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The importance of the type of accounting records from the perspective of company's tax policy

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Abstract:

Aim: the aim of the paper is to explore the importance of the type of accounting books for the finances of enterprises. Drawing on the financial data, the differences are shown in the amount of income tax to be paid applying various forms of taxation. Considering the fact that economic entities seek to optimize the level of tax payments, what becomes a priority is the choice of the taxation form from those provided for under the provisions of the Polish tax law.

Research methods: In the paper, the Polish tax law was analyzed in terms of personal and corporate income tax and the Accounting Act. The analysis was also carried out concerning the financial results of enterprise in the context of the available options of tax records.

Findings/conclusions: Bearing in mind that the financial decisions should be as advantageous as possible from the entrepreneur 's point of view, the decision on the form of income tax declaration is crucial. An in-depth analysis allows for making an optimal decision. Attention should be drawn to the fact that employing the method involving a lower income tax rate while applying the statutory principles of accounting does not ultimately mean that less tax will be paid than while applying the provisions pertaining to the method which imposes a higher income tax rate on the tax payer.

Originality/value of the paper: The comparison of the results of the analysis provides information for entrepreneurs on what differences in the amount of income tax occur depending on different forms of tax records. The findings focus on the need to make a careful choice of the taxation method while taking into account all the aspects including the tax amount and accounting service costs, in particular with respect to entrepreneurs applying simplified accounting. The theoretical part of the paper delineating the rules on income tax declaration may also provide the answer as to which method is the most suitable for a particular undertaking.

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1. Introduction

The fundamental responsibility of an economic entity imposed by the government is to pay taxes, including those on income. One should note the fact that the revenues to the state budget generated by income tax amount to PLN 135 703 532[1],[2] (www.finanse.mf.gov.pl/budzet-panstwa/wplywy-budzetowe/-/, 14.11.2018).In the light of entrepreneurs' various needs and the diversity in terms of the types of their businesses the legislation provides for the possibility of making an optimal choice of the form in which to declare taxes to the Tax Office.

While conducting business activity under the applicable tax regulations economic entities have the right to choose the form in which to declare taxes to the Tax Office. The legal acts regulate the rules on keeping accounts in accordance with a given form and specify whether a particular form of business activity, the organizational form of enterprise or turnover achieved meet the requirements laid down in the regulations referring to a specific accounting method.

Making the choice as to the type of accounting records has a considerable impact and importance for the enterprise, and it can also affect the enterprise's endeavors in a variety of institutions, e.g. banks. It is therefore a serious decision which can only be altered at the end of the financial or calendar year.

Considering the above, this paper aims at showing the differences in the amount of income tax to be paid while applying the different forms available for settling taxes. Seeking to display the differences as detailed as possible, the time frame will span several, or to be precise, five years. Starting with the theoretical outline of the topic, which describes the forms of accounting mentioned in the Polish legislation, an analysis will be carried out focusing on the enterprise's financial data. The analysis results will be supported by events taking place in entities conducting an economic activity Poland.

[1] The amount expressed in thousands zloty.
[2] PLN 135 703 532 is a total of all PIT and CIT (personal and corporate income tax) revenues to the state budget of which 97 559 145 comes from natural persons (amounts in thousand zloty).

2. Theoretical approach to income tax in enterprises

Assuming that the economic activity is conducted with a view to realizing profit, that is to generate income[3], paying income tax on the profit made is a sure thing. Under Polish legal regulations one has to pay income tax on revenues generated. At the same time the regulations provide for the possibility to choose the form of taxation, of accounting records and the organizational form in which to run a business. This allows for applying an optimal level of income tax to be paid to the state budget by a given economic entity under the specific conditions it operates.

Income tax is a concept to be found not only in publications on tax and accounting theories, since it also underlies the theory of capital structure. It appears in one of the classifications of the theory of capital structure where there is tax and non-tax division (Barowicz, 2014: 69-70).

The literature specialized in this subject contains numerous publications where authors seek to provide insight on the basis of an analysis as to how to optimize the amount of income tax on business activities. The organizational form of a business has been examined. The aim was to show profitability (in terms of the income tax optimization) of running a business as a company, or to be more specific, a capital company or a partnership (Poszwa, 2017: 181-189).

What has also been analyzed is the possibilities provided for under the basic legislative acts, such as Income Tax Act[4] and Accounting Act. The amount of income tax can be affected by accounting procedures in terms of the company's provisions and assets[5]. It is possible to increase the amount of the current tax by the provisions while reducing it by the deferred tax assets. Based on the analysis of their financial situation, enterprises make decisions on how to calculate income tax that would prove to be the most favorable to them (Skrodzka, 2017: 215-225).

Examples also exist in the literature where the differences between the balance-sheet and tax results are analyzed. Despite the fact that both results refer to the same period they can differ drastically. It may happen that the tax result is positive (profit) and the balance-sheet result negative (loss) (Poszwa, 2015: 229-238).

[3] Profit is the positive difference between revenues and costs (negative difference denotes a loss).
[4] Act on Personal and Corporate Income Tax.
[5] Provisions and assets are components of the balance sweet.

The majority of the publications analyzing income tax refers to enterprises which keep accounting books. It is very seldom that the significance of the type of book keeping for the income tax amount is analyzed by enterprises. Hence, the aim of this paper is to analyze the impact of book-keeping, mainly for economic entities keeping simplified accounts, which is the revenue and expense ledger and tax on recorded revenue without deductible costs (lump-sum tax). One should note that owners of small and medium-sized enterprises (who are most likely to keep simplified accounts) generate about 74% of annual GDP, representing over 99% of all enterprises in Poland (Chaber et al., 2018: 16-17).

3. Forms of income taxation according to Polish legal regulations

3.1. Tax card

In Poland companies can keep accounting records in the form of general ledgers, revenue and expense ledger (PKPiR), lump-sum tax and tax card. There is no doubt that the full accounting is the most complex with the tax card being the least so. The main legislative instruments laying down the rules on accounting in Poland are as follows: Accounting Act, Act on Personal and Corporate Income Tax, and Act on Tax on Recorded Revenue without Deductible Costs. These acts form a framework identifying which enterprises are allowed to keep specific accounts because of their turnover, legal form and the type of business they run.

The least complex form of book-keeping is the tax card and the lump-sum tax whose principles are outlined in the Act on Tax on Recorded Revenue without Deductible Costs. According to Article 2 of the act, the tax in these forms can be paid by natural persons running non-agricultural business, which means that legal persons (including, inter alia, joint stock companies, limited liability companies, cooperatives, foundations, the Church, higher education institutions) are excluded from applying these forms of book-keeping. The third chapter of the act cited is dedicated to the tax card. It includes the types of economic activity which are taxable in the form of the tax card. This means that not every type of business may pay taxes based on tax card, and tax payers using this form can provide services only within Poland's territory (Art. 25 of the Act Tax on Recorded Revenue without Deductible Costs). This form of taxation can certainly be used by entrepreneurs conducting a business in such areas as food trade, catering (with some exceptions), health protection or hairdressing services (Art. 23 of the Act on Lump-Sum Income Tax). One should mention that detailed conditions and rules on paying taxes are included in the annexes to the act discussed. Art. 24 of Act on Lump-sum Tax on Some of the Revenues Generated by Natural Persons (J.L. 2017, item 1291) refers to the key feature of the tax card. The article states that economic entities which pay taxes in the form of tax card are exempted from keeping tax accounting books, from filing a tax return and from making advance personal income tax payment in the fiscal year. As can be seen from the further reading of the paper, entrepreneurs applying this taxation form are required, upon their customer's request, to submit a bill or an invoice and to keep these documents for the term of five years in line with general principles (Art. 24 of the Act on Lump-sum Income Tax). Not being required to keep tax accounting books is certainly of major help for those who run a business. One does not have to do work involved in recognizing accounting evidence in tax accounting books, keeping monthly or quarterly tax declarations, as well as storing all pertinent documents. This situation, however, changes when the company intends to apply for grants or credits. As there exists no documentation, it is difficult to identify anything in a reliable way. Sale, income, costs. For a financial institution, a company which has no accounting records is not overly reliable. There are real problems in obtaining, e.g. a credit. For small firms whose owners do not put much thought into developing their business and taping into external sources, the tax card can be a good solution. If it is different though they should consider other forms of declaring taxes.

3.2. Lump-sum tax rate

The lump-sum tax rate on recorded revenues is yet another form of taxation whose rules are laid down in the Act on Lump-Sum Income Tax on Some of the Revenues Generated by Natural Persons. Keeping tax accounting books in this form is more complicated than is the case for the tax card discussed above. The basic difference is that applying the lump sum tax rate requires that the tax accounting books be kept. However, it is only sale that is recorded. There is no need for recording costs. Invoices showing the purchases made as part of the business operations may be recorded but only if the entrepreneur is an active VAT payer (tax on goods and services) entered in the VAT register, and so without affecting the financial result. This means that the tax is paid only on sales which at the same time constitutes the taxable amount. Depending on the type of economic activity, income tax is calculated according to different, as laid down in the act, tax rates assigned to different types of business. Article 12 of the aforementioned act indicates five income tax rates: 20, 17, 8.5, 5.5 and 3. Their application is conditional on the subtype of the activities conducted within one's business. The lump sum tax rate on recorded revenues can be used by, inter alia, entrepreneurs providing construction and car-park services, agents for wholesale of vehicles, motorcycles or spare parts (Art. 6 of the Act on Lump-Sum Income Tax). Article 8 lists the types of businesses which may apply taxation in the form of lump-sum income tax on recorded revenues. Those types encompass running a pharmacy or the purchase and sale of foreign currency. If the income exceeds EUR 250.000,000[6] in the tax year concerned the entrepreneur may not pay taxes based on the form of the lump sum tax rate in the next financial year (Art. 6 (4) of the Act on the Lump Sum Income Tax). The advantage of this form of taxation is certainly the fact that some sort of accounting records are kept, which is certainly an asset when applying for, e.g. credit or leasing.

Much depends on the goal set out by the company and plans on its development. Some banks cannot offer high credits or credits on favorable terms to natural persons who run their business using the lump sum form of taxation. This is due to the fact that tax declarations in the form of the lump sum may be used by companies generating a relatively small turnover, and as such they are not large companies which might suggest lesser ability to generate profit. Besides, the form is simple and it is only revenues that are recognized so there is no picture of the costs incurred by the company, and therefore the real picture of the profit generated might differ from what the records show.

3.3.Revenue and expense ledger

Another form used for declaring income tax is the revenue and expense ledger (PKPiR). The rules on how to keep tax accounting books in this form are laid down in the Act on Personal Income Tax. Keeping accounting records in the PKPiR consists in the statement of tax deductible income and revenues from business activity. This form of keeping accounting books is more complex and certainly provides a more realistic picture of the financial situation of the company than the taxation forms discussed earlier.

The revenue and expense ledger may be kept by all companies, regardless of the type of economic activity (Art. 2 of the Act on Personal Income Tax). There are two situation that provide an exception here. The first one occurs when in the tax year the company's turnover exceeds EUR 2 000 000.00[7] (www.wskazniki.gofin.pl), with the exchange rate being calculated according to the

[6] The current limit has been effective since 1 January 2017.
[7] The limit has been effective since 1 January 2017 (the previous one was at EUR 1 200 000).

average PLN exchange rate announced by the National Bank of Poland (NBP) on the last working day of September. [8]With the turnover exceeded, the company has to apply full accounting in the upcoming fiscal year (Art. 2 Accounting Act, Art. 24 Act on Personal Income Tax). The second situation refers to the legal form of the enterprise. Companies organized as capital companies or limited liability companies or joint stock companies must apply full accounting (Art 2. Accounting Act). Subject to the exceptions mentioned, every company may declare taxes using the revenue and expense ledger.

Keeping records in the PKPiR consists in the statements of expenses relating to the economic activity conducted which, under the act, are allowed to be classified as tax deductible cost[9] and revenues generated. This difference represents either income or loss from the business. The amounts taken from accounting evidence, invoices or receipts are recognized in the relevant boxes of the ledger. The costs are broken down as follows:

1) purchase of goods and materials (col 10),
2) incidental costs of the purchase (col 11),
3) remuneration of workers (col 12),
4) other costs (col 13),
5) other (col 15),
6) research and development costs (co 16).

The revenues are divided into those relating to the principle activity and other revenues (Regulation of 26 August 2003 of the Minister of Finance on PKPiR).

Keeping accounts in the way outlined above allows for the company's financial situation to be presented in greater detail. Apart from that, it is also possible to carry out a cost analysis in terms of the breakdown by type in line with the accounting records. Furthermore, it is possible to specify the level of costs directly involved in the economic activity and those classified as other costs. This allows for analyzing costs, referring them to the revenues generated by the economic activity and proceed accordingly if the financial results fail to meet the owners' expectations.

Given that the revenue and expense ledger allows the company to look at the revenues and costs from a wider perspective, it is undoubtedly critical information for such financial institutions

[8] The rule is that if the last day of September is a holiday, then the exchange rate on the first working day of September preceding the holiday, e.g. a Friday applies.
[9] Act on Personal Income Tax.

as banks and leasing funds. Yet, it is not only important for them, since for the owners themselves this knowledge is a source of information about what is going on in the company and whether its business is profitable and if so then to what extent.

3.4.General ledgers

The last form of accounting is full accounting. This is certainly the most advanced and complex form. Its rules are regulated by the Accounting Act, the Act on Personal and Corporate Income Tax. Accounting carried out in the form of general ledgers may be done by every economic entity, with only some of them being required to do so on account of their turnover and legal form under the relevant provisions. As already mentioned, enterprises in the form of capital companies, that is joint-stock companies and limited liability companies, have to keep full accounting. Apart from those, all companies which saw their turnover exceed EUR 2.000.000,00 in the previous year expressed as PLN on the last day of September, according to the average exchange rate announced by the National Bank of Poland (Art 2 of the Accounting Act (www.wskazniki.gofin.pl) have to apply this form of accounting. The result at the end of the fiscal year is not presented solely in the form of an annual tax declaration PIT-36 or PIT-36L.[10] Financial statement also needs to be drawn up. It consists of a balance sheet, profit and loss account and additional note which includes information about the company, the state of fixed assets, employment in the year, as well as a cash flow statement if it is so required from the economic entity in question. All the documents reveal the full picture of the company. One should also mention that it may be required that the financial report be examined by a statutory auditor in the cases of the full accounting; however, this situation takes place only in well-defined cases (Art. 45 of Accounting Act).

Accounting records in accounting books differ significantly from those discussed earlier. There have to be records of not only expenses and revenues, but also of liabilities and receivables, the value of fixed assets, initial capital, financial result, accrual. The full accounting gives the most comprehensive and detailed picture of the financial and economic situation of a company. Every economic operation, every accounting evidence is entered into the accounts. In the company's charter of accounts the operations are recognized according to the following breakdown:

1) grouping 0 – total fixed assets,

[10] PIT-36L is prepared by so called flat-rate payers, that is flat-rate income tax. In this case tax declaration involves just one tax rate at 19%, with the tax scale for income tax having no application.

2) grouping 1 – cash and bank accounts,

3) grouping 2 – receivables and payables,

4) grouping 3 – materials and goods,

5) grouping 4 – costs by types and their accounting,

6) grouping 5 – costs by types of activities and their accounting,

7) grouping 6 – products and accruals,

8) grouping 7 – revenues and tax deductible income, losses and windfalls,

9) grouping 8 – equity, special funds, provisions, financial result and its breakdown (Articles 4, 10, 83 of Accounting Act).

Keeping records in accordance with the breakdown shown above, one can certainly get the picture of the company. The company's equity, liabilities, receivables, the value of fixed assets are clear to see.[11] This means that one can build a very real picture of the company's financial situation.

In the full accounting there exists the concept of accrual. If a particular expense covers a period that extends beyond one accounting period, as e.g. insurance policy or leasing contracts then the value of the expense is divided proportionally to the term of this insurance policy or leasing contract. A portion of the expense which may not represent an expense in a given accounting period is eligible for accruals at the end of the year. It is classified as tax deductible costs in the next reporting period or periods.

It should be noted that in the full accounting not every recorded expense represents tax deductible cost. While keeping PKPiR, only those expenses are recognized which are tax deductible. It is slightly different for general ledgers. It may even happen that two financial results are drawn up at the end of the financial year, with those results differing significantly. One can even come across a situation where one result, called tax result, shows profit while the other, referred to as a balance-sheet result, shows loss (Articles 6, 24 of Accounting Act).

The tax gain is the difference between revenues and tax deductible costs. This provides the basis for calculating income tax. The balance sheet result, on the other hand, represents the difference between revenues and overall expenses, which represent tax deductible costs and those which are not classified as such. It is not used for any kind of tax calculation, as it merely shows the financial result produced by the company based on the overall accounts in a given reporting period. Costs which are not classified as tax deductible encompass, e.g., costs of interests on tax

[11] We talk about the book value of fixed assets, which is the initial value of a fixed asset less depreciation.

liabilities, costs relating to enforcement of late payments to contractors, failure to pay employees' remuneration, unpaid contributions to ZUS (Social Insurance Institution) for contributions from staff remuneration. A high level of costs which are not eligible to be tax-deductible (KUP) reflects poorly on the company. It probably denotes that the company is struggling with problems. It is therefore very important to know the structure of those costs, that is, what they are composed of. A large difference between the balance sheet result and tax result does not provide positive information on the company. It merely means that things are not well in the company because a large number of expenses is generated which cannot be classified as tax deductible. However, only a thorough analysis of the balance sheet result can allow for concluding whether the company is experiencing negative developments.

Keeping a general ledger may prove to be burdensome for a company. This is largely on account of the fact that an accountant keeping accounting books in this form has to have comprehensive knowledge in this respect. On top of that, the Polish regulations are very inconsistent and consequently one provision may be interpreted differently. If one is in doubt, it is possible to apply for an individual interpretation of a specific provision. However, one has to wait for reply. Pursuant to Art. 14d of General Tax Code, an individual interpretation is issued without undue delay, yet not later than within three months from the date of receiving the pertinent application. So one is expected to wait for clarification for about three months, which is quite long, given that the accounting problem is pressing needing to be resolved immediately and specific accounting operations have to be carried out during the reporting period concerned.

4. The importance of tax declaration form for the company's financial policy

4.1. The company's tax policy and the income tax amount

It should be noted that the provisions of the Polish tax law allow taxpayers to choose how to declare taxes and thus an economic entity can influence its financial policy Income tax which taxpayers have to pay, or actually its amount, clearly affects the amount of cash available to the company. The table presented below shows the company's financial results over the period of five years in order to illustrate in a legible way the differences in terms of the amount of personal income tax payable under the different forms of keeping accounts. As one can glean from the table, the difference is very significant (columns 4 and 5).

Table 1. Statements of the company's financial results (PLN)

Year	Revenues	Costs	Tax (Revenue and expense ledger)[12]	Lump-sum tax [13]
1	2	3	4	5
2013	1 099 630.46	1 308 145.10	0.00 loss	93 469.00
2014	1 069 219.50	1 066 723.24	474.00	90 884.00
2015	1 155 893.26	1 069 022.26	16 505.00	98 251.00
2016	1 664 649.25	1 490 730.86	33 044.00	141 495.00
2017	1 587 521.64	1 369 851.71	41 357.00	134 939.00

Source: Self-reported data based on the company's financial statement from 2013-2017.

The data from the table show how crucial it is to make a well-thought out choice (naturally in accordance with the applicable law) of the tax declaration form. If the taxpayer were to choose the lump-sum tax, he would have to pay a large amount of taxes at a level of PLN 100 thousand annually (despite the fact that compared to a 19% - income tax rate, the rate of 8,5% is significantly lower). Switching the taxation form to the revenue and expense ledger clearly reduced the tax expenses.

In the analyses carried out by companies, financial institutions pay significant attention to the company's turnover and performance. There is no doubt that recording profit as high as possible is very welcome. The profit made is linked to paying income tax. As a rule, entrepreneurs define their tax policy in such a way as to pay the least amount of tax. One might be tempted to say that the most appropriate scenario would be a profit without paying taxes. Yet this is not possible. There are, however, exceptions when the company does not pay taxes for the accounting period concerned although it recorded profit. This occurs when advance payments, which are due for the period concerned, are subtracted from the tax and the difference is negative. Then we can see the profit without having to pay income tax; however, this tax had to be paid in the preceding accounting periods. Another situation which allows for profit without having to pay income tax is tax loss which can be deducted from income (in the table loss was recorded which the taxpayer may deduct from income over the next five years, yet not more than the half of the loss for one fiscal year).

Switching to a more advanced form of accounting certainly brings about a positive image of the company among not only financial institutions, but also contractors. While concluding a wide

12 In this case the taxpayer is a flat-rate payer, so the 19%-rate tax is calculated.
13 For the services at issue a 8,5%-tax rate applies.

range of agreements, most frequently those for delivery of goods, the purchasing party is very interested in receiving goods with deferred payment. In this situation what is most likely at play is trade credit. The financial institutions linked to the seller will then ask for the data on the company so as to be able to assess its creditworthiness and allow for this trade credit. To be sure, large profit and expenses at an appropriate level contribute to a longer payment term. However, to think about the longer term for payment is possible for contractors who do their tax declaration using at least the revenue and expense ledger, since, unlike lump-sum tax, it gives the picture of not only income but also costs, which in turn allows one to put together the company's financial picture.

It is not only from the perspective of the financial institutions that the company's form of tax declaration is of key importance. In the first place, it plays a crucial role for entrepreneurs themselves. The already mentioned construction company which used to declare taxes in the form of the lump-sum tax and now uses the revenue and expense ledger illustrates how important a role the book accounting plays for the amount of income tax to be paid. By changing the form of book keeping, the company pays income tax at a considerably lower level. Over the years when tax declarations were based on the lump-sum tax, the annual income tax advancements amounted to forty and even fifty thousand zloty. After changing the form, those advancements do not exceed six thousand zloty annually.

The situation described above is rather uncommon. While paying tax at a rate of 8,5% the company paid higher advancements than when calculating the 19%- tax rate on income. This proves how important the expenses are, especially in the case discussed. It might appear that applying the lower tax rate and less complicated form of tax declaration the amount of payable tax will be smaller, while having exceeded turnover, thus being required to switch to the revenue and expense ledger will be an unfavorable necessity. Yet in the case discussed this necessity proved to be very positive for the company. Firstly, the company improved its image through the form of accounting and, one might say, its creditworthiness, and secondly it pays much lower income tax. This example demonstrates how crucial an analysis of a specific situation and industry is, naturally while taking into account the company's future.

In the case discussed, a very important role was played by expenses incurred for this type and scale of activity. That in the first years of the company's operations the lump-sum tax was to its advantage is very likely. Yet, only if the expenses incurred were not high. For the activity in question, which involved laying pavers, this situation could occur when paving work was done on small surface areas involving a low level of human factor, and when the material such as pavers, ballast were purchased by the ordering party. Then the costs were really low. However, when larger orders are realized, a greater number of people is needed who naturally have to be paid, contributions to ZUS, income tax need to be paid as well, while the material is paid by the contractor and so the costs grow. Here the cost structure analysis can prove useful. It allows for identifying which costs (e.g. remuneration or material) represent the highest or significant portion of the whole.

In the situation cited it makes no sense keeping accounting books without taking into account costs whose impact on the company's financial result is critical. Although the level of tax paid was much lower in the company at issue, the difference of 11,5 percentage points did not prove to be more favorable than when accounting for the costs of the result and paying a higher tax amount on the difference. For the company in question this situation shows first and foremost that the company is developing, which casts it in a positive light in the overall long-term financial analysis. What can be the only negative point is the low income tax paid when shifting to PKPiR. Lower income tax implies lower profit, which certainly is not a positive feature.

For this company, changing the accounting form involved very positive aspects. Hence, financial analysis is of key importance for every economic entity. It should obviously be carried out by owners who know best about their company's actual expenses and plans. A different form of keeping accounts does not only affect how the company is viewed from the outside, but also the amount of income tax to be paid.

Considering the fact that the rules on keeping full accounts are regulated by diverse acts, as well as the fact that two financial results are drawn up at the end of the fiscal year, accounting in this form is complex. Apart from the insight in these matters and comprehensive knowledge of the relevant provisions, continuous training is certainly necessary. This allows for gaining a full picture of the company's financial situation. Based on the entries in the accounts, one can see all the operations performed by the company. An external entity looking into the financial data receives all information on the company's debt (displayed as long- and short-term debt) to contractors and financial institutions, employees or the state budget. What is also presented is receivables, cash in hand and at bank, book value of fixed assets (the initial value of fixed assets less depreciation), the value of contributed equity, provisions, prepayments and accruals. This amount of financial information allows for the application of a wide range of financial indicators aimed at offering support while conducting the financial analysis of the company. In addition to the fact that the huge amount of the financial information cited above provides financial institutions or potential contractors with considerable knowledge, this information is in the first place critical for the owners of companies. It allows, first and foremost, for financial analysis and comparison whether the results are heading in the direction planned or expected, and if necessary, allows for early reaction. Such in-depth analysis is possible with the revenue and expense ledger, and especially with full accounting, where the entirety of operations is shown on accounts (for the lump-sum tax, where only revenues are recorded, owners can keep their own accounting of costs, but that is only for their own viewing).

More generally, the conclusion should be that despite a variety of hindrances encountered while keeping accounting books, they do give the whole information on a company. One should, however, note that the full picture of the company emerges along with the analysis of not just one but all financial results. To its full extent, the company's picture can only be revealed when having the data from the balance sheet results compared with tax results. To give an example, when a company does not keep full accounting and seeks credits for a larger sum banks ask for additional information, yet calculating this information might prove rather difficult, since only with full accounting the expected information can be obtained without encountering any problems. In line with the above, the more information given to the banks or other financial institutions, implying a more complex form of accounting, the better it is for the company. One should, however, bear in mind that keeping accounting books is not positive in every situation. While running a company one can also encounter difficult situations when the entrepreneur's financial condition is not at its best and so he needs support in the form of e.g. a credit for the company to overcome a temporary crisis. Showing the company's financial results for a given reporting period, which are hardly the best, the credit might be declined, which certainly will not help the company. Keeping full accounting, the company has to show all its financial data. Given the above, it is very easy to find weaknesses of the company and with large quantities of data, as displayed in the full accounting, to ultimately decline granting a credit which otherwise could help the company significantly.

Entrepreneurs "dislike" full accounting very much. If only they can, they e.g. do not set up a business as a limited liability company so as not to keep full accounting. Their concerns in this respect arise largely from the fact that keeping books of accounts requires considerable knowledge (which means greater responsibility) and continuous improvement of skills. What also grows is the costs relating to having to purchase accounting program for full accounting and its annual upgrades.

In comparison with the full accounting, the revenue and expense ledger shows fairly advanced and transparent financial information, yet it does not contain everything. What is missing in the first place is the information on costs which are tax deductible, and if they are not directly linked to the activity pursued, being merely information on commitments towards employees or ZUS, then the company is surely not keen on disclosing this kind of information. Besides, in PKPiR there is no information on debts or obligations towards banks or contractors, with this information being only prepared upon a clear request by e.g. the bank. On the one hand, keeping full accounting represents information on the data with which the company is not always satisfied, and on the other hand, it shows the full picture of the financial situation, which is supportive, for instance, for the owners who carry out analysis or make decisions on the company's future. Apart from the above, the company is viewed "seriously," since one can see that it is in the group of major contractors, because, e.g. it had to change its accounting form because of its turnover. This denotes that the particular economic entity is constantly developing.

What also plays a significant role is whether or not an economic entity is an active payer of the tax on goods and services. To become a VAT payer, one can do it on a voluntary basis or upon exceeding the statutory limit of PLN 200.000,00 (Articles 113, 2, 10, 24 of the VAT Act) (www.wskazniki.gofin.pl). Financial institutions also pay attention to that matter. In the situation when the company is not a VAT payer, then the sum of purchases is recognized in tax deductible cost along with VAT. This also provides information on the company and its financial result. It could be said that the higher and more taxes a company pays, the more positive it is viewed not only in the sector of financial institutions and state budget, but also among contractors.

4.2.Tax policy and a practical approach

In Poland there exists a great number of entities running business whose organizational form ranges from companies of natural persons to companies traded on the stock exchange. The illustration of the practical approach is based on the undertaking that is a natural person and has been in business since 1995. The scope of activities is largely comprised of construction services, and more specifically paving and maintenance services of green areas. The company is based in Opolskie Voivodship, while it provides its services basically across the entire country.

From the time when the business was launched the entrepreneur declared taxes in the form of tax on recorded revenues without tax deductible income (lump-sum tax). When the statutory turnover (revenues) was exceeded he had to bring in the revenue and expense ledger, which as it turned out later, was to the company's financial advantage (lower PIT to be paid).

One should note in the first place that the fact itself of changing the form of taxation because of exceeding turnover (and not voluntarily) represents a positive aspect, namely that the company is growing, since it changed its tax declaration because of higher turnover. Higher turnover implies higher sales, and hence more work. This fact clearly contributes to the undertaking's positive image.

One should mention the situation which occurred when the entrepreneur declared taxes using the lump-sum tax form. The owner applied for a large credit to buy a flat. The company's financial documentation was presented to the bank. Having conducted the financial analysis based on the documents provided, the bank made a decision rejecting the application. The main reason for this decision by the financial institution was the fact that there was no financial information which is expected when keeping the revenue and expense ledger, in other words the information, inter alia, on the amount and structure of tax deductible costs.

As the case above shows, the taxation form proved to be what hindered receiving a credit. A similar situation may take place when applying for leasing.

The conclusion that comes to mind is that the accounting form is the face of the company. It is the accounting that forms the basis for the financial data whose primary objective is to show the financial condition of an undertaking.

5. Conclusions

The companies running business in Poland have a relatively wide range of forms of accounting to choose from, of course under the applicable provisions of law. The choice of the form is of crucial importance for economic entities and its owners. It can even be attributable to the deterioration of the company's economic situation. The taxation form transfers information on the company's financial condition to the outside world, to some extent creating its external image, which is certainly of huge significance when fighting to develop and win contractors.

The form of keeping accounts can open or close some doors. To be sure, the most important is financial result, profit generated, and turnover, yet they are all related to the form in which accounting books are kept. The picture of a company containing no records of costs is incomplete, failing to show the actual result, and most importantly proves that the company is of a small size, since only small turnover allows one not to record costs.

The form of accounting that is poorly chosen, not being adapted to the company's changing situation can be detrimental. It can lead to a situation, as in the company discussed earlier, when one pays high taxes although it is possible to reduce their amount considerably. The difference between the taxes paid and those which would be payable applying a different form of taxation can be very large, which would considerably improve the company's financial liquidity.

Being able to carry out a detailed analysis and apply for a credit or any other kind of external financing represent yet another element from which perspective the accounting form is significant. Here, the more complex form, such as full accounting, the more advantageous it is for the company. Under this form one can conduct the analysis of all the operations thus providing information for internal use and external institutions.

In the light of the above, the form of taxation plays a critical role. Before launching a business, a company should analyze its aims and the structure and level of anticipated costs. What is also important is to carry out this analysis periodically, and not only at the beginning of the company's economic activity, so as to be able to capture the moment when changes should be implemented since they would be to the company's advantage.

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