

IS THE CATEGORY OF MICRO-UNDERTAKINGS IN THE VISEGRAD GROUP COUNTRIES RELEVANTLY DEFINED?

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ABSTRACT

This paper deals with the definition of micro-undertakings in the Visegrad Group countries (V4). To define micro-undertakings is a task of EU Member States with effect from 1 January 2016. The goal of the Directive is to create better conditions for undertakings and make them more competitive, in particular by reducing the administrative burden. The aim of this paper is to evaluate the level of criteria adopted for defining micro-undertakings in the V4 in relation to the intended reduction in their administrative burden. In addition to the V4, Germany is also researched as a representative of an advanced economy. The study was based on data from the Amadeus database and it was found out that most companies in the V4 belong to the category of micro-undertakings. To achieve the goal of the Directive, it is necessary to reduce their number. As the submitted proposals suggest, their number should be reduced to a level comparable to that of Germany.

KEY WORDS

administrative burden, average number of employees, balance sheet, micro-undertakings, net turnover, V4 countries

JEL CODES

M20, M40

1 INTRODUCTION

The adoption of 2013/34/EU Directive and the introduction of relating changes to the national accounting regulations of the V4 countries led to the creation of a new categorization of undertakings and this brought a new task: sim-

plification of administration mainly for micro and small undertakings. EU Member States had an obligation to incorporate this Directive into their national accounting regulations with effect from no later than 1 January 2016. Some V4

countries implemented the Directive gradually (e.g., Slovakia in as early as 2014), others (e.g., the Czech Republic) by 1 January 2016.

In this paper the main issues are related to the categorization of undertakings themselves. The paper discusses in more detail the impacts of the implementation of the Directive in the V4 countries and presents a comparison of these impacts. At the same time, Germany is examined as a country representing a more developed economy within the EU. The adoption of the Directive raises a question whether the implementation of the Directive was meaningful or whether there is a need to consider some changes. These may concern the accepted value criteria, according to which the categorization of undertakings was performed. The undertakings classified as micro-undertakings must not exceed two of the established criteria. A specific number of value criteria for the countries under study are shown in Tab. 1.

The Directive requires a reduction in the administrative burden on micro-undertakings. It offers micro and small undertakings the possibility of using an abridged version of a balance sheet statement and a profit and loss statement. At the same time, Mošnja-Škare and Galant (2013) mention the need for generally comparable and comprehensible financial statements. Now that accounting is done by accounting soft-

ware, there is a question as to whether this will effectively reduce the administrative burden placed on micro-undertakings. In this context, Collis and Jarvis (2000) and Harvie and Lee (2005) emphasize that for micro-undertakings aimed at minimizing tax costs, financial statements are not the most important source of information, especially for owners and managers.

If micro-undertakings decide to prepare an abridged version of their financial statements, they may find themselves in a situation where they will have to prepare full accounts, for example, if they decide to apply for a loan or credit from the bank. The process of implementing the Directive into national regulations varied from country to country. Some countries made several amendments, for example, Slovakia. The amendments were made to their accounting regulations throughout 2014–2016. Other countries, for example, the Czech Republic implemented the Directive only once through the Accounting Act, as mentioned by Gláserová et al. (2017). Due to the differences in the implementation of the Directive between individual EU Member States concerning the timing and the use of alternative options of the Directive, one of the goals of the Directive – the comparability of financial statements appears to be unattainable, as also reported by Deac (2014) and Manová et al. (2018).

2 THEORETICAL BACKGROUND

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 (hereinafter the Directive) repealed Council Directives 78/660/EEC and 83/349/EEC. To comply with the new Directive, a new classification of undertakings was created. It was based on three criteria (net turnover, balance sheet total and the number of employees) which determine whether the undertaking is large, medium-sized, small or micro. EFAA (2014) states that before the adoption of the Directive, small and medium-sized undertakings formed the majority of

undertakings in the EU and suffered from the excessive administrative burden. The Directive introduced a new category of micro-undertakings, which became the smallest size category. Most undertakings in the EU now fall in this category.

Hýblová (2017) points out that of the total number of undertakings in the European Union 92% are micro-undertakings that create about 22% of added value. According to Baiocco et al. (2020), micro and small undertakings are essential for the European economy. Undertakings with fewer than 50 employees are responsible for 52% of jobs and 39% of economic activity in the European Union.

The Directive incorporates Directive 2012/6/EU on micro-entities, which allows these entities to prepare a very simple balance sheet and also a very simple profit and loss statement with practically zero notes to the financial statements. The changes brought about by the adoption of the said Directive, as mentioned by Hýblová (2019), Müllerová (2014) and Stojilkovič (2016), included mainly improving the business environment in general by reducing the administrative burden placed on micro-undertakings, removing the obligation for micro-undertakings to publish a profit and loss statement, changes in the valuation of asset and liability items and in the formal arrangement of items in financial statements.

The Directive thus simplifies the rules for the preparation of annual financial statements and consolidated financial statements of micro and small undertakings by reducing and limiting the amount of information in the notes to the financial statements. This Directive differs significantly from the original directives mostly in its philosophy and by introducing a specific regime for micro and small undertakings in order to significantly reduce the administrative burden of preparing financial statements.

In many respects the Directive provides EU Member States with certain, sometimes considerable, “room for manoeuvre”. Its text contains a number of alternative accounting procedures, rules, and possible concessions from which EU Member States can choose. This may, however, have a negative impact on the comparability of accounting data across countries. EU Member States should not impose any additional requirements on micro-undertakings and this should reduce their administrative burden in comparison with undertakings in higher size categories (Žárová, 2013).

The Directive was to be incorporated into the laws of EU Member States with effect from no later than 1 January 2016. Some EU Member States adopted the Directive in several steps, others only in one. In the Czech Republic there was an amendment made to Act 563/1991 Coll. on Accounting. After the Directive was implemented by EU Member States, there appeared some differences in the

criteria according to which undertakings were classified. It was due to the fact that the level of value criteria was only recommended by the Directive. Some EU Member States adopted the values exactly as recommended by the Directive; others partially adjusted these values.

Some differences also arose in connection with the conversion of values into national currencies in non-euro area countries (Broz, 2010; Ozimkovska and Kubiela, 2013). The values in euros valid as of 1 January 2016 are given in Tab. 1. According to Zager and Decman (2016), there is a tendency to make the scope and content of external financial reporting proportionate to the size of the undertaking.

As mentioned above, micro-undertakings account for the majority of the total number of undertakings. A study whose aim was the quantitative and qualitative assessment of the application of a simplified regime of reporting for micro-undertakings, as defined in the Directive, found that at the end of 2016 there were 16.8 million limited liability companies in the EU. Among these undertakings were 14.2 million undertakings (84.4%) that would be classified as micro-undertakings according to the maximum criteria set out in the Directive and 11.7 million undertakings (69.7%) according to the national size criteria in the 22 EU Member States that introduced a very simplified regime (De Groen et al., 2019). According to Martyniuk and Martyniuk (2020), in almost all countries of Central and Eastern Europe about 90% of undertakings can prepare condensed financial statements, but it has some limitations for decision-making. Challinor (2019) explains that simple accounting procedures for micro-undertakings are those that do not need to contain any detailed information but must be comprehensible to users.

This can save time and reduce administrative costs of the smallest undertakings. For these undertakings, the burden of financial reporting may be disproportionate, compared to other small undertakings. In reality, however, there are advantages and disadvantages to the application of reduced requirements in the accounting of micro-undertakings, especially in the area of disclosure. According to Poniatowska (2015),

the usefulness and applicability of financial statements of micro and small undertakings for external and internal users are debatable. Krzysztof (2015) pointed out that the scope of information (especially for micro-undertakings) is too limited and could cause problems in practice, e.g., making capital less accessible. Therefore, he suggests a cautious approach to simplification and selection according to the needs of a particular entity, in particular because there are a large number of these entities.

White (2018) notes that the simplified regime for micro-undertakings is generally not recommended for audited undertakings. He states that under the simplified regime, if accounting rules differ, the economic result may vary. Nowadays, the economic impact of the pandemic is being monitored; it has already been

felt by micro and small undertakings which often operate in the sectors which have been hit very hard. It is expected that these undertakings will suffer significantly from liquidity constraints compared to the undertakings which belong to higher size categories. In this context, more than ever, there is a need to support micro-undertakings by reducing their administrative burdens, as stated in the study by Baiocco et al. (2020). At this point, however, it is necessary to emphasize the results of the study by De Groen et al. (2019) that most micro-undertakings are not aware of the possibilities of reducing their administrative burden. The reason for this is the lack of information about these possibilities in the Directive or the non-adoption of simplification in their accounting systems and the very limited perception of financial statements.

3 METHODOLOGY AND DATA

The aim of the paper is to evaluate the level of the criteria adopted for defining micro-undertakings in the V4 in relation to the intended reduction in their administrative burden. The impetus for this research was the fact that in the Czech Republic most companies are categorized as micro undertakings. The administrative burden, however, cannot be reduced for all existing micro undertakings because the informative value of their financial statements would be significantly reduced. A more significant reduction in the administrative burden can therefore be made for the smallest ones. The paper has the ambition to recommend criteria that would be adopted for the definition of micro undertakings just with regard to the above-mentioned facts.

An analysis was carried out of the introduction of micro-undertakings on the basis of the criteria and their values adopted by the V4 countries. The data for this study came from the Amadeus database and the micro-undertakings were filtered for the V4 countries and Germany. Germany was selected as a representative of advanced countries within the EU and as a country which has close economic

connections with Czech undertakings. As stated by Albu et al. (2013), developed economies also tend to have high quality financial statements. Data filtration was based on the criteria values accepted by all states and on the condition that there were always two arbitrary criteria that micro-undertakings could not exceed, which was exactly in line with the logic of the Directive. The total number of undertakings in the V4 countries and in Germany filtered from the Amadeus database was used to calculate the share of micro-undertakings in the total number of undertakings. Then the adjusted number of these micro-undertakings was determined and some meaningless values such as the negative balance or the negative net turnover were ignored. The undertakings were organized in ascending order according to the values of the criteria examined (balance sheet total, net turnover, and the average number of employees) and then the number of micro-undertakings corresponding to the third quartile in this data set was established. Then, it was possible to determine the value of the criteria corresponding to the 75th percentile of data in EUR. Some proposals for a reduction in

the number of micro-undertakings in relation to a possible reduction in their accounting requirements were made. With regard to the results of the filtered data, a reduction in the implemented criteria values to half was proposed. Further tightening meant that none of the criteria must be exceeded.

The methods of scientific work used in this study were mainly methods of description, analysis, synthesis, induction, deduction and modelling. Of specific financial reporting methods, the method of recognition of the main elements of financial statements and the method of valuation of the elements of financial statements were

applied. In the Czech Republic and Slovakia, a questionnaire survey was also conducted. Its purpose was to examine whether the goal of the Directive was achieved. The goal was to improve the conditions for micro-undertakings, namely to reduce the administrative burden while increasing the competitiveness of these undertakings. Some 645 micro-undertakings in the Czech Republic and 300 micro-undertakings in Slovakia were asked to participate in the questionnaire survey whose purpose was to investigate the characteristics of micro-undertakings and to find out whether the implementation of the Directive brought the expected benefits.

4 RESULTS

4.1 The Categorization of Undertakings

Tab. 1 shows the categorization of undertakings on the basis of recommended values in accordance with Directive 2013/34/EU and also adjusted values in the V4 countries and in Germany. The undertakings were categorized into four size groups, namely micro, small, medium-sized and large.

The following conclusions can be drawn from Tab. 1. The criteria values which were recalculated by rates are approaching the levels recommended by the Directive. The Czech Republic is the only member of the V4 that in agreement with the Directive implemented a breakdown of undertakings and categorized them as micro, small, medium-sized and large. The other V4 countries did not include the category of medium-sized undertakings in their national legislation.

The absence of this category shows that the values of the criteria for large undertakings do not match the criteria in the Czech Republic. The Slovak Republic, Poland and Hungary include more undertakings in the category of large undertakings in comparison with the Czech Republic. The difference can also be seen in the criterion of the average number of employees. The V4 countries set the value of the criterion for large undertakings to 50.

So, the average number of employees for a large category is substantially smaller than the value recommended by the Directive, which is set to 250 employees. This recommended value was implemented only in the Czech Republic. The criterion of net sales for micro-undertakings in all V4 countries is lower than that set by the Directive. However, this difference cannot be considered to be significant. As for micro-undertakings, Germany used the value proposed by the Directive and did not take advantage of the opportunity to change the values of the criteria. However, the category of small undertakings deviated from the Directive.

The criteria in each country are converted from domestic currencies using the exchange rate of the Czech National Bank as of 1 January 2016.

4.2 Micro-Undertakings in the V4 Countries

This section analyzes micro-undertakings in the V4 countries using the data from the Amadeus database. The filtered sample was 78,821 micro-undertakings for the Czech Republic, 149,277 for the Slovak Republic, 284,778 for Hungary, and 23,777 for Poland.

The small number of micro-undertakings in Poland is the result of the publication of financial statements required of micro-undertakings.

Tab. 1: The categorization of undertakings of the V4 countries and Germany (Balance sheet total and Net turnover in thousands of EUR)

Category of undertakings	Criterion*	Czech Rep. (CZ)	Slovakia (SK)	Poland (PL)	Hungary (HU)	Germany (GE)	Directive
Micro	Balance sheet total	0–333	0–350	0–352	0–316	0–350	0–350
	Net turnover	0–666	0–700	0–704	0–633	0–700	0–750
	Average number of employees	0–10	0–10	0–10	0–10	0–10	0–10
Small	Balance sheet total	333–3,700	350–4,000	352–3,987	316–3,798	350–6,000	350–4,000
	Net turnover	666–7,401	700–8,000	704–7,974	633–7,595	700–12,000	750–8,000
	Average number of employees	10–50	10–50	10–50	10–50	10–50	10–50
Medium-sized	Balance sheet total	3,700–18,501				6,000–20,000	4,000–20,000
	Net turnover	7,401–37,003				12,000–40,000	8,000–40,000
	Average number of employees	50–250				50–250	50–250
Large	Balance sheet total	18,501+	4,000+	3,987+	3,797+	20,000+	20,000+
	Net turnover	37,003+	8,000+	7,974+	7,595+	40,000+	40,000+
	Average number of employees	250+	50+	50+	50+	250+	250+

Source: Based on Directive 2013/34/EU and national accounting legislation.
*) The condition: On the balance sheet, the undertaking does not exceed more than one criterion.

They are required to disclose financial statements only if the proceeds (up to the last balance sheet date) exceed €2,000,000. Therefore, Poland’s results will be highlighted as they are rather distorted.

In the survey, the number of micro-undertakings from the Amadeus database was filtered for the countries surveyed for the criteria examined. Some meaningless values such as the negative balance or the negative turnover were ignored. The values of the criteria were organized in ascending order and the number of micro-undertakings corresponding to the third quartile was determined.

Then it was possible to determine the value of the criteria corresponding to the 75th percentile of data in EUR. The values corresponding to the 75th percentile were used in accordance with European Commission (2012), which states that micro-undertakings account for 75% of the total number of undertakings in the European Union. Our study based on the data from the Amadeus database showed that micro-undertakings in the Czech Republic only account for 68%. However, according to the study by Skálová (2011), micro-undertakings constitute about 96% of all undertakings. It is necessary to consider the inaccuracy of this data, which results from the

Tab. 2: The categorization of undertakings of the V4 countries and Germany

Country	Number of micro-undertakings	Adjusted number of micro-undertakings			Number of micro-undertakings in the third quartile of adjusted number			Value of the criterion (EUR) in the 75th percentile		
		Balance sheet total	Net turnover	Average number of employees	Balance sheet total	Net turnover	Average number of employees	Balance sheet total	Net turnover	Average number of employees
CZ	78,821	64,839	59,107	48,614	48,630	44,331	36,461	67,000	78,000	3
SR	149,277	123,369	119,038	79,610	92,758	90,779	59,708	34,000	85,000	3
HU	284,778	234,161	193,960	193,960	175,621	145,470	145,470	31,000	40,000	4
PL	23,777	23,596	23,580	999	17,697	17,685	749	67,000	297,000	5

Source: Based on Amadeus database data.

Tab. 3: The categorization of undertakings of the V4 countries and Germany

Country	Directive/ Proposal	Definition of undertakings	Number of undertakings	Share in the total of undertakings (%)	Micro-undertakings 1 share (%)
CZ	Directive	Undertakings total	115,536	100.00	–
		Micro-undertakings 1	78,821	68.22	100.00
		Micro-undertakings 2	28,396	24.58	36.03
	Proposal	Undertakings total	115,536	100.00	–
		Micro-undertakings 1	68,340	59.15	100.00
		Micro-undertakings 2	16,645	14.41	21.12
SR	Directive	Undertakings total	240,769	100.00	–
		Micro-undertakings 1	149,277	62.10	100.00
		Micro-undertakings 2	55,810	23.18	37.39
	Proposal	Undertakings total	240,769	100.00	–
		Micro-undertakings 1	137,551	57.13	100.00
		Micro-undertakings 2	38,595	16.03	25.85
HU	Directive	Undertakings total	395,060	100.00	–
		Micro-undertakings 1	284,778	72.08	100.00
		Micro-undertakings 2	125,674	31.81	44.13
	Proposal	Undertakings total	395,060	100.00	–
		Micro-undertakings 1	262,076	66.34	100.00
		Micro-undertakings 2	103,709	26.25	36.41
PL	Directive	Undertakings total	99,314	100.00	–
		Micro-undertakings 1	23,596	23.76	100.00
		Micro-undertakings 2	453	0.46	1.92
	Proposal	Undertakings total	99,314	100.00	–
		Micro-undertakings 1	18,175	18.30	100.00
		Micro-undertakings 2	368	0.37	1.56

Source: Based on Amadeus database data.

inclusion of only one criterion (average number of employees) in determining the proportion of micro-undertakings. The results of this analysis are summarized in Tab. 2.

The data in Tab. 2 show that the micro-undertakings in the V4 countries have criteria values significantly lower than those implemented in their national adaptations under the Directive. The question therefore arises as to whether it would be appropriate to reduce these values or possibly to introduce a breakdown of micro-undertakings into several categories in the light of the considerations of reducing their administrative burden.

For all countries, it would be appropriate to tighten the condition of categorization, e.g., to reduce the criteria. The proposal, as shown

in Tab. 3, reduces the values of criteria to half of their implemented value. Tightening is examined in Micro-undertakings 1, which under the Directive may exceed a maximum of one criterion, and in Micro-undertakings 2, where no criterion must be exceeded. This applies to all countries and proposals in Tab. 3.

It is clear from Tab. 3 that with the exception of Poland (with regard to the non-disclosure of financial statements it has no informational value for comparison) the micro-undertakings account for more than 50% of all undertakings in the other V4 countries. So, the changes to reduce the administrative burden placed on these undertakings should reflect their large number.

Under the change proposed (none of the accepted criteria can be exceeded), the share of micro-undertakings in the total number of undertakings in all the V4 countries would fall. At the same time, this would reduce the number of micro-undertakings by about 60% in all the V4 countries (with the exception of Poland).

If the proposal to reduce the value criteria by half was accepted, micro-undertakings would again represent a smaller group of all undertakings. If the condition that no criterion must be exceeded was imposed, the share of micro-undertakings in all undertakings would be 14.41% in the Czech Republic, 16.03% in Slovakia, and 26.25% in Hungary. Tab. 3 shows a potential reduction in the number of micro-undertakings in individual V4 countries.

4.3 Micro-Undertakings in Germany

For further comparison, Germany was selected as a representative of advanced countries within the EU. It also has close economic ties with Czech undertakings. As in the case of the V4 countries, the data and the results shown in Tab. 4 and 5 were filtered in the same way.

Tab. 4: The categorization of undertakings of the V4 countries and Germany

<i>Number of micro-undertakings</i>	58,987
<i>Adjusted number of micro-undertakings</i>	
Balance sheet total	51,434
Net turnover	24,963
Average number of employees	58,553
<i>Number of micro-undertakings belonging to the third quartile from the adjusted ones</i>	
Balance sheet total	38,576
Net turnover	18,723
Average number of employees	43,915
<i>Value of the criterion (EUR) in the 75th percentile</i>	
Balance sheet total	214,000
Net turnover	700,000
Average number of employees	6

Source: Based on Amadeus database data.

From Tab. 4 and 5 it is clear that the setting of the criteria values according to the Directive is logical for this country with respect to the filtered number. The proportion of micro-undertakings in line with the Directive is about 15% of all undertakings. In this case, reducing the values would be meaningless.

5 RESEARCH OF A QUESTIONNAIRE SURVEY

Some 645 micro-undertakings in the Czech Republic and 300 in Slovakia were asked to participate in the questionnaire survey. The response rate of the questionnaires was only 10% in the Czech Republic and 12% in Slovakia. The low response rate can be explained by the sensitivity of the information required.

The questions in the questionnaire focused on the characteristics of the micro-undertakings and on finding out whether the administrative burden was reduced after the implementation of the Directive.

In both countries the most frequently mentioned legal form of micro-undertakings is a limited liability company and the most frequently represented business activity is providing services. Within the size criteria (the average number of employees, balance sheet total and net turnover) it was found out that in the Czech

Republic almost 78% of micro-undertakings have the number of employees in the range of 0 to 4. It can also be stated that almost 82% of micro-undertakings reach the balance sheet total of not more than 65 thousand euros. Net turnover of not more than 110 thousand euros was in more than 86% of micro-undertakings. These percentages are considered significant as they represent over 75% of occurrence. Thus, it can be concluded that the aforementioned intervals gathered from the responses of the respondents refer to a typical representative of micro-undertakings in the Czech Republic. A typical micro-undertaking in Slovakia is an undertaking with one to four employees, the net turnover of not more than 80 thousand euros and the balance sheet total of not more than 50 thousand euros.

Tab. 5: Micro-undertakings in Germany in accordance with the Directive and the proposal

Directive/ Proposal	Definition of undertakings	Number of undertakings	Share in the total of undertakings (%)	Micro-undertakings 1 share (%)
Directive	Undertakings total	404,366	100.00	–
	Micro-undertakings 1	58,987	14.59	100.00
	Micro-undertakings 2	8,217	2.03	13.93
Proposal	Undertakings total	404,366	100.00	–
	Micro-undertakings 1	33,131	8.19	100.00
	Micro-undertakings 2	3,550	0.88	10.72

Source: Based on Amadeus database data.

The second part of the questionnaire examined in what form the micro-undertakings prepare their balance sheets and whether they publish their profit and loss statements voluntarily. It also explored whether in connection with the new Accounting Act the micro-undertakings noticed a reduction in the administrative burden and whether they experienced a competitive advantage as a result of being classified as micro-undertakings.

It was found out that in the Czech Republic 80% of the accounting entities surveyed prepare the abridged balance sheet for micro-undertakings; however, only 62% of them believe that this form is sufficient. As for the publishing of financial statements in the Collection of Deeds, the alarming fact was that only 28% of micro-undertakings comply with the obligation to file financial statements. However, none of the undertakings that file the financial statements in the Collection of Deeds voluntarily disclose their profit and loss statements. A surprising finding was related to the reduction in the administrative burden. None of the entities noted the reduction. Some

even stated (those applying for loans from banks) an increase in administrative duties. In order to get a loan, the undertakings have to prepare full financial statements.

It was also confirmed in the sample of the undertakings that they did not gain any competitive advantage compared to the undertakings of large size categories. Thus, one of the goals of the Directive was not confirmed, namely the reduction in the administrative burden and the simplification of the business environment for micro-undertakings in the Czech Republic. Similar results were achieved in Slovakia except for the publication of financial statements as all the undertakings surveyed meet this obligation. Like in the Czech Republic, none of them voluntarily publish their profit and loss statements. The result of the questionnaire survey is that one of the goals of the Directive was not confirmed, namely the reduction in the administrative burden and the simplification of the business environment for micro-undertakings both in the Czech Republic and in Slovakia, as it was also stated by De Groen et al. (2019).

6 DISCUSSION AND CONCLUSIONS

The main benefit of adopting the Directive was a reduction in the administrative burden on micro-undertakings. To create a framework for administrative simplification for micro-undertakings is certainly a step in the right direction; however, it is alarming that according to the current categorization, a majority of undertakings in the V4 countries fall into this category. This conclusion is based on the

data filtered from the Amadeus database. The filtered sample was 78,821 micro-undertakings for the Czech Republic, 149,277 for the Slovak Republic, 284,778 for Hungary, and 23,777 for Poland. The values for the net turnover (700 thousand EUR), the balance sheet total (350 thousand EUR), and the average number of employees (10) are too high for these countries. The data in Tab. 2 show that the

micro-undertakings in the V4 countries have the criteria values significantly lower than those implemented in their national adaptations under the Directive. The question therefore arises as to whether it would be appropriate to consider reducing these values or, possibly, dividing micro-undertakings into several subcategories in the light of the considerations of reducing the administrative burden.

We believe that it is necessary to consider changes that would reduce the values of the benchmarks in the countries under study. This idea is also supported by the data filtered for Germany as a representative of advanced EU countries, where only 15% of the total number of undertakings (Tab. 5) are micro-undertakings, according to the values implemented by Germany in its accounting treatment under the Directive. One possible solution is that micro-undertakings should not exceed any of the criteria adopted. This would reduce their share in the total number of undertakings to around 25% in the Czech Republic, 23% in Slovakia, and 32% in Hungary. These findings come from Tab. 3. For the reasons outlined above, Poland is not mentioned. It is also possible to reduce the values of the accepted criteria in accordance with the Directive. The proposal in this paper reduces them to half.

If micro-undertakings could not exceed any of the criteria, their share in the total number of undertakings in the Czech Republic would be 14%, in Slovakia 16% and in Hungary 26%. The share of micro-undertakings would decrease by 79% in the Czech Republic, by 74% in the Slovak Republic and by 64% in Hungary. If we compare the newly defined micro-undertakings with the current ones, their number will be 21% in the Czech Republic, 26% in the Slovak Republic and 36% in Hungary. This is shown in Tab. 3. If the number of micro-undertakings was reduced, it would be possible to adopt some other options to reduce the administrative burden, even while respecting the fact that undertakings preparing financial statements may use a limited number of accounting methods which do not always record the economic transactions accurately, as also stated by Procházka (2015). The options are, for example, to reduce the administrative burden through the abolition

of the accruals in accounting and to permit them to use the cash method. The advantage of the cash basis accounting method is that it is already legally regulated in the Czech Republic by the Accounting Act for selected non-state non-profit organizations. The possibility of using the cash basis accounting method would certainly be only limited to the smallest micro-undertakings. On the contrary, the removal of the requirement to use double-entry bookkeeping could lead to lower transparency and comparability of financial statements. This could result in information asymmetry.

The added value of the paper can be seen in the proposals for a new possible definition of micro undertakings. An important impetus for the creation of the submitted proposals was the results of a study carried out by CEPS (De Groen et al., 2019), which state that the implementation of the Directive in the V4 countries did not significantly reduce the administrative burden. This is also reflected in the results of the questionnaire survey conducted in the Czech Republic and Slovakia where the respondents said that they did not feel any reduction in the administrative burden. Nor did they see any competitive advantage. This may be due to the fact that most undertakings in the V4 countries under study are just micro-undertakings. A further reduction in the administrative burden placed on micro-undertakings can be considered only if there is a significantly smaller number of entities than now. To achieve this, it is important either to reduce the criteria values or to introduce an additional condition (as mentioned in the paper). It is also possible to consider introducing a finer categorization of micro-undertakings. A new group of micro-undertakings (the smallest ones that yet have to be defined) could be the micro-undertakings that would use simplified double-entry bookkeeping (that yet has to be newly and precisely defined) with simple and comprehensive rules, accounting methods and statements. In its current form, it is not suitable for the intended group of micro-undertakings because it does not reduce the administrative burden. For this reason, it is needed to find a comprehensive solution for these undertakings that would combine the approach of business law with accounting and taxation.

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