

Accounting systems in Croatia, Poland, and Slovakia – a comparative study

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Abstract

Purpose: This paper provides a comparative analysis of accounting systems in three Central and Eastern European countries – Croatia, Poland, and Slovakia. The main goal of the paper is to contribute to the understanding of the main differences and their main economic, historical, and cultural reasons.

Methodology/approach: The research based on a comparative analysis of Croatian, Polish, and Slovak accounting regulations allows for the identification of important differences in accounting standards, despite the geopolitical proximity of the analysed countries and their Slavic roots. **Findings:** The paper demonstrates that the economic differences between the countries may influence the development of their accounting systems. Our empirical research also reveals that accession to the European Union had a significant impact on the development of accounting in these countries. Moreover, our research verified whether cultural differences influence accounting systems and financial reporting in the analyzed countries. **Originality/value:** The similarities and differences in accounting systems indicated in this paper may help regulators assess real opportunities to harmonize accounting regulations in the member states of the European Union in the face of economic and cultural factors.

Keywords: accounting, comparative study, Croatia, economic, international standards, Poland, regulations, Slovakia.

Streszczenie

Systemy rachunkowości w Chorwacji, Polsce i Słowacji – badanie porównawcze

Cel: Artykuł zawiera analizę porównawczą systemów rachunkowości w krajach Europy Środkowej i Wschodniej – Chorwacji, Polsce i Słowacji. Głównym celem artykułu jest wyjaśnienie różnic między analizowanymi systemami, a także ekonomicznych, historycznych i kulturowych przyczyn ich występowania. **Metodyka/podejście:** Badania oparte na analizie porównawczej chorwackich, polskich i słowackich przepisów rachunkowości pozwalają stwierdzić ważne różnice w standardach rachunkowości, mimo bliskości geopolitycznej analizowanych krajów i ich słowiańskich korzeni. **Wyniki:** W artykule

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wykazano, że różnice ekonomiczne między krajami mogą wpływać na rozwój ich systemów rachunkowości. Z badań wynika, że przystąpienie do Unii Europejskiej miało znaczący wpływ na rozwój rachunkowości w tych krajach. Ponadto nasze badanie zweryfikowało, czy różnice kulturowe wpływają na systemy księgowe i sprawozdawczość finansową w analizowanych krajach. **Oryginalność/wartość:** Wskazane podobieństwa i różnice w systemach rachunkowości mogą pomóc organom regulacyjnym w ocenie rzeczywistych możliwości harmonizacji przepisów dotyczących rachunkowości w państwach członkowskich Unii Europejskiej w obliczu czynników ekonomicznych i kulturowych.

Słowa kluczowe: rachunkowość, analiza porównawcza, Chorwacja, standardy międzynarodowe, Polska, regulacje prawne, Słowacja.

Introduction

The Central and Eastern European countries (CEECs) are former communist states in Europe that became independent after the collapse of the Iron Curtain (Borer, 2012, p. 1003). Countries like Croatia, Poland, and Slovakia, as transition economies, have undergone many political, structural, social, and economic changes and transformations. In particular, these changes influence the accounting systems in these countries. Thus, accounting is expected to constitute the most reliable source of corporate performance.

Accounting systems could differ between countries for many reasons that are specific to each country. However, researchers suggest that the accounting systems used in developing countries may be inappropriate for their needs because they originate in Western countries, which have different cultural values. The accounting literature on this point, however, is vague in its assessment of exactly what aspects of Western accounting systems fail to meet the test of appropriacy. Nevertheless, it is not clear whether the differences between the needs of users in various countries are differences in kind or only differences in degree (for more, see Baydoun, Willett, 1995, p. 67).

Taking into account the diversity of factors that determine the accounting systems in CEECs, and at the same time, the low level of interest in this area in previous research in Croatia, Poland, and Slovakia, this study seeks to explain the differences of the accounting field in these countries against the background of economic, historical, and cultural conditions. Therefore, we state the following theses:

- 1) as limited studies exist that examine the economic, historical, and cultural differences in comparative international accounting research, especially in CEECs, there is a valuable scientific niche;

- 2) there are crucial differentiating cultural factors in Croatia, Poland, and Slovakia (like “masculinity,” “power distance,” and “long term orientation”), which substantially determinate the accounting system in these countries.

This paper contributes to understanding the main differences in accounting systems in these three countries, which is influenced by accounting standards and accounting national policy, and thus differences in the disclosure and presentation of business performance for stakeholders. The originality of the paper and its innovative nature is because

no research has been undertaken so far to assess the impact of the economic, cultural, and historical differences between the analyzed countries on the accounting system. The subject is little recognized in the literature, and thus, this paper contributes to the development of the discipline. The few existing studies about other CEECs are not well developed. Our choice of countries results from their numerous similarities, including economic conditions (European Union access, similar economic conditions of GDP *per capita*, unemployment rate, and innovation Ranking – see Table 1) and historical background (long-term recovery of economic independence). One of the elements of the historical background is the fact that Slovakia and Croatia split from states which do not exist anymore. Slovakia was a part of Czechoslovakia, and Croatia was part of the former Yugoslavia. This affected their environment and business decision processes.

The paper is structured as follows: the next section provides the background for the research, examining factors that influence the accounting systems in Croatia, Poland, and Slovakia. The third section explains the cultural context of the research, while the fourth part presents the similarities and differences of accounting systems in the three countries. They are interpreted in light of the economic and cultural context in the last part of the paper – the conclusions.

The research methodology is based on a literature review and an analysis of Croatian, Polish, and Slovak accounting regulations, including legal acts. Based on inductive and deductive reasoning, the paper reveals key determinants and differences of accounting frameworks in the three countries.

The results of the paper have both practical and empirical implications. First, the findings are important for a better understanding of the importance of the accounting systems and financial reporting in the chosen CEECs and finding differences between the systems, which are relevant to stakeholders who are interested in information from the accounting system. Second, this paper contributes to the literature by answering the need for knowledge of the factors that determine the development of accounting systems, accounting regulations used by enterprises, and the impact of global, macro, and microeconomic factors on corporate accounting policy. This research also contributes to the existing literature by providing a more extensive view of the impact of economic and cultural factors on accounting systems in the three CEECs. Thus, it also helps to understand the real possibilities of harmonizing accounting regulations and offers suggestions for government regulators.

1. Factors that influence the accounting systems in Croatia, Poland, and Slovakia

Any country's accounting system is affected by many factors, including geographical, political, historical, economic, or cultural aspects. It is also a result of modern best practices, and it has been determined by national regulations that also evolve over time. For example, Subačienė et al. (2018) evaluated the evolution of accounting regulation for

the period 1990 – 2017. They distinguished accounting regulation evolution phases in six CEECs and their factors.

The perspective of national and international accounting is crucial in a comparative analysis of accounting systems. As member states of the European Union, the CEECs chosen for the analysis – Croatia, Poland, and Slovakia – are influenced by national and international accounting regulations. EU membership affects national regulations concerning international accounting harmonization. Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and 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 as amended, are currently in effect in the national accounting regulations of these Member States. Despite harmonization efforts in the field of accounting, the comparative analysis of the national accounting regulations might bring remarkable results.

Comparative international accounting has developed as a significant focus of accounting research and education since the 1980s (Borker, 2012). According to Zyznarska-Dworczak and Mamić Sačer (2019, p. 58), most international accounting research is carried out in the USA, England, Germany, and France, while in CEECs, there is little research. Many scientists and researchers recognize the determinants of accounting systems and their impact on the theoretical and practical framework (e.g., Ali, Hwang, 2000; Anić-Antić, 2007; Barth, 2008; Černe, 2009; Choi, Mueller, 1992; Daske et al., 2013; Ding et al., 2007; Gray, 1988; Soderstrom, 2007; Parker, 2008). For instance, Tasos and Stergios (2018) emphasize the following factors as influencing accounting rules and accounting practice:

- national culture,
- legal systems,
- taxation systems,
- provider of capital and
- other factors.

Other determinants of accounting systems include the type of capital market, financial reporting system, legal system, inflation level, political and economic relations with other countries, the status of the accounting profession, the quality of education in accounting, the size and complexity of business enterprises, forms of business ownership, inflation level, the application and enforcement of legislation in accounting, the level of economic development, and culture (Černe, 2009).

The histories of the analyzed countries are similar to others in this region in Europe that experienced a centrally planned economy before moving to the free market economy (Grabiński et al., 2016) and then acceding to the European Union (Poland and Slovakia in 2004, Croatia in 2013). All three countries are transitional economies, freed from the personal and economic controls enforced by a non-democratic command economy. At the same time, they lost the social safety net and military security provided by their former Eastern bloc membership.

As part of Yugoslavia, Croatia was the most pro-western country, and Yugoslavia's capital city, Belgrade, was chosen from Serbia, not Croatia. Slovakia was formed in 1993 after the peaceful partition of the Czech and Slovak Federative Republic (CSFR). Only Poland was not formed from the division of other previously unified states.

Quite naturally, they are all attracted to the relative economic opportunity and stability of European Union membership, even at a time when the EU is experiencing recessions and debt crises (Borker, 2012, p. 1013). The analyzed countries are at an approximately similar level of economic development, although there are still differences, e.g., in doing business. Table 1 summarizes the key information about the economic conditions in Croatia, Poland, and Slovakia.

Table 1. Selected economic data for Croatia, Poland, and Slovakia, 2017–2019

Item	Croatia		Poland		Slovakia	
	Year	Data	Year	Data	Year	Data
Annual GDP Mill. \$	2018	60.80	2018	558.82	2018	106.57
GDP <i>per capita</i> \$	2018	14.87	2018	15.43	2018	19.57
Debt (% GDP)	2018	74.80%	2018	48.90%	2018	49.40%
Deficit (% GDP)	2018	0.30%	2018	-0.20%	2018	-1.10%
Trade balance (% GDP)	2018	-17.75%	2018	0.92%	2017	0.46%
Corruption Index (number of points – 100 is very clean and 0 is highly corrupt)	2018	48/100	2018	60/100	2018	50/100
Competitiveness Ranking	2019	63rd	2019	37th	2019	42nd
Innovation Ranking	2018	41st	2018	39th	2018	36th
Unemployment Rate	November 2019	6.5%	November 2019	3.1%	November 2019	5.7%
Human Capital Ranking	2017	37th	2017	31st	2017	36th
Currency Exchange Rate		Croatian koruna 1 EUR = 7.4410 Krk		Polish zloty 1 EUR = 4.2731 PLN		Euro
Doing Business	2019	58th	2019	33rd	2019	42nd
Standard VAT	since 2013	25.00%	since 2011	23.00%	since 2011	20.00%
Population	2018	4,076,246	2018	37,972,812	2018	5,450,421
CO ₂ tons <i>per capita</i>	2018	4.67	2018	8.76	2018	6.99

Source: Country comparison Croatia vs. Poland vs. Slovakia (Countryeconomy, 2020).

Due to the difference in population sizes in the three countries, the relative values are particularly valuable when comparing the economic conditions of these countries. In 2018, the GDP *per capita* in Croatia and Poland was at similar levels, while for Slovakia, it was higher. However, Croatia's indebtedness, as measured by the percentage share of debt in GDP, is much higher than in Poland or Slovakia; in Croatia, it amounts to 74.8%, while in Poland and Slovakia, it is 48.90% and 49.40%, respectively. However, although Croatia and Slovakia have an advantage over Poland in terms of economic conditions, when it comes to the corruption index, Poland has a score 12 points higher than Croatia, and ten points higher than Slovakia – where a higher score means a lower level of corruption.

This indicator also affects the competitiveness ranking. Thus, the “doing business” comparison is ranked 63rd for Croatia, while 37th for Poland, and 42nd for Slovakia. Slovakia's advantage over Croatian and Polish “doing business” conditions is that it has the lowest VAT rate. The lowest unemployment rate is in Poland; it is 2.6 percentage points lower than in Slovakia and 3.4 percentage points lower than in Croatia.

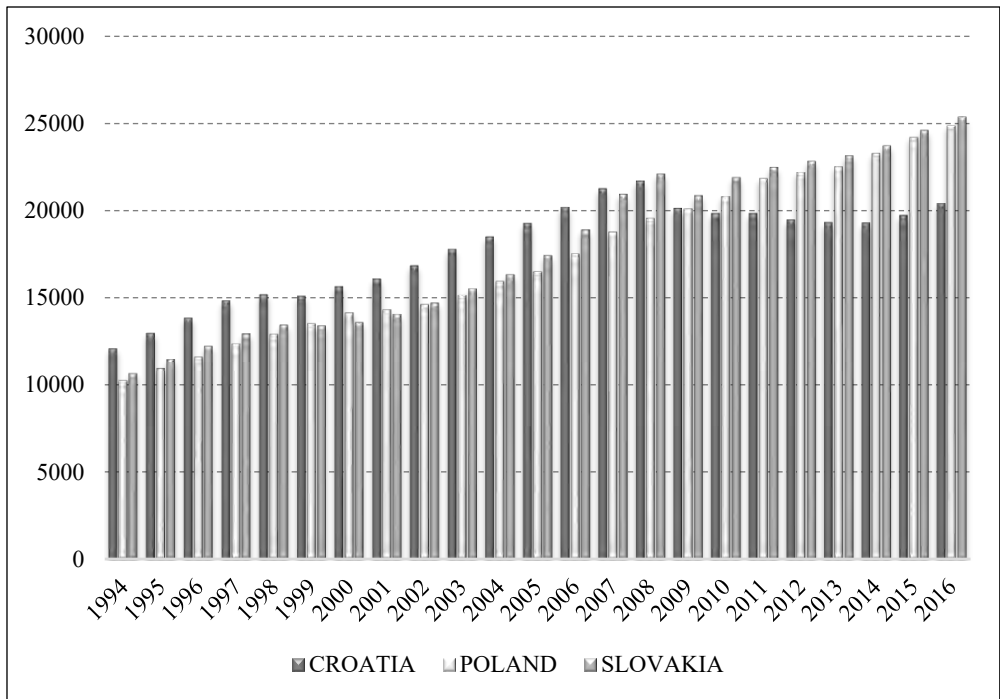
In the face of growing public awareness of the need for sustainability, many countries are getting involved in CSR activities. The concept of CSR is becoming increasingly popular, both in academic circles, through research into its theoretical foundations and empirical consequences, as well as among business practitioners, who want to put these theories to use in everyday business practice (Fijałkowska et al., 2018; Zyznarska-Dworczak, 2018), including in the accounting area.

Sustainable development and respect for the environment have become important factors of economic growth. Comparing the CO₂ tons *per capita* indicator in Table 1, the situation in Poland is worse because the index is 1.876 times higher than in Croatia and 1.253 times higher than in Slovakia. Disclosures on environmental issues, as well as all other issues regarding business performance, both quantitatively and qualitatively, depend on the accounting principles in a given country, which in turn are derived from the wealth of this country (e.g., Ingram, 1984).

Based on the Maddison Project Database 2018, which starts in 1994 and ends in 2016, it can be seen that in terms of real GDP *per capita* in 2011 US\$ (2011 benchmark), Croatia was the leader in the period up to 2009, but subsequently, it has decreased, and now it is lower than in the two other countries.

As the development of an accounting system is conditioned by a country's economic development (Černe, 2009, p. 8), we can assume that the analyzed countries have a similar level of accounting development. Through the major economic changes and developments over the last few decades, which reshaped the countries' economies, the establishment of the capital market and privatization processes is noticeable. They needed the establishment of the accounting profession, including the adoption of IFRS. In addition to economic factors, in the comparative international accounting analysis, it is necessary to consider other determinants, like cultural factors.

Figure 1. Real GDP *per capita* in 1994–2016 in Croatia, Poland, and Slovakia (US \$, 2011 benchmark)



Source: based on Madison Project Database (2018).

2. Cultural determinants of the accounting systems in Croatia, Poland, and Slovakia

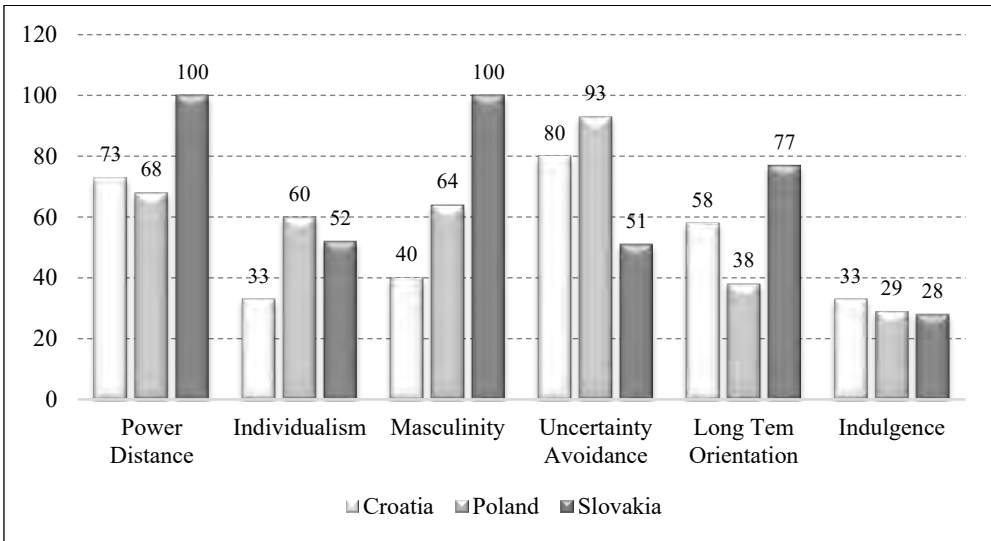
Nowadays, international accounting research is enhanced by taking into account contextual factors such as countries' political, legal, social, and historical environments (Heidhues, Patel, 2011, p. 273). Towards globalization and convergence, the influence of culture on accounting has been increasingly recognized as an important and controversial topic. Quantified and narrowly focused approaches such as Gray's (1988), and various extensions of Gray's framework of accounting values, have largely dominated and strongly influenced cross-cultural accounting research and education (Heidhues, Patel, 2011, p. 273).

Gray's approach was modeled on Hofstede's approach, which aimed at detecting the structural elements of culture and its impact on behavior at work in organizations and institutions (Gray, 1988, p. 5). Although Hofstede's cultural dimensions model has been criticized by several authors, he provided a framework for many studies on the potential impact of cultural values on accounting in various countries (Borker, 2012,

p. 1003). According to Khlif’s accounting research, which was based on Hofstede’s cultural dimensions, individualism is positively related to corporate reporting policy. It is associated with low levels of tax evasion, while high levels of masculinity are generally associated with low disclosure environments and aggressive accounting manipulations. Finally, long-term orientation was examined for social environmental disclosure, and the findings support a positive association between both variables (Khlif, 2016).

For this paper, the conditions of the development of accounting systems in Croatia, Poland, and Slovakia were analyzed in terms of Hofstede’s dimensions. The national features of analyzed countries are compared using answer pattern analysis and reporting software from Hofstede Insights (Hofstede Insight, 2020).

Figure 2. National features of Croatia, Poland, and Slovakia



Source: Hofstede Insight (2020).

Figure 1 presents national features as factors that influence the business and accounting systems in the three countries. The analysis reveals that the biggest differences in social behavior are the level of “masculinity,” “power distance,” and “long term orientation.” In Figure 1, Slovakia shows the maximum score in Power Distance and Masculinity, and the highest level of Long Term Orientation. Regarding Power Distance, all three countries demonstrate hierarchical societies concerning the *status quo* of unequally distributed power (Hofstede Insight, 2020). With a score of 100 points, Slovakia is a strongly masculine society.

This feature was also identified in Poland. According to the research, Poles and Slovaks are oriented toward success and achieving goals. By contrast, Croatia is a relatively feminine society, with a focus on well-being and quality in working lives (Hofstede Insight, 2020).

Long Term Orientation proves to be a pragmatic cultural feature in Slovakia and Croatia, for the pragmatic orientation is typically the ability to adapt traditions easily to changing conditions and to prepare for the future. Poland shows a normative culture, demonstrating great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results (Hofstede Insight, 2020). Indulgence is at a comparable level, with Croatia, Poland, and Slovakia all being cultures of restraint. Restrained societies do not focus on leisure time; they control the gratification of their desires and regulate them with strict norms (Hofstede Insight, 2020).

With a score of 60 points, Poland is an individualist society. This means there is a high preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only. Meanwhile, Croatia, with a score of 33 points, is considered to be a collectivistic society, with a close long-term commitment to the member “group.” Slovakia, with a score of 52, indicates no clear preference (Hofstede Insight 2020). Furthermore, Croatia and Poland are distinguished by an exceptionally high level of “uncertainty avoidance,” which means that they maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. In these cultures, there is an emotional need for rules. In comparison, Slovakia, with its intermediate score in this cultural dimension, again shows no clear preference (Hofstede Insight, 2020).

Economic and cultural differences might be key factors that influence the accounting system, which is interpreted later in the paper on the example of the accounting systems in the three countries.

3. Similarities and differences of the accounting systems in Croatia, Poland, and Slovakia

In recent decades, the awareness of international accounting differences has led to impressive attempts to reduce them, in particular, by the International Accounting Standards Board, which issues International Financial Reporting Standards (IFRS), and by the European Union (EU), which has issued Directives and Regulations on accounting and financial reporting (Parker, 2008). The most important change in the area of accounting and financial reporting was the implementation of Regulation (EC) No. 1606/2002 of the European Parliament and the Council, which introduced a mandatory application of International Accounting Standards, and now known as International Financial Reporting Standards, for all listed companies in the EU member states (Hladika et al., 2017). However, as a result of the interdependence between accounting regulations, the country’s institutional setting, and firms’ incentives, the economic consequences of changing accounting systems may vary across countries (Soderstrom, 2007). Accounting practices evolve to suit the circumstances of a particular society at a particular time (Borker, 2012). It is also influenced by cultural conditions and national features like the masculinity, power distance, or long term orientation mentioned above. This is the case of the observed countries as well.

To compare the accounting systems in Croatia, Poland, and Slovakia, the following research areas were set:

- main legal acts on accounting,
- financial reporting and
- accounting principles.

3.1. Legal acts on accounting

Every profession has its own regulations that prescribe the primary rules for its operation. When it comes to accounting, several primary areas should be regulated: entity size, the keeping of accounting records, financial reporting standards, types and structure of financial statements, annual reports, nonfinancial reporting, the disclosure of such statements, the audit of financial statements, and similar issues. Usually, these issues are set through an accounting act, companies act, and/or some similar acts.

The analyzed countries have civil law jurisdictions, and the main accounting legislation consists of an accounting act. For the regulation of statutory audit and audit-related issues, all three countries use separate acts on financial audits. Table 2 presents the main legal acts regulating the accountancy profession in the three countries.

Table 2. Regulation of the accountancy profession in Croatia, Poland, and Slovakia

Criteria	Croatia	Poland	Slovakia
Main legal regulation	Croatian Accounting Act The rule on the structure and content of annual financial statements	Polish Accounting Act	Slovak Accounting Act
IFRS	entities specified in the Croatian Accounting Act	entities specified in the Polish Accounting Act	entities specified in the Slovak Accounting Act
The role of the Ministry of Finance	– enacts the law and the rule on the structure and content of annual financial statements – appoints Member of the Committee of financial reporting standards	– issues several regulations which cover specific accounting areas – enacts the law and the rule on the structure and content of annual financial statements – appoints Member of the Committee of financial reporting standards – is the tax authority	– sets the Slovak Accounting Act and decrees that lay down details of the accounting procedures and structure, description, and content of items in individual financial statements for different types of accounting entities

cont. tab. 2

Criteria	Croatia	Poland	Slovakia
Accounting institution in charge of the accounting profession	There is no single accounting institute in charge of the accounting profession. There are several non-profit and profit-oriented accounting organizations	The Accountants Association in Poland (SKwP) – since 1907 – over 25,000 members	The Slovak Chamber of Certified Accountants (SKČÚ) – since 1990 – over 3,900 members
Certification in the accounting profession	There is no official certification in the accounting profession	Four-tier certification system of accountants developed by the Accountants Association in Poland based on International Education Standards: 1. Certified Accountant 2. Chief Accountant 3. Accounting Specialist 4. Accountant based	A two-tier certification system of accountants has been developed by the Slovak Chamber of Certified Accountants: 1. Qualified Accountant 2. Accountant Expert based on passing the relevant examinations. Certification is not obligatory for the profession of accountant
Number of audit firms	230 (2020)	1515 (2019)	421 (1 January 2020)

Source: authors' own elaboration based on Bratislava Stock Exchange's website; EY 2017; KNA 2019; SKwP 2018; PWC 2011, Register of audit firms in Croatia; Slovak Chamber of Certified Accountants' website; *Warsaw Stock Exchange's* website; Zagreb Stock Exchange's website, Zyznarska-Dworczak, Mamić Sačer (2019, p. 63).

The basic legal act regulating accounting rules that concerns accounting entities in Poland is the Accounting Act of 29 September 1994, with all amendments; in Croatia, it is the Accounting Act of 2015, with amendments; in Slovakia, it is Act No. 431/2002 Coll. on Accounting, as amended. Although these acts are significantly influenced by EU regulations, there are some differences between these acts in their content.

The main difference between the acts is in the valuation of assets and liabilities. In Croatia, such issues are regulated by the IFRS or Croatian Financial Reporting Standards. This is in contrast to Poland, where the Accounting Act contains the main accounting principles on valuation (but only for specified entities in IFRS), while areas unregulated by the Accounting Act or National Accounting Standards may refer to IFRS (Zyznarska-Dworczak, Mamić Sačer, 2019, p. 62). In Slovakia, the valuation of assets and liabilities is also primarily set in the Accounting Act.

The Polish Accounting Act regulates the basic principles of maintaining accounting books, timing, and procedures related to stocktaking, valuation of assets and liabilities, consolidation procedures, auditing and publishing financial statements, and the formats of financial statements. Specific accounting areas, such as financial instruments, financial statement consolidation, and accounting for insurance companies, banks, and investment funds, are additionally specified by regulations issued by the Minister of Finance.

The Croatian Accounting Act also deals with the majority of the issues as the Polish Act. The Slovak Act on Accounting consists of nine parts and, except for the accounting systems, it also defines other principal accounting issues, such as accounting documents, accounting entries, accounting books, the framework for the chart of accounts, and the accounting entity's chart of accounts, financial statements, the audit of financial statements by an auditor, the annual report, consolidated financial statements, the register, valuation methods, reconciliation procedures, and accounting documentation (Hladika et al., 2017).

Analyzing the national institutions related to accounting, the Accountants Association in Poland was founded in 1907. Since then, it has played an important role in the education of accountants, including certification. The Slovak Chamber of Certified Accountants was established in 1990 to increase the level and overall quality of the accountancy profession, and it ensures the lifelong education of accountants. It is not obligatory to have a certificate issued by the Chamber for the profession of accountant, just as in Poland. Meanwhile, in Croatia, there is no single accounting institute in charge of the accounting profession or related certification. Some effort is being made to introduce certification processes in accounting. Poland, with a greater population number and absolute amount of GDP, naturally has more audit firms and a higher average number of listed companies on the regulated financial market than Croatia (Zyznarska-Dworczak, Mamić Sačer, 2019, p. 69).

3.2. Financial reporting

Financial statements are often the subject of harmonization since a certain level of comparison is expected in order to fulfill the information needs of a wide range of users. The categorization of an entity is usually used to distinguish between the obligations of the financial statement disclosures (Zyznarska-Dworczak, Mamić Sačer, 2019, p. 64). As the goal of Accounting Directive 2013/34/EU is to reduce the administrative burden for small entities, the number of financial statements – and their content – should be greater for larger entities. To investigate this part, the analysis of financial statements for micro, small, and other entities in the chosen countries is presented in Tables 3, 4, and 5.

The financial statements framework in the form of a balance sheet, income statement, and notes to financial statements must be prepared by all entities under the system of double-entry bookkeeping, as indicated in the accounting acts. As Tables 3, 4, and 5 show, this is the case in Croatia, Poland, and Slovakia; however, there are some differences between the countries regarding the categorization of entities (different thresholds)

and also reporting obligations for micro and small entities. Micro entities in Poland and Slovakia prepare a simplified balance sheet, income statement, and notes compared to small and large accounting entities. The content of the components of financial statements for small entities differs only in the simplified version of notes compared to large or public interest entities. The notes of small entities are still more detailed than notes of micro-entities. There is no such option for Croatian entities of the same categories (Tables 3–5).

Table 3. Financial statements of micro-companies in Croatia, Poland, and Slovakia

Croatia	Poland	Slovakia
The category of micro-entity is defined in the Croatian Accounting Act, and its requirements are in line with the Accounting Directive 2013/34/EU	If the entity does not exceed two of the following requirements: – Total assets net PLN 1,500,000 (ca €350,000) – Net turnover PLN 3,000,000 (ca €700,000) – Average number of employees: 10 Others listed in the Accounting Act	If the entity does not exceed two of the following requirements: – Total assets net €350,000 – Net turnover €700,000 – Average number of employees: 10
Balance sheet Income statement Notes	Balance sheet (abridged) Income statement (abridged) Notes (with a limited number of disclosures)	Balance sheet Income statement Notes

Source: authors' own elaboration based on Croatian, Polish, and Slovak accounting acts.

The Polish regulations allow a simplified form of financial statement for small entities, although not as simplified as for micro-units; however, there are fewer obligatory items. The entity is expected to decide that it wants to “be treated” as a micro-entity (irrespective of the criteria that cannot be exceeded). Moreover, there is a number of simplifications for small entities and micro-entities, including the application of tax regulations for accounting purposes.

In Croatia, the Accounting Act recognizes the category of micro-entity; however, in practice, there are no simplifications in the financial reporting of this category. The same is true for small entities. All the entities in Croatia should use the same forms of financial statements that are prescribed by the Ministry of finance.

In Slovakia, there are simplifications for micro accounting entities. These entities prepare simplified financial statements and do not need to have, e.g., accounts for deferred tax or value assets and liabilities at fair value. Small accounting entities use simplified notes to financial statements.

Table 4. Financial statements of small companies in Croatia, Poland, and Slovakia

Croatia	Poland	Slovakia
The category of small entity is defined in the Croatian Accounting Act, and its requirements are in line with Accounting Directive 2013/34/EU	If the entity exceeds the requirements for a micro entity but does not exceed two of the following requirements: <ul style="list-style-type: none"> – Total assets net PLN 25,500,000 (ca €5,900,000) – Net turnover PLN 51.000.000 (ca €11,800,000) – Average number of employees: 50 Others listed in the Accounting Act	If the entity exceeds the requirements for a micro entity but does not exceed two of the following requirements: <ul style="list-style-type: none"> – Total assets net €4,000,000 – Net turnover €8,000,000 – Average number of employees: 50
Balance sheet Income statement Notes	Balance sheet Income statement Notes	Balance sheet Income statement Notes

Source: authors' own elaboration on Croatian, Polish, and Slovak accounting acts.

Table 5. Financial statements of large and other companies in Croatia, Poland, and Slovakia

Croatia	Poland	Slovakia
Large and public interest companies are defined in the Croatian Accounting Act, and their requirements are in line with the Accounting Directive 2013/34/EU A subsidiary whose parent company applies the IFRS can decide to apply IFRS to prepare its financial statements	Entities are obligated to conduct a financial audit if they exceed two of the following requirements: <ul style="list-style-type: none"> – Total assets net 2.500.000 EUR – Net turnover 5.000.000 EUR – Average number of employees: 50 There are no size criteria for public interest companies, the same as others listed in the Accounting Act	If they exceed two of the following requirements: <ul style="list-style-type: none"> – Total assets net €4.000.000 – Net turnover €8.000.000 – Average number of employees: 250 There are no size criteria for public interest companies

cont. tab. 5

Croatia	Poland	Slovakia
Balance sheet	Balance sheet	Balance sheet
Income statement	Income statement	Income statement
Statement of other comprehensive income	Statement of changes in equity	Notes also include:
Statement of changes in equity	Cash flow statement	– Cash-flow statement
Cash flow statement	Notes	– Information on changes in equity
Notes		

Source: authors' own elaboration on Croatian, Polish, and Slovak accounting acts.

It must be stressed that in Poland, financial statements that are the subject of an obligatory financial audit also include a statement of changes in equity and a cash flow statement. In contrast, in Croatia and Slovakia (in the case of large, public interest entities or applying IFRS entities), these statements should be prepared regardless of audit requirements.

In Slovakia, there is no separate statement for changes in equity, only a prescribed table for information on changes in equity, which is an obligatory part of notes for large and public interest entities; its title is "Information on changes in equity." A statement of cash flows is also presented within the notes of financial statements of large and public interest entities in Slovakia. In Slovakia and Croatia, large entities and public interest entities must present the cash-flow statement and information on changes in equity.

In Croatia, only micro and small entities do not need to prepare a statement of changes in equity or a cash flow statement. Further, in Croatia, only those entities that apply IFRS should prepare the statement on other comprehensive income.

In Poland, IFRS are used as the reporting framework to prepare consolidated financial statements of banks and entities that are allowed to trade on the regulated markets of EEA countries. The following entities can draw up standards that are compliant with the IFRS: entities that applied for permission to list on a regulated market in Poland or other EEA country; entities that are part of a group where the parent entity prepares consolidated financial statements for statutory purposes in accordance with IFRS; and a subsidiary of a foreign entity if this entity compiles financial statements based on IFRS.

Entities that prepare consolidated financial statements in Croatia are obliged to prepare a balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements. Small and medium-sized groups are excluded from this requirement unless they are public interest entities. Croatian thresholds for the differentiation of the entities are in line with EU Directive 2013/34/EU.

If an entity in Slovakia meets the requested criteria for preparing consolidated financial statements set in the Act on Accounting (§ 22), then these consolidated financial statements are prepared under IFRS (IFRS as adopted by the EU). This requirement has

been effective since 1 January 2005. Individual financial statements according to IFRS shall be prepared by the specified entities or companies which meet the size criteria for IFRS adoption, and they might be used by certain entities (e.g., payment institutions, electronic money institutions, security traders) if they decide to do so.

In the light of globalization, harmonized financial statements make it possible to compare companies from different jurisdictions.

3.3. Accounting principles

Croatia, Poland, and Slovakia are subject to EU Regulation No. 1606/2002 and EU Directive 2013/34/EU. The application of IFRS, as endorsed by the European Commission, is prescribed by the Regulation. Selected countries have used the option to expand the IFRS application to other entities. For example, in some cases, under the Polish Accounting Act 1994, listed entities and banks are permitted to use IFRS to prepare their individual financial statements. Subsidiaries have the option to prepare them in accordance with IFRS if the parent company prepares its financial statements using the same standards.

By contrast, banks and listed entities in Croatia are required to use the EU-endorsed IFRS for individual reporting because the Croatian Accounting Act does not differentiate between consolidated and individual reporting in the context of the IFRS application (Zyznarska-Dworczak, Mamić Sačer, 2019, p. 68).

In Slovakia, individual financial statements that follow IFRS (as adopted by the EU) must be prepared by banks, branches of foreign banks, the Export-Import Bank of the Slovak Republic, administration companies, branches of administration companies, insurance companies (except for health insurance companies), branches of foreign insurance companies, reinsurance companies, branches of reinsurance companies, the Slovak Office of Insurers, pension asset management companies, supplementary pension companies, the Stock Exchange, and the Railways of the Slovak Republic. An accounting entity may decide to prepare individual financial statements pursuant to IFRS if it has issued securities in the accounting period and they have been admitted to trading on a regulated market, and if this entity does not belong to the above-mentioned group with obligatory IFRS use or it has not met size criteria for IFRS application (Slovak Accounting Act, § 17a).

The key differences between the analyzed accounting systems occur in relation to national accounting regulations (in the case of Poland and Croatia, national accounting standards; in the case of Slovakia, national accounting legislation). In Slovakia, there are the previously mentioned decrees (not standards) which lay down details of the accounting procedures or financial statements.

Poland's basic accounting rules are determined in the Polish Accounting Act, and only if the Act does not cover certain issues may entities apply National Accounting Standards issued by the Accounting Standards Committee. In the absence of relevant regulations in the National Accounting Standards, IFRS may be used.

By contrast, the majority of Croatia's accounting principles that are set out in the Croatian Financial Reporting Standards (CFRS) are identical to the IFRS. Micro entities and SMEs are intended to be the main users of the CFRS. According to the Croatian Accounting Act, a subsidiary whose parent company applies the IFRS can decide to apply the IFRS to prepare its financial statements. As for issuing national accounting standards, there are national committees established by the Ministry of Finance to prepare and issue such standards. In Poland, it is done by the Polish Accounting Standards Committee, which was established according to the Accounting Act. Both sets of standards become effective after they are published in the Croatian National Gazette or the Polish Official Journal of the Finance Minister.

The Act on Accounting has priority in the Slovak legislative accounting hierarchy. It sets a fundamental basis for accounting systems (the basis of cash receipts and disbursements and the system of double-entry bookkeeping). It means that there are no Slovak national accounting standards comparable to the structure of IFRS, but there is national regulation of accounting (including financial statements) in decrees which, with the Act on Accounting, constitute Slovak accounting legislation issued by the Ministry of Finance.

Conclusions

This paper reveals that economic and cultural differences are key factors that influence the differences in the accounting regulation in Croatia, Poland, and Slovakia. Thus, the article makes several contributions to the existing theory and research. Firstly, considering the economic characteristics of the chosen CEECs and their business environment, we demonstrated that the economic differences between the countries may influence the development of their accounting systems. As the three analyzed countries are in similar economic conditions, they represent a similar range of accounting principles and rules, even if in a different form (e.g., in Croatia, they are outside the Accounting Act).

Our empirical research also reveals that accession to the European Union had a significant impact on the development of accounting in these countries. This important political premise helps to unify the accounting principles, but it also creates the possibility of international cooperation, which has generated interest in the use of IFRS. Our results are in line with the approach represented by Ingram (1984, pp. 126–144) and Černe (2009, pp. 66–97). According to Ingram (1984, p. 142), the results are consistent with the view that the extent of state government accounting disclosure is affected more by the demands and needs for information exhibited by constituents and administrators than recommendations in accounting disclosure standards. These, in turn, are a derivative of many internal factors that are characteristic of a given country, such as history and culture. For example, Croatia, as the most pro-western oriented country of the former Eastern Bloc, adapted its accounting system very quickly, despite joining the EU nine years later than Poland and Slovakia.

Moreover, our research verified whether cultural differences influence accounting systems and financial reporting. Applying Hofstede's dimensions on these countries' accounting systems, we can conclude that the highest level of individualism in Poland might mirror the strong four-tier certification system in accounting. The lack of preference regarding individualism in Slovakia could be demonstrated by the two-tier certification in accounting, which is not obligatory for the profession of an accountant.

On the other hand, in Croatia, the level of collectivism can be recognized because the accounting certification system has not been developed yet. This could also be explained through national accounting institutions. The Accountants Association in Poland has more than 25,000 members and has operated since 1907; thus, it is easier to organize the certification process. Slovakia has one accounting association, the Slovak Chamber of Certified Accountants, established in 1990, and now with more than 3900 members. In Croatia, there are several accounting associations, and the process of unification is more difficult. By contrast, it was easier for Croatia, as a smaller and relatively young country, to adopt international standards. Croatia has a stronger long-term orientation, according to Hofstede Insight, which could be related to the approach of forming the Accounting Act and CFRS, i.e., the Accounting Act does not include specific accounting principles. They are a part of the financial reporting standards, and the CFRS are based on the IFRS. This is how the country's long-term, pragmatic solution is reflected. The long-term orientation factor in Slovakia is the highest among the analyzed countries, which can be interpreted as the ability to adapt traditions easily to changing conditions – such as previously socialist countries with a completely different state system of accounting adopting new accounting systems, continuing with IFRS adoption.

By contrast, short-term normative orientation can be noted in Poland. The Polish Accounting Act consists of the main accounting principles on the valuation of assets and liabilities, and accounting standards should be applied for the parts unregulated by the Act.

In Slovakia, the maximum scores in the power distance factor and masculine factor might explain why the Ministry of Finance of the Slovak Republic is responsible for all accounting regulations, not only for the Act on Accounting, as is the case in Croatia.

The paper demonstrates that key characteristics of a society may influence the country's development of accounting, including the possibility to implement international financial reporting standards. Our research results are consistent with the approach in the field represented by Gray (1988), Gray and Vint (1995), Kanagaretnam et al. (2014), Khlif (2016), Marina (2019), and Schultz and Lopez (2001, pp. 271–290).

The differences in the accounting systems in Croatia, Poland, and Slovakia are important for both the development of accounting science and its practical application. This study contributes not only to the international accounting literature by providing new insights into the differences between accounting systems in the chosen countries, but it also may support the consolidation of financial statements in multinational companies and their accounting policy. The differences in accounting systems may also help regulators assess the real opportunities harmonize accounting regulations in the EU countries in the face of economic and cultural factors.

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