange-traded securities, profit for the period, loans and others;

- determination of the volume and content of financial statements with an emphasis on the need for an external audit; as well as

- the designation of the concept of accounting policy, allowing companies to exercise some flexibility in determining their accounting principles, especially with respect to costing and depreciation.

Consequently, there has been a clear departure from tax rules to allow entities to present a fair view of their financial position and performance in their financial statements (Walińska, 2012: 230).

In 2001, the Accounting Law was amended to bring Polish GAAP even closer to IFRS by including terminology and their definitions of assets, liabilities, equity, revenue and costs in accordance with IFRS.

The Polish accounting law is a relatively concise and transparent legal regulation and the Polish regulations do not pay due attention to a number of areas of accounting. On the one hand, for small

and medium-sized businesses, this Law is sufficient for keeping records, their transactions are mostly homogeneous and uncomplicated.

The fourth stage of evolution is marked by two amendments to the Accounting Law dated July 11, 2014 and July 23, 2015 (Amendment to the Accounting Law Act dated 11 July 2014 (Journal of Laws 2014, item 1100), amendment to the Accounting Law Act and other laws dated 23 July 2015 (Journal of Laws 2015, item 1333).

Both are a consequence of the implementation of the EU Directive 2013/34/EU issued by the European Parliament and the EU Commission of 26 July 2013 in relation to the annual financial statements consolidated financial statements and related financial statements of the entity. These rules distinguish two new categories of subjects:

1. "Micro" entities – primarily partnerships and limited liability companies, which in this financial year and in the previous period did not exceed two of the three amounts:

- a. total assets PLN 1.5 million;
- b. total income from the sale of goods and services PLN 3 million; as well as
- in. average number of employees 10 people; as well as

2. "Small" entities – primarily partnerships and limited liability companies, which in this financial year and in the previous period did not exceed two of the three amounts:

- a. total assets PLN 17 million;
- b. total income from the sale of goods and services PLN 34 million; and s. the average number of employees is 50 people.

Both of these categories were given the right to simplify in terms of measurement and disclosure. The first group of entities is no longer required to apply fair value and amortized cost measurements or to perform impairment testing and allowances. The financial statements are reduced to a simplified balance sheet and income statement prepared using the natural classification of expenses (Dadacz, 2014).

Small businesses may classify leases based on tax laws and are not required to recognize deferred tax or measure the inefficient portion of fixed manufacturing overheads when costing products. Their pro forma financial statements are also simplified (see Appendix No. 5 to the Accounting Law).

National Accounting Standards are the Polish version of international standards, adapted to Polish economic realities, as they are developed on the basis of IFRS. In some thematic areas, more

specific solutions apply – more stringent standards apply in the area of disclosure obligations. Polish standards are regularly updated in accordance with new international requirements. In this context, the harmonization of Polish accounting regulation with IFRS can be seen as a convergence strategy. It should also be noted that in the last decade, accounting in accordance with IFRS or as a separate subject of IFRS has been included in the curricula of universities and colleges, as well as courses taught in associations of certified accountants and auditors. In general, a flexible system has been developed for the adoption of legal norms of accounting in accordance with the needs of economic life.

Based on these considerations, it can be concluded that the Polish accounting regulations are in constant development and at the same time are the two main streams of harmonization driven by the directives of the IASB and the European Union.

You should also pay attention to the institutional structure of Polish accounting.

The main organizations made up of accounting professionals are the Accounting Standards Committee, the Association of Accountants in Poland and the National Chamber of Official Auditors.

The Accounting Standards Committee has been operating in the Ministry of Finance since 2002 (Komitet Standardów Rachunkowości, 2014). It issues national accounting standards, which are recommendations that are not legally binding.

To date, the Committee has issued 15 national accounting standards: cash flow statement; income tax; construction work in progress; impairment of assets; leasing and rent; reserves, accrued liabilities and contingent liabilities; changes in accounting policies, accounting estimates, correction of errors, events after the balance sheet date – presentation of data; development activity etc.

The Association of Accountants in Poland, active since 1907, is the largest organization in Poland, consisting of experts in the field of accounting and finance (Stowarzyszenie Księgowych w Polsce, 2014).

The National Chamber of External Auditors is the appointed self-governing body of external auditors (Krajowa Izba Biegłych Rewidentów, 2014). It was created in accordance with the Law of October 19, 1991 on the verification and declaration of financial statements, staff auditors and their self-government, which entered into force on January 1, 1992. The main tasks performed by the National Chamber of Auditors include setting financial audit standards and cooperating in the development of accounting and financial audit rules.

### 5. Differences in certain indicators between Polish GAAP and IFRS

In Poland, the share of small and medium-sized businesses in the total number of enterprises is 99.8%, therefore, the distinctive characteristics of the accounting system of small and medium-sized enterprises from the accounting policy according to IFRS are considered.

#### 1. Priority of economic content over legal form.

IFRS strictly adheres to the principle of priority of economic content over legal form, according to which the economic content of transactions must be reflected in accounting. In contrast, Polish GAAP focuses on the proper documentation of transactions, and economic substance tends to be relegated to the background or not taken into account at all.

#### 2. Professional judgment or primary document.

Under Polish GAAP, the basis for an entry in accounting is a source document that has a higher probative value than the professional judgment of an accountant. This is precisely the reason why the legal form, when reflecting transactions in accounting, prevails over the economic essence. In IFRS, on the contrary, the role of professional judgment is decisive in many situations.

#### 3. Time value of money.

Most of the cases where professional judgment is required under International Financial Reporting Standards relate to areas of accounting that are not yet covered by Polish GAAP.

#### 4. Fair value and impairment of long-term assets

IFRS increasingly uses fair value to measure the value of assets and liabilities. This is due to the fact that for investors who are users of reporting under international financial accounting standards, information on the current value of both individual assets and liabilities, and companies as a whole is more important and significant. Such information helps to make sound investment decisions, since fair value provides a more objective basis for assessing the economic benefits that the company's assets are able to bring in the future.

The valuation continues to be dominated by historical cost, which relates primarily to fixed assets, intangible assets and biological assets. At the same time, the scope of fair value is expanding to include financial assets and liabilities, investment property and business combinations.

Financial information is the most important tool for making economic decisions; both the possibility of attracting investments and the cost of capital raised for the company depend on its quality. Information has become the most valuable resource these days.

The advantage in the competition for financial resources will be given to those companies that can provide investors with the most complete, understandable and reliable information about their financial situation. Currently, IFRS serve this purpose much better than GAAP, although as close as possible.

## Results and Discussion

The analysis carried out by the authors allows us to draw the following conclusions:

- Changes in the political situation in the country predetermined the transformation of Poland's accounting system, in which the directives of the European Union played an important role. Under the influence of IFRS, the tax legal framework has moved away from accounting and accounting standards have become an autonomous regulatory legal framework.

- Polish GAAP operates and develops in accordance with IFRS, although for small and medium enterprises a simplified version of accounting is used and does not adhere to IFRS. In this regard, the current harmonization across the country has led to a lack of comparability in the financial statements of small, medium-sized enterprises and enterprises applying IFRS. There are currently four groups of entities in Poland with different legal basis for accounting, as well as scope and level of detail in terms of financial reporting:

1. A group that keeps records in accordance with IAS/IFRS:

- companies listed on the stock exchange;
- other organizations (banks, insurance organizations, large and medium-sized companies);

2. A group that keeps records in accordance with the Accounting Law;

- micro;
- small and medium.

- National accounting standards for the analyzed period strengthened their position and became assistants in the organization of accounting. They represent "good practice" by explaining the most complex accounting issues regarding the recognition, measurement and presentation of a specific balance sheet.

- For the Polish economy, micro, small and medium business is a priority, due to the fact that they occupy 98.8% of the total number of enterprises and account for more than 50% of GDP. The scientists noted that the introduction of the IFRS for SMEs will be an important step



towards the harmonization of accounting in this significant sector (Engstrom, 2010). The application of this standard is evaluated positively, which is confirmed by numerous empirical studies in this area. However, the standard, according to many stakeholders, can be considered costly and complex (Kędzior, 2010; Kędzior, 2011)

According to Nowak (2009, pp. 2-9), IFRS for SMEs will increase the credibility of accounting in this sector, increase the comparability of financial statements internationally, and facilitate the raising of capital locally and internationally (Nowak, 2009). This is especially useful for companies doing business internationally. They may be of interest to global financial institutions (Zarzecka, 2010).

The position of the European Commission can be decisive for the whole process. This could strengthen the global position of the IFRS for SMEs in this sector. The standard can be adopted

EU level and apply to all EU countries. In Poland, the use of IFRS for SMEs will become possible only after the implementation of the relevant legislative decisions (Czaja-Cieszyńska, 2011). The impact of the implementation of IFRS, the harmonization of accounting in Poland is a debatable research topic that cannot be studied in one work. In the future, many open questions on the organization of accounting for small and medium-sized businesses,

problems and aspects of the implementation of IFRS for SMEs, etc., should be highlighted.

## Conclusions

The article describes the process of formation of regulation of the accounting system in Poland after the transition to a market economy and its harmonization with IFRS.

From the point of view of listed companies, the implementation of IFRS improves the international comparability of financial reporting, stimulates the flow of international capital to Polish listed companies, reduces the cost of capital, increases the reliability, usefulness and transparency of financial reporting, reduces accounting risks and increases the credibility of their activities.

However, in Poland, a significant share belongs to small and medium-sized businesses, which keep records in accordance with the Accounting Law and Polish GAAP, although they are developed as close as possible to IFRS, but have a number of thematic differences.

In this regard, the introduction of the IFRS for SMEs was recommended, which will increase the comparability of financial statements at the international level and facilitate the attraction of capital at the local and international levels.

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