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

Submitted 11/03/21, 1st revision 14/04/21, 2nd revision 15/05/21, accepted 30/06/21

Anna Surma-Syta¹, Adrian Majek²

Abstract:

Purpose: The aim of the publication is to verify the use of information obtained from accounting in business and financial management by small and medium enterprises (SMEs) in Poland. As part of this objective, the main hypothesis was formulated that small and medium-sized enterprises (SMEs) largely rely on accounting information to manage their assets and finances. Additionally, auxiliary hypotheses were put forward.

Design/Methodology/Approach: The literature review was carried out. The research tool was a questionnaire addressed to a representative group of 150 randomly selected Polish small and medium-sized enterprises (SMEs). The questionnaire survey was conducted in January and February 2021. The questionnaire contained 21 single-choice and multiple-choice record and substantive questions using the Likert scale.

Findings: The results of research show that 90% of the surveyed entities use data for financial management. 75% of companies use them to improve the debt collection process. Over 60% use this information when choosing the optimal sources of financing, incl. subsidies from the European Union. Approximately 70% of entities use accounting information to calculate the ROE, and more than 80% use it when analyzing and undertaking investment activities.

Practical Implications: Owners of businesses are aware that thanks to accounting information they are able to make better decisions and manage their resources in a more optimal way, use them more effectively for their own purposes and improve the processes taking place in a given unit.

Originality/Value: The processes and situations in which accounting data in the field of financial management are most often used are described. This publication provides an answer to what extent the theories from scientific literature find practical application in real reality in the field of property and financial management. The conducted research can be the basis for further analyzes of the importance of these data for companies in specific situations.

Keywords: SME sector, data accounting, financial management.

JEL codes: G30, M41.

Paper Type: Research article.

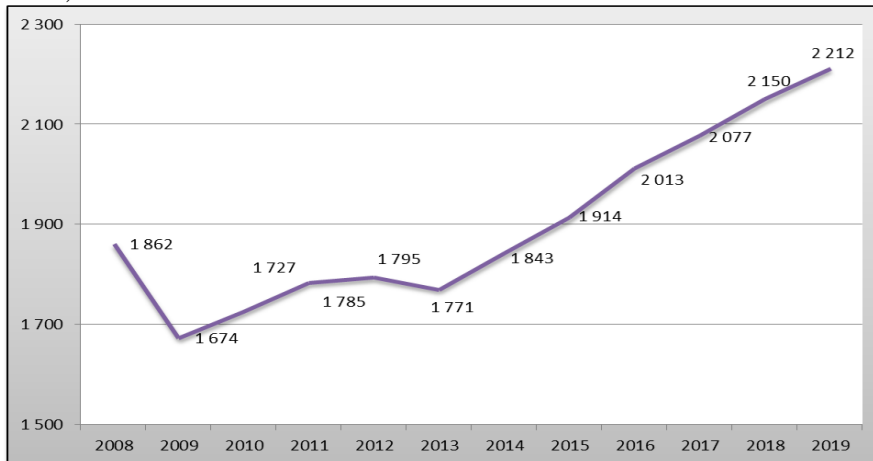
¹Faculty of Management, Department of Finance and Accounting, Lublin University of Technology, e-mail: a.surma@pollub.pl

²Faculty of Management, Department of Finance and Accounting, Lublin University of Technology, e-mail: a.majek@pollub.pl

1. Introduction

Activities and decision-making by enterprises are based on one of the most critical elements: information. Without the knowledge of certain data, it is difficult to decide on many matters that affect the development and operation of companies. Regardless of whether these decisions concern marketing, distribution, management (De Bruin and Rosemann, 2005) or HR plans (Boudreu and Ramstad, 1997) - it is necessary to have data that can play a key role in the management of the company (Bushman and Smith, 2001). It is no different in areas related to the company's finances as well. Information is a key element in the management of any enterprise. In Poland, as of the last recorded period, there were over 2 million companies, which is shown in Figure 1 together with changes in individual years.

Figure 1. The number of enterprises active in Poland in the years 2008 - 2019 (in thousands)



Source: Own creation based on GUS Działalność przedsiębiorstw niefinansowych w 2019 roku.

The structure of enterprises is shaped by entities from the SME sector, and their share at the end of 2018 was 99.8% (Table 1).

Table 1. The structure of active enterprises in Poland due to the company's size

	Large	Medium	Small	Micro
Structure of active enterprises in Poland	0,2%	0,7%	2,4%	96,7%

Source: Own creation based on PARP Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce 2020.

The dominant role is played by micro-enterprises, i.e. those that employ fewer than 10 employees and their annual turnover or total assets do not exceed the equivalent of EUR 2 million in a given financial year (Acts of Entrepreneurs, 2018). The

remainder is made up of economic units employing 10 or more employees and having a total turnover or balance sheet total equal to or greater than EUR 2 million. Among these entities, the most numerous are small entities, which employ fewer than 50 people and their annual turnover or the total annual balance sheet does not exceed EUR 10 million.

The obligation to keep full books of accounts in Poland does not apply to enterprises whose net revenues from the sale of products, goods and financial operations in a given financial year did not exceed the equivalent of EUR 2 million and are run by natural persons, civil partnerships of natural persons, civil partnerships of natural persons and inherited enterprises, general partnerships of natural persons, partnerships. These provisions also do not apply to inherited companies. Entities, in particular commercial companies and other companies, which exceed the equivalent of EUR 2 million in revenues from net sales of products, goods and financial operations are required to keep accounting books (Accounting act, 2020).

2. Use of Accounting for Financial Management by Enterprises

For management purposes, managers can use various information channels, external and internal. The former include data for the needs of market analyzes, such as analysis of Porter's five forces (Valentinavičius, 2009) and its modifications (Grundy, 2006). The internal ones include accounting data, which includes, among others, financial, management and tax accounting (Dziuba-Burczyk, 2003).

It is noted in the literature that 70% of economic information obtained for management purposes comes from historical data, the most numerous group of which are data obtained from accounting books (Srivastava and Lognathan, 2016). They can serve many stakeholders and be helpful in making decisions to recipients of these data, both internal (Achim and Chiş, 2014) and external direct and indirect (Akhmetshin and Osadchy, 2015).

Although certain data should be protected against disclosure to a wider group of recipients (Durbajło-Mrowiec, 2018), disclosure of information from accounting books is necessary in specific situations for an economic entity, such as e.g., at the time of bankruptcy (Bauer, 2009) or during an audit (Baryła, 2020).

It would be important to use accounting data to conduct a comprehensive financial analysis of the company (Janik and Paździor, 2012), and the information from the areas of analysis would be used, inter alia, to determine the financial situation of an entity (Adalı and Kızıl, 2017) or to determine the current place in the company's development (Florin, 2014). Comprehensive analysis can provide valuable tips for companies to manage their finances and property. The results of the study also allow to estimate the place of the entity in the event of a potential risk of bankruptcy and bankruptcy (Bombiak, 2010).

Accounting information is also useful in shaping the entity's financing sources. Thanks to the obtained results, it is possible to determine whether the entity should try to increase the share of its own capital, or adopt a more aggressive strategy of financing its own business, and if so, what forms should the enterprise use (Brodowska-Szewczuk, 2009).

Additionally, it would be possible to determine how the financial result of the entity should be shaped and with the help of which factors it would be possible to obtain the best results. The achieved net profit provides information relevant for decision making and is also the final measure of a given activity, which may encourage potential investors to become involved in the development of a given economic activity (Chluska, 2017). It should be remembered that to determine the effectiveness of running a business, not only results based on accounting data should be used, but also on cash data from the cash flow statement (Mioduchowska-Jaroszewicz, 2017).

Information derived from the described activities may also allow for appropriate shaping of the level of net working capital having an impact on the financial liquidity of a given entity. On the one hand, working capital management comes down to shaping the appropriate structure of assets and liabilities and formal regulations, and on the other hand, it refers to the adoption of a specific strategy. It estimates the target level of current assets and liabilities as well as the length of the company's operating cycle (Lesiak and Sajnóg, 2017).

Thanks to the results of the financial analysis, the managers can also properly manage their assets. Among them are tangible fixed assets, and the results of the study may support the exploitation of long-term assets. One of the goals of managing this type of property is to use machines, devices and other long-term tangible assets in a way that ensures an appropriate level of productivity, while optimizing the level of costs (Szewczak, 2012).

The results of the analysis and the data from the books of accounts are also used to determine an effective method of managing short-term assets. One of these groups is inventories. As part of this type of current assets, it is possible to set parameters that allow for effective management of these components. Among them, the following are distinguished: determining the appropriate level of stocks in the warehouse, determining the importance of a given assortment (Cyplik, 2005), as well as managing the supply chain by determining optimal suppliers, prices of these deliveries and their time (Dobroszek, 2016).

The current assets also define the rules of managing receivables from customers. The results of the conducted research may be helpful in shaping the criteria concerning, inter alia, creating price discounts, determining the length of customer crediting, the method of collecting receivables in the event of non-payment by recipients, as well as choosing an alternative form of financing during the transition

period between the creation of the receivable and the moment of recovering the payment for the goods, products and / or services sold (Janik and Paździor, 2012).

Cash also plays an important role in the structure of current assets and useful accounting data are also used to shape them. The appropriate level allows you to maintain the optimal amount required to pay off the most urgent liabilities, and information about the planned cash inflows and expenses gives the company opportunities in the context of ensuring the right amount of financial assets with the help of external financing sources and locating the generated surplus cash (Fuksa, 2009).

The data from accounting is also used to manage costs, although in this case, a cost statement is initially prepared. Its preparation is helpful, among others to estimate the planned economic consumption of factors as part of the conducted activity. In later stages of operation, accounting data are additionally used, which, together with the cost accounting, facilitate making economic decisions by managers. These decisions may concern, inter alia, planning production, undertaking the most advantageous investment plans, optimizing the appropriate level of costs from the point of view of economic benefits achieved by an economic entity (Kuraś, 2010).

3. Purpose, Hypotheses, Research Tool

The aim of the publication is to verify the utility of information obtained from accounting in business and financial management by small and medium enterprises (SMEs) in Poland. As part of this objective, the main hypothesis was formulated that small and medium-sized enterprises (SMEs) largely rely on accounting information to manage their assets and finances. Additionally, auxiliary hypotheses were put forward. The first assumes that most business entities use accounting data when selecting the optimal source of financing, i.a., subsidies from the European Union. The second one specifies that for most enterprises accounting data is helpful in determining issues related to the planning and implementation of investment activities. The third one assumes that small and medium-sized enterprises willingly use data to calculate financial indicators, including return on equity (ROE). The fourth specifies that when it comes to asset management, accounting data is helpful in streamlining debt collection processes.

In order to verify the hypotheses, a questionnaire study was developed and conducted, the research sample of which consisted of 150 representative enterprises from the SME sector keeping full accounting books. The study was conducted in January and February 2021.

The first question relating to the sphere of financial management was whether entities use to: make decisions significant for the development and functioning of the entity, make decisions related to the use of individual sources of financing,

assess the financial condition of the entity, as well as manage assets and sources and optimize management of these resources.

Another issue was the analysis of the use of accounting information to make specific decisions. It was examined whether and to what extent these data are used in relation to: employment, operating costs, undertaking investment activities, changing the business profile, as well as in relation to the search for new potential sources of income for the company.

The next question related to whether the entities use accounting data to obtain external financing and to what extent. The following sources were analyzed: investment loan, working capital loan, issue of own bonds, trade liabilities, co-financing from projects implemented by the European Union, as well as leasing of fixed assets.

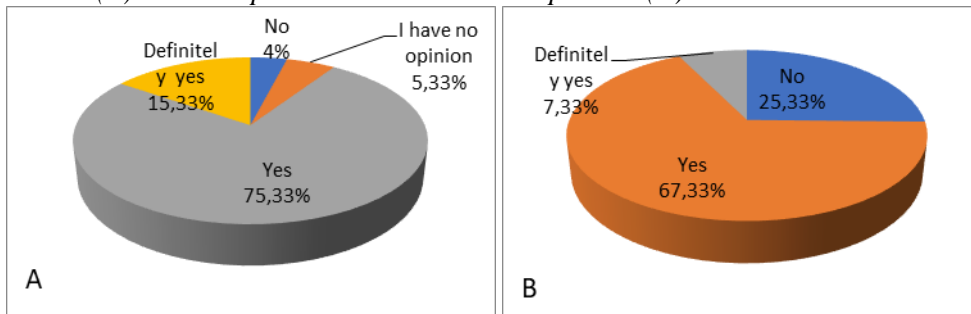
The usefulness of the data for the analysis of individual financial areas and for measuring indicators was also examined. In the first part, it was examined whether these data are used to test: debt, liquidity, asset productivity, profitability and the level of sales. Then it was checked whether the companies use these data to measure the following ratios: EBIT (profit before tax increased by interest paid), EBITDA (EBIT increased by the amount of depreciation), WACC (weighted average cost of capital), debt ratio, current ratio, ROS (return on sales) and ROE (return on equity).

In the the final section SMEs were asked about the use of data in relation to wealth management and related activities. The first element was to examine whether the companies use the books of accounts to manage: fixed assets, inventories, receivables and liabilities. In addition, it was examined whether the accounting data for these units are helpful in such activities as, determining depreciation methods, improving operation processes, shortening the production cycle, selecting appropriate suppliers for the conducted activity, planning the optimal level of inventories, determining price discounts, improving the process of debt collection, determining period of payment of receivables by recipients, monitoring the level of debt, as well as choosing the best source of credit.

4. Results

Over 90% of the surveyed business entities use accounting data to optimize the management of their resources and their sources of financing. Only 4% believe that they do not use them, and over 5% did not have an opinion on this subject (Figure 2A). Among the surveyed entities, almost $\frac{3}{4}$ declare that they use information derived from accounting to improve the activities related to the debt collection process, while over 25% do not use it at all (Figure 2B).

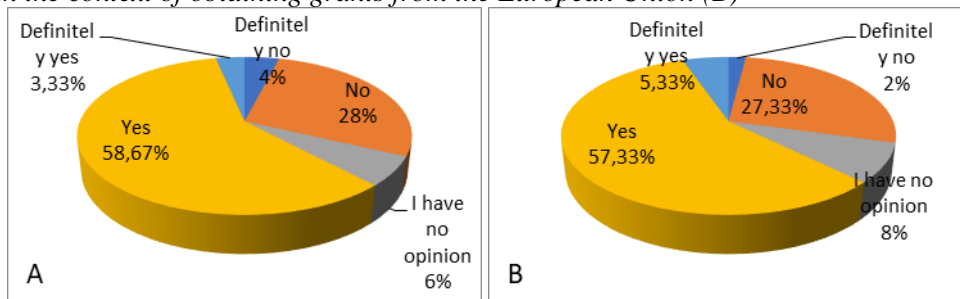
Figure 2. Use of accounting data in the context of asset management and financing sources (A) and to improve the debt collection process (B)



Source: Own creation based on results of survey.

When obtaining the most advantageous sources for financing business activities, 62% of entities use accounting data, and 32% do not take them into account at all. 6% of the units could not identify themselves on this point (Figure 3A). For the analysis related to applying for subsidies from the European Union, over 60% of the entities participating in the study use accounting data. Almost 30% of entities from the SME sector do not do it, and the rest were not able to express their opinion on this topic (Figure 3B).

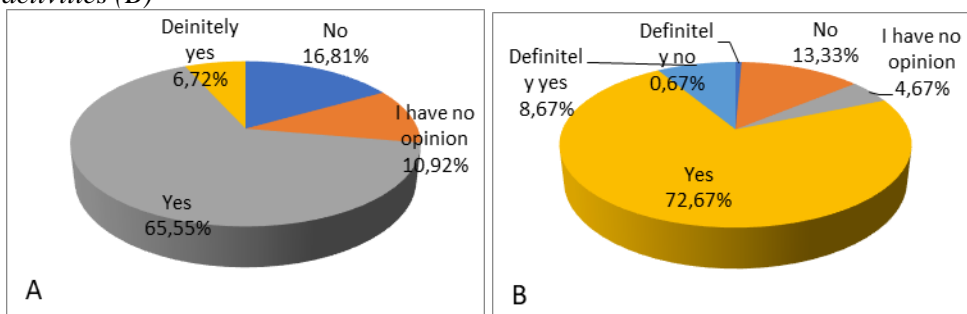
Figure 3. The use of accounting data to obtain the best sources of financing (A) and in the context of obtaining grants from the European Union (B)



Source: Own creation based on results of survey.

About 70% of enterprises use accounting information when calculating the the return on equity (ROE), while almost 17% do not. Almost 11% of the surveyed units had no opinion on this subject (Figure 4A). Over about 120 enterprises use accounting data as part of their investment activities, while 14% of the surveyed entities do not take this data into account at all. Less than 5% had no opinion on this topic (Figure 4B).

Figure 4. Using accounting data to calculate ROE (A) and to undertake investment activities (B)



Source: Own creation based on results of survey.

5. Conclusions

The aim of the article was to examine the usefulness of information from accounting in the management of economic activity and finances by entities belonging to the SMEs sector in Poland. It was supplemented with the main hypothesis and auxiliary hypotheses. Thanks to a study conducted on a group of 150 business entities, the goal was achieved and the hypotheses were verified.

Under the main hypothesis, small and medium-sized enterprises (SMEs) rely heavily on accounting information to manage their assets and finances. The responses from these companies confirm it. For over 90% of the surveyed entities, accounting information is important in managing finances and property.

One of the auxiliary hypotheses was that when it comes to asset management, accounting data is helpful in improving debt collection processes. According to the research results, almost 3/4 of the surveyed entities use accounting data when collecting debts, which confirms it.

Another of them state that for companies from the SME sector, accounting information is helpful in choosing the best external sources of financing, w tym dotacje z Unii Europejskiej including subsidies from the European Union. The same is stated by over 60% of the surveyed companies who answered "Yes" or "Definitely yes".

More than 4/5 of the surveyed business entities also use accounting data in the context of undertaking investment activities, which confirms another auxiliary hypothesis, according to which this information is applicable in the activities described.

The last of the supporting hypotheses was that companies adhere to accounting information in measuring financial indicators, including ROE (return on equity).

Over 70% of entities actually use this information to measure the rate of return on equity involved in the company's operations.

Based on the results of the study it can be concluded that managers of the Polish SMEs are aware that accounting data is very useful for the proper management of the enterprise and its finances, as well as for monitoring the current situation. Thanks to the appropriate use and processing of accounting, SMEs owners may have one of the tools for the effective running of a business unit.

References:

- Achim, A.M., Chiş, A.O. 2014. Financial accounting quality and its defining characteristics. *SEA: Practical Application of Science*, 2(3), 93-98.
- Adalı, S., Kızıl, C. 2017. A Research on the Responsibility of Accounting Professionals to Determine and Prevent Accounting Errors and Frauds: Edirne Sample. *EMAJ: Emerging Markets Journal*, 7(1), 53-64. DOI 10.5195/emaj.2017.129.
- Akhmetshin, E.M., Osadchy, E.A. 2015. New requirements to the control of the maintenance of accounting records of the company in the conditions of the economic insecurity. *International Business Management*, 9(5), 895-902. DOI 10.36478/ibm.2015.895.902.
- Baryła, M. 2020. O możliwości wykorzystania prawa Benforda w wykrywaniu oszustw księgowych. *Zeszyty Teoretyczne Rachunkowości* Nr 110, 11-30. DOI 10.5604/01.3001.0014.5549.
- Bauer, K. 2009. Zarządzanie informacjami w procesie upadłościowo-naprawczym przedsiębiorstw. Kraków: Wydawnictwo Uniwersytetu Jagiellońskiego.
- Bombiak, E. 2010. Modele dyskryminacyjne jako metoda oceny sytuacji finansowej przedsiębiorstw. *Zeszyty Naukowe Akademii Podlaskiej. Seria: Administracja i Zarządzanie* Nr 13 (86), 141-152.
- Boudreau, J.W., Ramstad, P.M. 1997. Measuring intellectual capital: Learning from financial history. *Human Resource Management*, 36 (3), 343-356. DOI 10.1002/(SICI)1099-050X(199723)36:3<343::AID-HRM6>3.0.CO;2-W.
- Bushman, R.M., Smith, A.J. 2001. Financial accounting information and corporate governance. *Journal of Accounting and Economics*, 32(1), 237-333. DOI 10.1016/S0165-4101(01)00027-1.
- Chluska, J. 2017. Wynik finansowy szpitala – aspekty informacyjne i decyzyjne. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu* Nr 471, 94-101. DOI 10.15611/pn.2017.471.08.
- Cyplik, P. 2005. Zastosowanie klasycznych metod zarządzania zapasami do optymalizacji zapasów magazynowych - case study. *LogForum* t. 1, nr 3.
- De Bruin, T., Rosemann, M. 2005. Towards a business process management maturity model. *Proceedings of the Thirteenth European Conference on Information Systems*, 1-12.
- Dobroszek, J. 2016. Rachunkowość zarządcza w zarządzaniu łańcuchem dostaw w świetle wyników badań literaturowych i ankietowych. *Zeszyty Teoretyczne Rachunkowości* t. 89 (145), 29-54. DOI 10.5604/16414381.1218242.
- Durbajło-Mrowiec, M. 2018. Ochrona danych osobowych w rachunkowości. *Finanse i rachunkowość* nr 4, 39-53. DOI 10.23734/23.18.010.

- Dziuba-Burczyk, A. 2003. Podstawy rachunkowości w świetle międzynarodowych standardów. Kraków: Oficyna Wydawnicza AFM.
- Florin, B. 2014. Development of decision making by managers with financial and accounting information. *The Annals of the University of Oradea*, 1, 837-844.
- Fuksa, D. 2012. Zarządzanie środkami pieniężnymi na przykładzie przedsiębiorstwa górniczego. *Gospodarka Surowcami Mineralnymi* t. 25, z. 1, 119-135.
- Grundy, T. 2006. Rethinking and reinventing Michael Porter's five forces model. *Strategic Change* 15(5), 213-229. DOI 10.1002/jsc.764.
- GUS. 2021. „Działalność przedsiębiorstw niefinansowych w 2019 roku”.
- Janik, W., Paździor, A. 2012. Zarządzanie finansowe w przedsiębiorstwie. Lublin: Politechnika Lubelska.
- Kuraś, Z. 2010. Zarządzanie kosztami w nowoczesnym przedsiębiorstwie. *Studia Gdańskie. Wizje i rzeczywistość* t. 7, 24-32.
- Lesiak, M., Sajnog, A. 2017. Strategie zarządzania kapitałem obrotowym netto a rentowność polskich spółek giełdowych. *Przedsiębiorczość i Zarządzanie* t. 18, z. 11, cz. 3 Wybrane problemy zarządzania i finansów w sektorze publicznym i prywatnym, 65-77.
- Mioduchowska-Jaroszewicz, E. 2017. Wskaźniki finansowe, księgowo i gotówkowe. *Studia i Prace WNEIZ US* Nr 47/1, 167-177. DOI 10.18276/sip.2017.47/1-14.
- PARP. 2020. „Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce 2020”. Warszawa.
- Srivastava, P., Lognathan, M.S. 2016. Impact of accounting information for management decision making. *IJAR*, 2(5), 171-174.
- Szewczak, K. 2012. Zmiany w zarządzaniu eksploatacją środków trwałych. *Problemy Eksploatacji* nr 1, 109-18.
- Ustawa z dnia 6 marca 2018 r. Prawo Przedsiębiorców (Dz. U. 2018 poz. 646).
- Ustawa z dnia 29 września 1994 r. o rachunkowości (Dz.U. z 2020 r., poz. 2122).
- Valentinavičius, S. 2009. Theoretical aspects of enterprise business strategy formation. *Business: Theory & Practice*, 10(2), 130-141. DOI 10.3846/1648-0627.2009.10.130-141.
- Young, J.J. 2006. Making up users. *Accounting, Organizations and Society*, 31(6), 579-600. DOI 10.1016/j.aos.2005.12.005.