

Monika TUREK-RADWAN*
Bogusław WACŁAWIK**

AGRICULTURAL ACCOUNTANCY IN POLAND – SELECTED THEORETICAL AND PRACTICAL ISSUES

Summary

The paper presents selected issues related to agricultural accounting in Poland. The selection includes: a brief outline of the development of farm accounting in Poland, numerical figures characterizing Polish agriculture, selected issues related to the regulations contained in IAS 41¹ 'Agriculture' and overview of the issues related to the introduction of income tax in agriculture.

Key words: FADN, IAS 41, income tax in agriculture, agricultural accounts

Introduction

At present in Polish agriculture the obligation to keep accounts refers only to agricultural businesses with legal personality and to farms which for the previous trading year generated the equivalent of 1,200,000 EURO in Polish currency of net income from sales of commodities, products and from financial operations. As agricultural activity is characterized by distinctness and complexity of economic occurrences, this distinctness makes it difficult for the accountant to fully reflect these occurrences in the books.

The aim of the paper is to present the outline of development of agricultural accounting in Poland, present the figures related to Polish agriculture (also as comparison with the European Union) as well as selected issues of IAS 41 'Agriculture' standard. The authors also make a brief comment on the plan of introducing income tax in Polish agriculture.

*Monika Turek-Radwan MA, Cracow University of Economics.

**Bogusław Waclawik MA, Cracow University of Economics.

¹IAS means International Accounting Standard.

The paper presents literature studies, interpretation of current relevant legal acts and international accounting standards, it also includes an analysis of selected accounting issues in Polish agriculture. The work initiates a longer series of studies on agricultural accountancy in Poland. Thus, it is only natural that the deliberations presented below do not constitute a comprehensive account of the situation to date, they are just an extensive introduction to the studies to come.

1. Agricultural accountancy in Poland

The beginnings of agricultural accountancy in Poland go back, as stated in literature, to the 11th century when extensive parcels of privately owned land called *latifundia* started to be created. Each *latifundium* included a number of farms inhabited by peasants who were obliged to pay rent or return part of the crops to the owner of the land. The book registers that came into being at that time were aimed at determining the amount of goods or services the peasant was due to his lord².

After Medieval times the land ownership system evolved further. Establishment of the so called ‘*folwarks*’ – big manor farms owned by Polish nobility class brought about the custom of keeping registers of the manor’s assets and the relevant accounting documents were updated periodically. As Lech Goraj puts it: *these documents were a kind of transitory phase before the accountancy as we know it today was born*³.

The development of agricultural accountancy in more modern times may be divided into three periods:

- before 1926,
- from 1926 to 1989,
- after 1989⁴.

Development of farm accounting in Poland accelerated after 1918 when the governing bodies and academic centres started to show considerable interest in issues of agricultural economics. In 1926 the State Research Institute of Rural Husbandry in Pulawy established the Department of Economics of Small Agricultural Holdings which based its

² L. Goraj, *Rachunkowość rolna w Polsce*, FAPA, Warsaw 2000, p. 5.

³ L. Goraj, S. Mańko, R. Sass, Z. Wyszowska., *Rachunkowość rolnicza*, Difin, Warsaw 2004, p. 23.

⁴ *Ibidem*, p. 5.

research on records and accounting figures provided by small farm owners. It was then when the need for introduction of uniform financial records in order to obtain comparable data emerged. In 1938, one year before the outbreak of World War II, 1700 farmers were keeping their books (450 of them were assisted by the Department, 1250 by the so called Agricultural Chambers)⁵.

The political and economic transformation of 1989 increased the significance of economic and financial issues in functioning of agricultural businesses; nonetheless, Polish farmers conducting their own agricultural business activity are still not obliged to keep accounts, of course despite certain exceptions⁶. Polish accession to the European Union in 2004 affected the legal status of agricultural bookkeeping. Council Regulation 79/65/EEC obliged all Member States to collect their accountancy data by means of FADN network (Farm Accountancy Data Network). Pursuant to Act of 29 November 2000 on collection and use of accountancy data from agricultural businesses⁷, Poland started implementation of FADN accountancy.

With respect to the projected introduction of obligatory accounting in Polish agriculture, the following questions must be answered⁸:

- will the obligation concern all agricultural holdings or only the bigger ones?
- will the calendar year be applicable or, because of production in progress, economic year?
- how will the issue of documenting economic occurrences be solved?
- which fixed assets will be considered as useful for the farm and, as the result, can be depreciated; what will be the method of their valuation?
- will the agricultural accountancy be based on revenue and expense ledger or on double-entry bookkeeping?⁹

⁵ Ibidem, p. 23.

⁶ Under the Act the obligation to keep accounts refers only to agricultural businesses with legal personality and to farms which for the previous trading year generated the equivalent of 1,200,000 EURO in Polish currency of net income from sales of commodities, products and from financial operations. Since 1997 this obligation also refers to farmers who benefited from preferential investment loans or subsidies from the EU, and to be more specific, farmers who took subsidized loans from the Agency for Restructuring and Modernization of Agriculture (ARMA) within the Programme for Young Farmers.

⁷ Journal of Laws 2001, No 3, item 20, as amended.

⁸ A. Bernacki, *Skomputeryzowana zarządcza rachunkowość rolna, Rachunkowość, Rolin* 2000, no 4, 2012, p. 29.

Between 2002 and 2010 general agricultural census was conducted in Poland. The analysis of its results shows that at that time there were 2,278,000 agricultural businesses in total. Out of 1,563,000 businesses of more than 1 hectare of utilized agricultural area, 1,559,000 were businesses belonging to sole farmers. Relevant figures are presented in Table 1.

Table 1. Number of agricultural holdings and businesses conducting agricultural activities in Poland in 2002-2010.

Years	Agricultural holdings in total			Businesses conducting agricultural activities		
	Number of agricultural holdings in thousands	Total utilized agricultural area in thousands of hectares	Average utilized agricultural area per single holding in hectares	Number of agricultural holdings in thousands	Total utilized agricultural area in thousands of hectares	Average utilized agricultural area per single holding in hectares
2002	2.933	16.899	5,76	2.172	15.160	6,98
2010	2.278	15.534	6,82	1.891	14.971	7,92
2002=2010						
2010	77,6	91,9	118,4	87,1	98,8	113,5

Source: Author's own study based on Powszechny spis rolny. Raport z wyników, Central Statistical Office, Warsaw 2011, p. 26, www.stat.gov.pl [access 30 April 2015].

According to data from Central Statistical Office¹⁰, within a few recent years a 25% decrease in the number of agricultural businesses has been observed. In the evaluation of the area structure in Polish agriculture, it is very important to conduct comparative study with the area structure in the EU Member States. Relevant figures are shown in Table 2.

⁹Ibidem, p. 23.

¹⁰GUS refers to the Polish Central Statistical Office.

Table 2. Utilized agricultural area and number of agricultural holdings by groups of agricultural area in selected EU countries between 2003 and 2010.

Country	Utilized agricultural area in agricultural holdings		Number of agricultural holdings	
	Agricultural businesses in 2003	Agricultural businesses in 2010	Agricultural businesses in 2003	Agricultural businesses in 2010
Austria	3.257,2	2.878,2	173,8	150,2
Bulgaria	2.904,5	3.050,7	665,6	493,1
Czech Republic	3.631,6	3.483,5	45,8	22,9
France	27.795,2	27.837,3	614,0	516,1
Greece	3.967,8	4.076,2	824,5	860,2
Spain	25.175,3	23.752,7	1.140,7	989,8
Ireland	4.298,2	4.991,4	135,6	139,9
Germany	16.981,8	16.704,0	412,3	299,1
Poland	14.426,3	14.447,3	2.172,2	1506,6
Portugal	3752,2	3.668,2	359,3	305,3
Romania	13.930,7	13.753,1	4.484,9	3.931,4
Slovakia	2137,5	1.895,5	71,7	24,5
Slovenia	486,5	482,7	77,2	74,7
Sweden	3.126,9	3.066,3	67,9	71,1
Hungary	4.352,4	4.686,3	773,4	576,8
Great Britain	16.105,8	16.043,2	280,6	226,7
Italy	13.115,8	1.2856,1	1.963,8	1.620,9

Source: Author's own study based on www.europa.eu/eurostat, [access on 9 February 2015] and *Gospodarstwa rolne w Polsce na tle gospodarstw Unii Europejskiej – Wpływ WPR*, Powszechny spis rolny, praca zbiorowa pod kierunkiem W. Poczty, GUS, Warsaw 2013, p. 13, www.stat.gov.pl, [access on 30 April 2015].

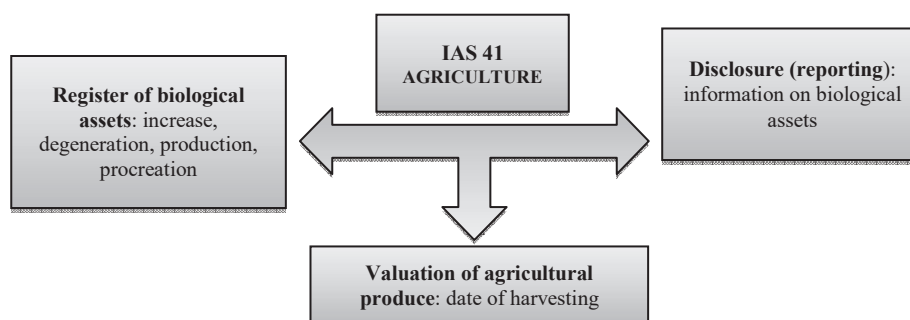
On the basis of the data presented, it can be inferred that the number of agricultural businesses in 2010 in Poland amounted to 1,506,600, what constituted 12,5% of the total number of this kind of businesses in the European Union. Similarly to Poland, also in the EU the number of agricultural businesses is falling down, what is proved by the data obtained for the period 2003-2010. Currently in Poland preparatory research for a new agricultural census is in progress.

2. IAS 41 – selected issues

The legal basis for conducting accountancy on the territory of Poland is the Accounting Act¹¹. The amendments to the Act allowed for adjusting the existing Polish regulations to the International Accounting Standards. As indicated by K. Winiarska and M. Kaczurak-Kozak: *each entity is obliged to keep register of economic occurrences in accordance with guidelines set down by theoreticians and practitioners of accountancy and in line with existing legal regulations*¹².

International Accounting Standard no 41 *Agriculture* is the only standard that directly addresses the issues of this particular sector of the economy.

Image 1. Purpose of IAS 41 Agriculture



Source: *IAS 41 Agriculture*, (ed.) T. Kiziukiewicz, Difin, Warsaw 2009, p. 16

IAS 41 standard regulates the following issues:

- recognition and measurement of biological assets,
- recognition and measurement of agricultural produce at the time of harvesting,
- aggregate gain or loss from the initial recognition of biological assets and agricultural produce and the change in fair value less costs to sell,
- determination of reliable fair value of biological assets,
- government grants¹³.

¹¹Accounting Act of 29 September 1994, [Journal of Laws 2013, No 47, item 330 as amended].

¹²K. Winiarska, M. Kaczurak-Kozak, *Rachunkowość budżetowa, wydanie IV rozszerzone i zaktualizowane*, Wolters Kluwer, Warsaw 2013, p. 47.

¹³T. Kiziukiewicz, *MSR 41 Rolnictwo*, Difin, Warsaw 2009, p. 17.

Entities conducting agricultural activities that are obliged to keep the books may apply International Accounting Standards taking into account their usefulness in agricultural accountancy. Issues related to agricultural activity which are excluded from IAS 41 are regulated by other standards. A selection of other standards useful in agriculture is presented in Table 3.

Table 3. International Accounting Standards useful in agricultural accountancy

Standard	Name	Objective	Exemptions
IAS 1	Presentation of financial statements	Preparation of a financial statement	-
IAS 2	Inventories	Agricultural produce processed after harvesting	Biological assets (IAS 41)
IAS 7	Statement of cash flows	Preparation of cash flows	-
IAS 8	Accounting policies, changes in accounting estimates and errors	Selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors	-
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should be adjusted in the financial statements	-
IAS 16	Property, plant and equipment	Fixed assets used to produce biological assets: land and other material fixed assets	Biological assets related to agricultural activity (IAS 41)
IAS 17	Leases	Accounting policies and disclosures applicable to all types of leases (with exceptions)	Measurement of biological assets in financial lease, measurement of biological assets supplied by the lessor on the basis of operational leasing agreement (IAS 41)
IAS 18	Revenue	Accounting requirements for when to recognize revenue from the sale of goods, rendering of services, and for interest, royalties and dividends	Initial recognition and changes in fair value of biological assets and agricultural products (IAS 41)
IAS 20	Accounting for government grants and	Accounting and disclosure of information on	Government grants under IAS 41

Standard	Name	Objective	Exemptions
	disclosure of government assistance	government grants	
IAS 21	The effects of changes in foreign exchange rate	Accounting for foreign currency transactions, translation of financial statements into a presentation currency	-
IAS 36	Impairment of assets	Ensuring that an entity's assets are not carried at more than their recoverable amount	Biological assets related to agricultural activity measured in fair value less estimated costs of sale (IAS 41)
IAS 37	Provisions, contingent liabilities and contingent assets	Accounting for provisions, together with contingent assets and contingent liabilities	-
IAS 38	Intangible assets	Accounting for intangible and legal assets (with certain exceptions IAS 38)	Intangible and legal assets related to agricultural activity (IAS 41)
IAS 40	Investment property	Accounting, valuation, disclosure of information on investment property	Biological assets related to agricultural activity (IAS 41)

Source: *MSR 41 Rolnictwo*, (ed.) T. Kiziukiewicz, Difin, Warsaw 2009, p. 35.

Having studied the literature on farm accountancy, it can be stated that IAS 41 uses terminology which was not used in Poland before; for example *biological assets* or *transformation of biological assets*. Additionally, IAS 41 does not use nomenclature and the system of asset classification which had been worked out by agricultural accountancy and economics as a whole. Therefore, the provisions of IAS 41 become vague¹⁴.

3. Accounting system in agricultural holdings

The system of monitoring of financial and economic situation of Polish farms, which is currently in operation, is known as Polish FADN. The system does not embrace all agricultural businesses. The legal basis of

¹⁴A. Bernacki, *Międzynarodowy Standard Rachunkowości 41 Rolnictwo, realia jego wprowadzenia w Polsce*, Zeszyty Teoretyczne Rachunkowości, no 32 (88)/2006, p. 7.

implementation of the system was Regulation No 79/65/EEC¹⁵ which stipulates three main principles of FADN system:

- voluntary disclosure of source data from agricultural holdings to the database of FADN system,
- provision of secrecy protection of the accounting data transferred,
- assurance that the accounts and other individual data entered into FADN system will not be used for taxation purposes.

Conducting FADN accountancy is closely related to the necessity to obtain data from the farmers. In order to collect data within FADN system the following documents are used:

- register of assets and liabilities of the agricultural holding,
- register of selected assets and liabilities of the agricultural holding,
- book of revenues and expenditures of the agricultural holding,
- book of entries and turnover of the agricultural holding¹⁶.

Main benefits for farmers who participate in the system include improvement in the performance of the holding as well as facilitation of the decision-taking process for immediate and long-term economic issues based on the analysis of the results included in the reports provided by the accounting system¹⁷.

Information provided by agricultural accountancy may be used for taxation purposes (which is actually the main purpose of conducting the farm accountancy in Poland), for the financial analysis purposes or for development purposes of the holding in question.

For the moment, in accordance with fiscal legislation in force, it is not the revenue which is taxed but the land: *agricultural tax shall be levied on land classified in the land cadastre as agricultural land or as wooded land with bushes, with the exception of land used for business activity other than farming*¹⁸.

¹⁵Regulation (EEC) No 2910/73 of the Council of 23 October 1973 amending Regulation No 79/65/EEC as regards the utilization of accountancy data, the field of survey and the number of returning holdings to be included in the farm accountancy data network of the European Economic Community (<http://eur-lex.europa.eu/legal-content/PL/TXT/?uri=CELEX:31973R2910>).

¹⁶L. Goraj, S. Mańko, R. Sass, Z. Wyszowska, *Rachunkowość...*, op. cit., p. 23.

¹⁷Ibidem, p. 23.

¹⁸Act of 15 November 1984 on agricultural income tax, [Journal of Laws 1984, No 52, item 268 as amended].

The introduction of the new income tax in agriculture will not put an additional burden on farmers, because this tax is going to replace the existing tax. It seems that the new tax will allow to link the amount of the tax due with real revenue generated by farmers in their agricultural activity. On the other hand, relevant literature states that¹⁹:

a considerable number of questioned farmers think that the conditions for conducting agricultural activity are much more favourable in the EU-15 group as these countries receive much higher subsidies and the agricultural equipment (machines, manure, animal fodder etc.) there is more advanced,

farmers are satisfied with the existing system of taxation, they also disagree with the opinion that agriculture in Poland is treated preferentially as compared to other sectors of the economy,

for the majority of surveyed farmers the tax burden should be related to the generated revenue less the labour costs of the farmer and his family²⁰.

Conclusions

The main aim of accountancy is measurement of performance of a business unit. Moreover, accountancy also fulfils informative and supervisory functions. For the time being, Polish agricultural holdings are not obliged to keep the books, with a few exceptions mentioned above. However, in the near future such obligation will be implemented and it is supposed to embrace all agricultural businesses in Poland, provided that relevant legal regulations on agricultural income tax take effect. It seems that introduction of the accounting obligation will have a number of tangible benefits for the farm owners. It may contribute to the improvement of economic and financial situation of agricultural holdings.

Still, a number of important issues is waiting to be solved. For example: the method of keeping accounting records by owners of small holdings; training courses which will teach farmers how to keep books for their agricultural activity, issues of measurement of agricultural assets and some more as mentioned in the paper.

¹⁹ M. Ganc, N. Mądra, *Sprawiedliwość opodatkowania rolnictwa oraz możliwości zmian w tym zakresie w opinii rolników indywidualnych*, Zeszyty Naukowe SGGW. Ekonomika i Organizacja Gospodarki Żywnościowej 2011, no 89, p. 217.

²⁰ Ibidem, p. 217.

Legal acts

- [1]. Regulation (EEC) No 2910/73 of the Council of 23 October 1973 amending Regulation No 79/65/EEC as regards the utilization of accountancy data, the field of survey and the number of returning holdings to be included in the farm accountancy data network of the European Economic Community.
- [2]. Act of 15 November 1984 on agricultural income tax, Journal of Laws 1984, No 52, item 268 as amended.
- [3]. Accounting Act of 29 September 1994, Journal of Laws 2013, No 47, item 330 as amended.

Literature

- [1]. Bernacki A., *Międzynarodowy Standard Rachunkowości* 41 „Rolnictwo”, realia jego wprowadzenia w Polsce, „Zeszyty Teoretyczne Rachunkowości” nr 32 (88)/2006.
- [2]. Bernacki A., 2012, *Skomputeryzowana, zarządcza rachunkowość rolna*, „Rachunkowość”, Rolin 2000 nr 4.
- [3]. Ganc M., Mądra N., *Sprawiedliwość opodatkowania rolnictwa oraz możliwości zmian w tym zakresie w opinii rolników indywidualnych*, „Zeszyty Naukowe SGGW. Ekonomia i Organizacja Gospodarki Żywnościowej” nr 89/2011.
- [4]. Goraj L., *Rachunkowość rolna w Polsce, Fundacja Programów Pomocy dla Rolnictwa (FAPA)*, Warszawa 2000.
- [5]. Goraj L., Mańko S., Sass R., Wyszowska Z., *Rachunkowość rolnicza*, Difin, Warszawa 2004.
- [6]. *Gospodarstwa rolne w Polsce na tle gospodarstw Unii Europejskiej – Wpływ WPR*, Powszechny spis rolny, 2013, <http://www.stat.gov.pl> (30.04.2015).
- [7]. *MSR 41 Rolnictwo*, (ed.) Kiziukiewicz T., Difin, Warszawa 2009.
- [8]. *Powszechny spis rolny. Raport z wyników*, 2011, <http://www.stat.gov.pl> (30.04.2015).
- [9]. Winiarska K., Kaczurak-Kozak M., *Rachunkowość budżetowa, wydanie IV rozszerzone i zaktualizowane*, Oficyna a Wolters Kluwer Business, Warszawa 2013.