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Will the Czech accounting entities benefit from the Directive 2013/34/EU?

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Abstract

The European Union has published the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. According to the European Union, the reason and the sense of this Directive is to raise the competitive advantage and productivity of small and medium-sized enterprises. The EU Member States have to incorporate the rules of the Directive with their national law by 20 July 2015 at the latest during the year 2016. The intention of this paper is to determine and to evaluate the impacts of transposition of the Directive into the Czech Accounting Law.

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1. Introduction

The regulation of accounting and reporting in the EU exists as early as the first directives about accounting were printed. Three directives complementing the Code of Accounting Practice and Financial Reporting were adopted and then they became of fundamental principles of the European Commission to harmonise the accounting rules. The point of reference was following:

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- Fourth Council Directive 78/660/EEC of 25 July 1978 especially focused on the content of the financial statements of big and medium-sized capital companies. This directive was thought as the most important rules in the accounting system in Europe.
- Seventh Council Directive 83/349/EEC of 13 June 1983 based on coordinating the legislation governing procedure of consolidated financial statements.
- Eighth Council Directive 84/569/ECC of 10 April 1984 conditioning qualifying requirements for profession of auditor essential to verify competently the financial statements.

First two directives of Council of the European Community (the fourth and seventh) have been replaced by the only Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (further Directive). The EU Member States have to incorporate the rules of the Directive with their national law by 20 July 2015 at the latest during the year 2016. According to the European Union, the reason and the sense of this Directive is to raise the competitive advantage and productivity of small and medium-sized enterprises. Considering small and medium-sized enterprises constitute the inherent part of sociality of the EU, the Directive could influence the economy and the economic growth of the European Union as a whole. The low participation of small and medium-sized enterprises in entrepreneurship in the single market (cross-border activities) in comparison with big-sized enterprises is caused by various matters. Nerudova, Bohuřova (2006) consider as fundamental matter of fact obstacles which result from disunited accounting systems in the EU concerning small and medium-sized enterprises. The objective of the Directive and its rules is to harmonise requirements for very small, small and medium-sized enterprises in the EU and to reduce the administrative burden thus to improve their business environment. The articles of the Directive allow Member States to allow to very small and small accounting entities certain simplifications or even immunity from certain obligations which are typical for medium-sized and big-sized enterprises. At the same time, the Directive allows Member States to express the will upon application into national legislation however this application has to be in order to achieve the objective and the rules of the Directive. Starting point for specific provisions of the Directive is Generally Accepted Accounting Principles (GAAP). A significant element of the Directive is a principle “substance over form” when reports of items in financial statements have to be in accordance with economic and commercial gist of transaction. However, this principle is under command of each Member State so the enterprises can be exempt from this principle. Each Member State can also reduce application of Principle of Materiality only to a reporting and publishing (Directive 2013/34/EU). The possibilities of simplification or immunity is thus concerned especially indication, information and disclosure in the financial accounts, process for drawing up and publishing the financial statements, process for drawing up and publishing of annual reports, verification of financial accounts and annual reports by auditor (Učetnı zpravodaj, 2014). However, Glogar (2015) emphasis that it is important to administrative burden of accounting entities would be adequate to benefits at the same time. Starting point for simplification or immunity from certain accounting duties is classification of accounting entities according to the size. The European Commission published The Recommendation 2003/361/EC where the partial distinction of enterprises was made in 2003. This Recommendation has been used for 10 years and it is very the Directive which made another distinction (classification) of enterprises by size (European Commission). Dubsky (2015) says that the Directive regulated the values of criteria for very small and small enterprises but the values of criteria have not been changed for middle-sized and big-sized enterprises.

With the effect from 1st of January 2016, the Act No 563/1991 Coll. of Accounting and few others laws in the Czech Republic will be changed due to implementation of the Directive. For the first time, The Accounting Act implements classification of the accounting entities according to the size and also classification of consolidated groups. The fact, that the novel of the Accounting Act is significant is that there are approximately 400 000 enterprises of record and the majority will be very small and small-sized enterprises, less part of companies will be middle-sized enterprises and only very small part of companies will be big-sized enterprises (Duvodova zprava MF CR, 2015). At the same time and for the first time, the Czech Accounting Act defines the object of final account which is to provide the information for external users (Zakon o učetnictvı, 2015). Also, there is an emphasis of meaning of audit of the financial statements. Much accounting duties with reference to the classification of enterprises are ordered to accounting entities liable to audit. It is logical because there is an emphasis on observance accounting principles in the respective accounting entities (Glaserova, 2015).

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