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THE ACCOUNTING PRINCIPLES AND FINANCIAL REPORTING RULES IN POLISH AND SPANISH REGULATIONS

***Renata Burchart*[1], *Ramon Soldevila de Monteys*[2]**

[1] Department of Accounting
Faculty of Economics
University of Warmia and Mazury in Olsztyn
e-mail: rena@uwm.edu.pl
[2] Faculty of Economics and Business
University Abat Oliba in Barcelona
e-mail: rsoldevilad@uao.es

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Abstract

The purpose of the research was to identify differences and similarities in the basic provisions of Polish and Spanish legal acts regulating the accounting principles, elements of reporting and conditions of examination and publication of financial statements of entities.

The Polish Accounting Act lists eight overarching accounting policies, while the Spanish General Accounting Plan describes the same content, however, contained in only six principles.In both countries there are three main elements of the financial statement: Balance Sheet, Income Statement and Additional Information, for all companies with full accounting, and two additional items: Cash flow and Statement of changes in equity for entities whose reports are subject to mandatory examination and disclosure.

The obligation to audit accounts for entities that meet two of the three conditions are the same in both countries, but the total balance sheet value and sales revenue in the preceding year, expressed in euros, in Spain are 12,3% higher than in Poland.

ZASADY RACHUNKOWOŚCI ORAZ REGUŁY SPRAWOZDAWCZOŚCI FINANSOWEJ WEDŁUG POLSKICH I HISZPAŃSKICH REGULACJI

***Renata Burchart*[1], *Ramon Soldevila de Monteys*[2]**

[1] Katedra Rachunkowości
Wydział Nauk Ekonomicznych
Uniwersytet Warmińsko-Mazurski w Olsztynie
[2] Wydział Nauk Ekonomicznych i Biznesu
Uniwersytet Abat Oliba w Barcelonie

Słowa kluczowe: zasady rachunkowości w polskich i hiszpańskich regulacjach, elementy sprawozdania finansowego w polskich i hiszpańskich jednostkach, badanie i ogłaszanie sprawozdań finansowych w Polsce i w Hiszpanii.

Abstrakt

Celem badań była identyfikacja różnic i podobieństw w zapisach podstawowych polskich i hiszpańskich aktów prawnych regulujących zasady rachunkowości, elementy sprawozdawczości oraz warunki badania i ogłaszania sprawozdań finansowych podmiotów.

Polska ustawa o rachunkowości wyszczególnia osiem nadrzędnych zasad rachunkowości, natomiast hiszpański generalny plan rachunkowości opisuje te same treści, zawarte jednak w sześciu zasadach. W obydwu krajach występują trzy podstawowe elementy sprawozdania finansowego: bilans, rachunek zysków i strat oraz informacje dodatkowe – dla wszystkich firm z pełną księgowością, a także dwa elementy dodatkowe: przepływ środków pieniężnych oraz zestawienie zmian w kapitale własnym – dla jednostek, których sprawozdania są obowiązkowo badane i ogłaszane.

Obowiązek badania sprawozdań dotyczy podmiotów spełniających dwa z trzech warunków, które w obydwu krajach są takie same, ale graniczne wartości sumy bilansowej oraz przychodów ze sprzedaży w poprzednim roku, wyrażone w jednostkach euro, w Hiszpanii są o 12,3% wyższe niż w Polsce.

Introduction

The accounting principles and financial reporting rules are regulated in the Polish law in the following acts:

– The Accounting Act of September 29, 1994;

– regulations and announcements given by the Minister of Finance;

– resolutions of the Accounting Standards Committee in the form of National Accounting Standards;

– International Accounting Standards.

Under Spanish law, the accounting principles and financial reporting rules are regulated in the General Accounting Plan approved in December 2007, mandatory for all companies as of January 1, 2008. Generally accepted accounting principles are considered to be those set out in the following:

– The European Union regulations on consolidated accounts, in the cases foreseen for their implementation;

– The Commercial Code and other prevailing legislation;

– The General Accounting Plan and sector-specific adaptations;

– The obligatory rules approved by the Institute of Accounting and Auditing of Accounts in the development of the General Accounting Plan and its complementary norms;

– other specifically applicable Spanish legislation.

This article compares the content of the accounting principles, elements of the entity's financial statements and the conditions of obligatory examination and publication of financial statements of entities according to Polish and Spanish regulations.

The financial reporting rules in Poland

The Accounting Act of 29 September 1994

The most important legal act regulating accounting in Poland is the Accounting Act of 29. September 1994. The Act specifies entities which are obliged to maintain books of account. They include in particular:

– commercial partnerships and companies (including organizations) and civil partnerships,

– natural persons, civil partnerships established by natural persons, general partnerships established by natural persons and professional partnerships, if their net revenue from the sales of goods for resale, finished goods and financial transactions for the prior financial year amount to at least 2,000,000 Euros (in Polish zloty),

– foreign persons, branches of a company, foreign entrepreneur representation (in the meaning of The Freedom of Economic Activity Act provisions).

In such an event, the said persons or partners shall be required to notify the tax office about income tax matters before the beginning of the financial year. That amount shall be translated into the Polish currency at an average rate of exchange announced by the National Bank of Poland, as of September 30th of the year preceding the given financial year. In that case, persons or partners are obliged to notify this fact before the beginning of the financial year to the relevant Tax Office.

The Accounting Act determines the basic rules regarding in particular: maintaining books of accounts, preparation of financial statements, auditing and the publication of financial statements. Generally, the regulations of the Act shall apply to entities whose registered office or place of executive management is located within the territory of Poland. When certain issues are not covered by the Act, parties may apply National Accounting Standards issued by the Accounting Standards Committee. In the absence of relevant regulations in National Accounting Standards, International Accounting Standards may be used (MICHNIEWICZ 2016).

Books of accounts shall be kept in the Polish language. In practice, this means that all descriptions of transactions, account names, and reports automatically created by the computer system (balance sheet, trial balance, profit and loss account) should be prepared in Polish. Nevertheless the computer system used for keeping the books of accounts may be managed in any foreign language. Simultaneously, books of accounts shall be kept in the Polish currency. This means that business transactions expressed in foreign currencies shall be booked in a manner that allows the amount of the transaction to be expressed in both the Polish currency and a foreign currency. It should be emphasized that Polish tax regulations provide specific provisions with respect to the calculation of foreign exchange differences as well as the valuation of the transactions conducted in a foreign currency. In practice, transactions expressed in foreign currency should be entered into the system in a manner enabling their settlement both for tax purposes (mainly corporate income tax and VAT) and accounting purposes as well.

National Accounting Standards

In matters not covered by the Act, entities can (this is their right, not an obligation) use the National Accounting Standards and statements of a similar nature given by the Committee of Accounting Standards. However, in the absence of regulations in the NAS, the entities may apply IAS. So far, the following NAS have been issued by the Committee of Accounting Standards: Cash Flow, Income Taxes, Unfinished Building Services, Impairment of Assets, Leasing, rental and tenancy, Provisions, accrued expenses, contingent liabilities, Changes in accounting principles (policy), estimation of values, correction of errors, events after the balance sheet date – booking and presentation, Real estate activity, Directors' report, Public-private partnership agreements.

Additionally, the Committee of National Accounting Standards has issued several statements regarding:

– accounting for rights (permissions) to emit air pollution,

– assessment of the cost of manufacturing for the purpose of balance sheet valuation,

– accounting for the property rights of certificates of origin for electricity produced from renewable resources,

– some of the principles regarding bookkeeping.

Entities required to maintain books of account and prepare financial statements according to the Act, also have the ability:

– in areas where the Act provides for variant solutions;

– as well as on the issues described in other regulations;

– to adopt solutions tailored to their specific individual requirements and needs (depending on activity, legal form, size).

Although the interpretations in the form of the NAS and the statements adopted by the Committee of National Accounting Standards are recommendations only, in practice they should be considered as the process of establishing accounting policy. Accounting policy should be recorded in written form and updated by the entity manager. Application of the accounting policies in accordance with the Act helps to ensure the proper quality of financial settlements (true and fair presentation of assets, financial situation and results of the entity).

Adoption and application of International Accounting Standards

Foreign entities have the option of applying for International Accounting Standards (IAS). Note, however, that the option of applying for IAS is dependent upon the fulfillment of certain conditions. IAS can be used in particular by:

– issuers of securities admitted to or issuers of securities intending to apply for admission to or issuers of securities pending admission to trading on one of the regulated markets of the European Economic Area,

– entities being members of a capital group, in which a parent company prepares consolidated financial statements under IAS,

– branches of a company, if the entrepreneur prepares financial statements in accordance with IAS.

A decision with respect to the preparation of financial statements in accordance with IAS shall be taken by an approving body. Annual financial statements prepared in accordance with IAS are subject to annual audits. Entities which do not apply IAS for matters not regulated by the Act or domestic standards may apply IAS (MICHNIEWICZ 2016).

Financial statement

The financial report shall be prepared as of the day of closing the books, which means in particular:

– on the last day of each financial year,

– on the last day of the entity/s operations,

– on the date which precedes a change in legal status or the date of demerger, merger, or a division of entities.

Financial statements include: a balance sheet, a profit and loss account, and notes to the financial statements. Financial statements which are subject to annual audits also include: a cash flow statement, and a statement of changes in equity.

Examination of the financial statements by the auditor is mandatory for:

– joint stock companies,

– other entities which in the prior financial year for which the financial statement was prepared, met at least two of the following conditions:

* the average annual number of employees, by full-time equivalents, reached or exceeded a level of 50 persons,

* total assets as at the end of the financial year reached or exceeded the Polish currency equivalent of 2,500,000 euros,

* net sales of products and goods for resale, plus income on financial transactions for the financial year reached or exceeded the Polish currency equivalent of 5,000,000 euros.

Annual financial statements shall be prepared within three months of the balance sheet date. In the case of some entities, an annual report shall be prepared together with the annual financial statements. Financial statements and an annual report shall be prepared in the Polish language and the Polish currency.

The financial reporting rules in Spain

Compulsory accounting in companies

In accordance with the Commercial Code, section III of Accounting for Entrepreneurs; section one of article 25 states that every entrepreneur must keep an orderly accounting, appropriate to the activity of his company that allows a chronological follow-up of all his operations. It will be maintained directly by employers or by duly authorized persons.

Through the aforementioned Code of Commerce, official books of obligatory compliance are indicated. These are:

a) book of Inventory and annual accounts (art. 28 Bcc.). It will open with the initial detailed balance of the company, and will include quarterly Sum and Balance Checks, i.e. 4 per year. The inventory of year-end closing and the Annual Accounts are described as follows. The Annual Accounts are composed of a Balance Sheet, the Profit and Loss Account, a statement that reflects changes in equity for the year, a statement of cash flows and the report;

b) daily paper (art. 28 Bcc.). This book will record day by day all the operations related to the activity of the company. However, the joint annotation of the totals of operations for periods not exceeding the quarter, provided that their detail appears in other books or records, shall be valid;

c) book of minutes (art. 26 Cco). The mercantile companies will also carry a book or book of records, which will include, at least, all the agreements taken by the General and Special Boards and other collegiate bodies;

d) book registration of partners in limited liability companies or book registration of registered shares in public limited companies since in this type of company the shares can be registered or bearer.

All books that must be carried by entrepreneurs will be legalized electronically in the Mercantile Register after completion by electronic means and within four months of the closing date of the exercise (art.18 entrepreneurship law).

The official books are deposited and kept by the entrepreneurs, who must keep them for six years from the last book entry (art. 30 Cco.). The probative value of the books of employers and other documents will be considered by the Courts of Justice.

Another aspect to emphasize is with regard to the confidentiality of accounting. In the case of compulsory books, the accounting record of business is secret (art. 32).

A different question is with regard to the main accounting document such as the Annual Accounts. In addition to those cited in the Inventory and Annual Accounts book, art. 34 Cco, there are further regulations. It says that at the end of the year, the entrepreneur must produce the Annual Accounts of his company that will include the balance sheet, the profit and loss account, a statement that reflects the changes in net equity for the year, as well as a statement of cash flows and memory. These documents form a unity.

The annual accounts should be formulated expressing the values in euros. The provisions of this section shall also apply to cases in which any natural or legal person formulates and publishes annual accounts.

The Annual Accounts shall be formulated within a maximum term of three months as of the end of the fiscal year, together with the management report and the proposed application of the result (art. 253 LSC).

Regulatory Spanish Legislation

The accounting reform inspired by international financial reporting standards was incorporated by Law 16/2007, 4 July 2007, on reform and adaptation of commercial legislation in accounting matters for international harmonization based on European Union regulations. Its basic and fundamental regulatory development has been authorized by Royal Decree 1514/2007 and by Royal Decree 1515/2007 of November 16, approving the General Accounting Plan for Small and Medium Enterprises and the specific accounting criteria for Microenterprises (SME plan, hereinafter).

Pursuant to Article 2 of Royal Decree 1515/2007, all companies, regardless of their legal form, individual or corporate, may apply this General Accounting Plan for SMEs for two consecutive financial years. At the closing date of each term, at least two of the following circumstances must apply:

a) the total of the asset items does not exceed two million eight hundred and fifty thousand euros;

b) the net amount of its annual turnover does not exceed five million seven hundred thousand euros;

c) the average number of workers employed during the year does not exceed fifty.

The accounting plan approved by Royal Decree 1514/2007, even if the above limits are not exceeded, will be applied voluntarily.

The entry into force of the new General Chart of Accounts is included in RD 1514/2007 in its sixth final disposition, which states: "This standard shall enter into force on January 1, 2008 and shall be applicable in the terms set forth in this Royal Decree, for the years beginning after that date".

For its part, RD 1515/2007 similarly states in its third final provision: "This standard shall enter into force on January 1, 2008 and shall be applicable under the terms set forth in this Royal Decree, for the years beginning on or after that date".

Faithful image concept.

Faithful representation is the fundamental objective of the preparation of the annual accounts of a company. Firms must aspire to these standards in order that these accounts show the true image of the equity, the financial situation and the results of the enterprise.

The concept of a faithful representation was incorporated into the financial – accounting vocabulary and our commercial legislation, following Spain's entry into the EEC (now the European Union) in 1986. In this area, the term was introduced through the IV Annual Accounts, promulgated in 1978.

Article 34 of the Commercial Code states:

1. The annual accounts must be clearly drafted and show a true and fair view of the assets, financial situation and results of the company, in accordance with the legal provisions. For this purpose, the accounting of transactions will take into account their economic reality and not only their legal form.

2. When the application of the legal provisions is not enough to show the true image, necessary additional information will be provided in the memory to achieve that result.

3. In exceptional cases, if the application of a legal provision in accounting is incompatible with the true and fair view of the annual accounts, such a provision shall not apply. In such cases, the report should indicate this lack of application, be sufficiently motivated and explain its influence on the assets, financial situation and results of the company.

According to the introduction of the General Accounting Plan of 1990, the General Accounting Plan prior to that of 2007, the faithful image is the consequence of a systematic and regular application of accounting principles, which are understood as the mechanism capable of expressing the economic reality of the transactions carried out.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are financial accounting standards adopted by the London-based IASB – International Accounting Standards Board. They constitute International Standards or international standards in the development of accounting activity and provide an accounting manual of worth, which is acceptable throughout the world. IFRSs are used in many parts of the world, including the European Union. Since March 28, 2008, some 75 countries have required the use of, or part of, IFRSs. Many other countries have decided to adopt the standards in the future either through their direct application or through their adaptation to the national laws of individual countries.

In July 2009, the IASB published a version of the International Financial Reporting Standards for Small and Medium Enterprises. It corresponds to a simplified version.

Companies listed on the stock exchange must establish in their consolidated accounts, in accordance with European Union regulations, the International Financial Reporting Standards.

Annual Accounts, included in the General Accounting Plan

Referent to the documents comprising the annual accounts

The annual accounts contain the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto. These documents form a single unit and should be prepared in compliance with the Commercial Code, the revised Companies Act, the Limited Liability Companies Act and this General Accounting Plan, with particular reference to the Accounting Framework, in order to present fairly the equity, financial position and results of the company.

The statement of cash flows shall not be obligatory when the balance sheet, statement of changes in equity and the notes thereto can be prepared in abbreviated format.

And referent to preparation of annual accounts:

1. The annual accounts shall be prepared every twelve months, except in cases where the company has been recently incorporated, has changed its financial year end or is being dissolved.

2. The annual accounts shall be drawn up within three months of the balance sheet date by the owner or the directors, who shall be responsible for the veracity of the content. The annual accounts shall bear the date on which they were drawn up and shall be signed by the owner, all equity holders with unlimited liability for corporate debt, or all directors of the company. If any of the aforementioned is unable to sign, the reason shall be expressly indicated in each of the unsigned documents.

3. The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto shall each be clearly identified by indicating the name of the statement, the name of the reporting entity and the period to which it refers.

4. The annual accounts shall be expressed in euros. Nonetheless, figures may be expressed in thousands or millions of euros where this is advisable due to their magnitude, in which case the level of rounding in presentation should be disclosed in the annual accounts.

Accounting principles according to the Polish Accounting Act

In Chapter 1 "General provisions" in Polish Accounting Act we have the following principles of accounting:

1. True and fair view principle – Entities are required to apply the adopted accounting principles (policies), truly and fairly presenting their financial position and financial result. Events, including business transactions, are recognised in the books of accounts and presented in the financial statements in accordance with their economic substance (art. 4, paragraph 1).

2. Simplifications principle – Within its adopted accounting principles (policies) an entity may apply simplifications, provided that it has no significant negative impact on the fulfilment of the obligation specified in Paragraph 1 of Accounting Act (art. 4, paragraph 4).

3. Consistency principle – The adopted accounting principles (policies) must be applied on a consistent basis assuring that the classification of business transactions, measurement of assets, liabilities and equity, including the amortization or depreciation charges, determination of the financial result, and preparation of the financial statements are carried out in the same way in consecutive financial years so that the information resulting therefrom for the consecutive financial years is comparable (art. 5, paragraph 1).

4. Continuation principle – Adopted accounting principles (policies) are applied on the assumption that an entity will continue as a going concern in the foreseeable future, without material curtailing of the scope of its operations, without being put into receivership or declared bankrupt, unless it is in contradiction with the actual or legal status. While assessing the entity's

ability to continue as a going concern, the entity's manager takes into account all information available as of the date of preparing the financial statements relating to the foreseeable future, covering a period not shorter than 12 months from the balance sheet date (art. 5, paragraph 2).

5. Commensurability principle – In order to ensure the matching of the income and related costs, assets or liabilities and equity of a given reporting period shall include costs or income which relate to the future periods as well as costs relating to this reporting period, which have not been incurred yet (art. 6, paragraph 2).

6. Prudence principle – Individual items of assets, liabilities and equity shall be measured at the actual prices (costs) paid (incurred) for their acquisition (manufacture), taking into account the prudence principle. In particular, the following should be recognised in the income statement, irrespective of their amounts:

– decreases in the useful or commercial value of an item of assets, including depreciation or amortization charges,

– provisions for any risk known to the entity, impending losses and the outcome of other events (art. 7, paragraph 1).

7. Compensation principle – The value of individual items of assets, liabilities and equity, income and related costs, as well as extraordinary gains and losses, shall be determined separately. Different types of assets, liabilities and equity, income and related costs, as well as extraordinary gains and losses shall not be offset against each other (art. 7, paragraph 1).

8. Comparability principle – In order to give a true and fair presentation of its situation, an entity may, as of the first day of a financial year and irrespective of the decision date, replace the accounting solutions applied so far with others allowed by the Act. Changes in the accounting solutions applied so far require a disclosure, in the notes to the financial statements, of the impact of those changes on the financial statements required by other legal regulations, if these financial statements have been prepared for the period in which the above solutions were changed. In such a case, in its financial statements for the financial year in which the changes were made, the entity should specify the reasons for such changes, quantify their impact on the financial result, and ensure comparability of the financial statement data for the financial year preceding the financial year in which the changes were made (art. 8, paragraph 2).

Accounting principles according to the Spanish General Accounting Plan

Companies shall apply the following principles in their accounting and, in particular, for the recognition and measurement of components of the annual accounts:

1. Going concern – Unless there is evidence to the contrary, it shall be presumed that the company will continue in operation in the foreseeable future. Therefore, the aim when applying the accounting principles and criteria is not to determine the value of the company's net equity with a view to disposing of part or the entire business of the company, or the amount that would be obtained in the event of liquidation.

2. Accrual – The effects of transactions and other economic events shall be recognised when they occur. The related expenses and income shall be recognised in the annual accounts for the reporting period to which they relate, irrespective of the payment or collection date.

3. Consistency – Once a criterion has been selected from amongst the available options, this should be maintained over time and applied consistently to other similar transactions, events and conditions, insofar as the circumstances that gave rise to its selection remain unchanged. Should the grounds for the original choice of a criterion change, a different policy could be applied and details of this situation should be disclosed in the notes, indicating the quantitative and qualitative effect of the variation on the annual accounts.

4. Prudence – Prudent criteria should be applied when estimates and measurements are made in conditions of uncertainty. However, prudence when measuring assets and liabilities is not justified if the fair presentation of the annual accounts is affected.

Notwithstanding article 38 bis of the Commercial Code, only profits obtained before the end of the reporting period shall be recognised. However, all risks arising during the current or prior reporting periods should be taken into consideration as soon as they become known, even if they only come to light between the balance sheet date and the date the annual accounts are officially drawn up by the directors. In such cases, details shall be duly disclosed in the notes to the annual accounts, as well as in other documents comprising the annual accounts when a liability or an expense has been incurred. In exceptional circumstances, should the risks come to light between the date the annual accounts are officially drawn up by the directors and their final approval by the shareholders, and should such risks have a significant impact on fair presentation, the annual accounts must be redrafted.

5. Offsetting – Assets and liabilities, as well as income and expenses, shall not be offset unless expressly permitted by a standard. The components of the

annual accounts shall be measured separately. An example is when the same person acts as supplier and customer at the same time. When an entity acts as a customer it will be treated as a customer and when an entity acts as a supplier it will be treated as a supplier.

6. Materiality – Strict application of certain accounting principles and criteria may be waived when the quantitative or qualitative materiality of the variation arising as a result is of little significance and, therefore, does not affect fair presentation. When items or amounts are not material, these may be aggregated with other items of a similar nature or function.

Where accounting principles conflict, the criteria that best ensure fair presentation of the equity, financial position and results of the company should prevail.

Conclusions

The Polish Accounting Act describes eight principles of accounting, while the Spanish General Accounting Plan specifies six principles of accounting.

Three of these principles are identical and refer to the same area. These are the: Consistency principle, Prudence principle and Continuation principle (Going concern).

The rest of the rules similarly apply, but they have different names. Poland has the Commensurability principle but Spain has the Accrual principle. The Materiality principle in The General Accounting Plan contains two Polish principles: the True and fair view principle and the Simplification principle. The last principle of Offsetting in the Spanish General Accounting Plan contains two Polish principles: the Compensation principle and the Comparability principle.

Table 1

Accounting principles in Poland and Spain

<table>
<tr><td>Poland</td><td>Spain</td></tr>
<tr><td>True and fair view principle</td><td rowspan="2">Materiality</td></tr>
<tr><td>Simplification principle</td></tr>
<tr><td>Consistency principle</td><td>Consistency</td></tr>
<tr><td>Continua principle</td><td>Going concern</td></tr>
<tr><td>Commensurability principle</td><td>Accrual</td></tr>
<tr><td>Prudence principle</td><td>Prudence</td></tr>
<tr><td>Compensation principle</td><td rowspan="2">Offsetting</td></tr>
<tr><td>Comparability principle</td></tr>
</table>

Source: Self-study based on The Accounting Act of 29 September 1994, Spanish General Accounting Plan.

Table 2

The financial reporting rules in Poland and Spain

Regulations	
Poland	– The Accounting Act of 29 September 1994 – National Accounting Standards – International Accounting Standards
Spain	– The General Accounting Plan, December 2007 – National Accounting Standards – International Accounting Standards
Elements of financial statements	
Poland	– Balance sheet – Profit and loss account – Notes to the financial statements Financial statements which are subject to annual audits also include: – Cash flow statement – Statement of changes in equity
Spain	– Balance seet – Income statement – Statement of changes in equity (shall not be obligatory when the balance sheet can be prepared in an abbreviated format) – Statement of cash flows (shall not be obligatory when the balance sheet can be prepared in an abbreviated format) – Notes thereto
Audit of financial statements	
Poland	– Joint stock companies – Other entities which in the prior financial year for which the financial statement was prepared, met at least two of the following conditions: * The average annual number of employees, by full-time equivalents, reached or exceeded a level of 50 persons * Total assets as at the end of the financial year reached or exceeded the Polish currency equivalent of 2 500 000 euros * Net sales of products and goods for resale, plus income on financial transactions for the financial year reached or exceeded the Polish currency equivalent of 5 000 000 euros
Spain	The annual accounts and, where appropriate, the management report shall be reviewed by an auditor Except for this obligation, companies that meet, during two consecutive financial years, at the closing date of each term, at least two of the following circumstances: * That the total of the asset items does not exceed two million eight hundred and fifty thousand euros * That the net amount of its annual turnover does not exceed five million seven hundred thousand euros * That the average number of workers employed during the year does not exceed fifty And in addition, there are other circumstances that do not correspond to its size, that the company is required to audit in Spain

Source: Self-study based on MICHNIEWICZ (2016), The Accounting Act of 29 September 1994, Spanish General Accounting Plan.

The conditions of auditing financial statements in both countries are different. In Poland, most entities, except joint stock companies, which in the prior financial year for which the financial statement was prepared, met at least two of three conditions, the management report shall be reviewed by an auditor. In Spain, the management report shall be reviewed by an auditor when companies meet at least two of three conditions, during two consecutive financial years, at the closing date.

One of these conditions is the same in both countries (the average annual number of employees, by full-time equivalents, reached or exceeded a level of 50 persons). Two other conditions have different amounts. The total of the asset items in Poland is 2,500,000 euros and in Spain it is 2,850,000 euros. The net amount of its annual turnover in Poland is 5,000,000 euros and in Spain it is 5,700,000 euros.

The elementary documents of the financial statements are the same (Balance sheet, Profit and loss account or Income statement and Notes to the financial statements or Notes thereto). The other two documents have the same names (Statement of cash flows and Statement of changes in equity), but in Poland it is not obligatory to prepare them, when an entity does not need to make an annual audit. In Spain, it is not obligatory when the balance sheet can be prepared in an abbreviated format.

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