Director's Order No. 67/2019

of 31 December 2019

of the Director of the Bohdan Dobrzański Institute of Agrophysics,

Polish Academy of Sciences in Lublin

concerning:

the introduction of the "Accounting Principles (Policy)"

and the Company Chart of Accounts

Pursuant to Article 10(2) of the Accounting Act of 29 September 1994 (Journal of Laws No. 121, item 591, as amended), Order No. 41 of the Minister of Finance of 14 August 1991 "on detailed principles of the financial management of units of the Polish Academy of Sciences" (Official Journal of the Minister of Finance No. 12/91, item 60), and the Act of 30 April 2010 on the Polish Academy of Sciences (Journal of Laws No. 96, item 615),

the attached "Accounting Principles (Policy) at the Institute of Agrophysics, PAS in Lublin" are hereby introduced as binding from 1 January 2020.

This Order enters into force on the date of signature.

Lublin, 31-12-2019

DOCUMENTATION OF THE ACCOUNTING PRINCIPLES (POLICY)

at the Institute of Agrophysics, PAS in Lublin

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1. General principles of keeping the books of account

For the keeping of its books of account, the Institute of Agrophysics, Polish Academy of Sciences applies the accounting principles set out in the Accounting Act of 29 September 1994, as amended, i.e.: the true and fair view principle, the substance-over-form principle, the consistency principle, the going-concern principle, the accrual principle, the matching principle (matching of revenues and costs), the prudence principle, the individual valuation principle and the materiality principle, as well as internal regulations concerning the keeping of the books of account, accounting documents and inventory-taking.

Any changes to the established principles require written form.

1.1. Place of keeping the books of account

The books of account of the Institute are kept at the registered office of the entity in Lublin, ul. Doświadczalna 4, in the Polish language and in the Polish currency, in złoty and grosz.

1.2. Determination of the financial year and of the reporting periods comprised in it

The accounting period of the entity is the calendar year, beginning on 1 January and ending on 31 December.

The books of account are closed as at the day ending the financial year.

The financial year comprises interim reporting periods, which are successive calendar months, quarters or other periods, depending on the type of report.

1.3. Technique of keeping the books of account

The books of account are kept on a current basis, reflecting the actual state of affairs and ensuring the completeness of recognition of all business transactions in accordance with their economic substance.

The books of account are kept by computer, using SAGE SYMFONIA software supporting their maintenance.

The computer program used in the entity ensures that the individual data sets constituting the books of account are linked into a single whole reflecting the journal and the general ledger. The journal makes it possible to reconcile its turnover with the turnover of the trial balance (statement of turnover and balances) of the general ledger accounts.

Bookkeeping records on the general ledger accounts satisfy the following principles:

1. the double-entry principle,

2. systematic and chronological keeping of records on the general ledger accounts,

3. as regards journal entries: ensuring the chronological recognition of events, sequential numbering, continuity of the totalling of entries, and the possibility of unambiguous linkage to verified and approved accounting documents.

Details concerning the data processing system and the list of data sets constituting the books of account on computer data carriers are set out in the program's user documentation.

The entity's books of account comprise:

- the journal, consisting of entries grouped according to accounting registers;
- general ledger accounts serving the chronological and systematic recognition of all events and business transactions (synthetic accounts);

- subsidiary ledger accounts (analytical accounts);
- statements: of the turnover and balances of the general ledger accounts and of the balances of the subsidiary ledger accounts.

The subsidiary ledger accounts (analytics) contain entries which detail and supplement the entries on the general ledger accounts. The ongoing updating of the synthetic and analytical accounts does not require a separate order.

Subsidiary ledger accounts are kept for:

- fixed assets,
- intangible assets,
- fixed assets under construction,
- investments,
- inventories,
- settlements with customers and suppliers,
- public-law settlements,
- settlements with employees,
- other settlements,
- costs by nature,
- costs by source of financing (Class 5 accounts),
- prepayments and accruals of costs,
- depreciation and amortisation write-offs,
- sales transactions,
- detailed records for VAT purposes,
- records of assets and liabilities material to the entity.

1.4. Principles of recognising revenues and costs

Pursuant to the Regulation of the Minister of Science and Higher Education of 20 December 2010 on the detailed procedure of financing and the financial management of the Polish Academy of Sciences and its scientific institutes (Journal of Laws of 2010, No. 254, item 1707), the revenues of the Institute are:

- the subsidy to cover the costs of the Institute's current activity,
- the targeted grant for tasks in the field of education at doctoral studies,
- the targeted grant for financing investments carried out by the Institute,
- the grant for the maintenance of a special research facility,
- revenues from research projects carried out by the Institute and financed by the National Centre for Research and Development, the National Science Centre and the Ministry of Science and Higher Education,
- revenues from tasks carried out with funds from European Union structural funds,
- revenues from business activity,
- revenues from the sale and use of the Institute's property and property rights,
- donations, inheritances and bequests,
- financial resources from other sources.

Subsidy funds received from the Ministry of Science and Higher Education are recognised during the year on the deferred income account, whereas at the end of the year they are recognised in full as revenue, irrespective of the amount of costs incurred, excluding that part of the subsidy which was used to finance the purchase of non-current assets with a unit initial value above PLN 10,000, as well as any capital expenditure. Those funds are released to other operating revenues up to the amount of the depreciation write-offs made over the adopted depreciation period.

In the case of the acquisition, production or modernisation of assets from financial resources earmarked for a given source of financing (projects, statutory tasks), the outlays are recorded on the fixed-assets-under-construction account in correspondence with the other asset accounts, in order to enable the settlement and reporting of individual tasks or projects, in addition to the cost accounts in Class 5.

Activities financed by grants are settled by the Institute at the end of the financial year, unless the agreement provides for different settlement rules.

Financial resources not used in the year for which the grant was awarded are carried over to the following year, unless the provisions arising from the award decision state otherwise.

Research projects financed by the NCN, the NCBR and the MNiSW are recorded on separate cost accounts of Classes “5” and “6” in accordance with the applicable accounting policy, unless the competition rules and the provisions arising from the agreement expressly determine the manner of settlement.

The sale of research projects takes place after the completion of the project and receipt of the entire financing for its implementation; until that time, the costs incurred in carrying out the research project constitute work in progress.

The Institute accounts for costs by nature on Class “4” accounts and in the calculation (by-function) format on Class “5” accounts.

The Institute allocates administrative (management) costs:

- to statutory activity – according to an allocation key, i.e. each research task is charged with the value of an overhead ratio calculated according to the formula: overhead ratio = administrative costs / (sum of salaries + ZUS (social insurance) contributions in statutory activity tasks),
- to research projects – in accordance with the cost eligibility rules of the project and the budget estimate constituting an annex to the project agreement,
- to other tasks – in accordance with a Director's Order of the Institute.

The Institute keeps records of the revenues and costs of projects financed or co-financed from European Union funds within a separate type of activity, and assigns each project a separate record number.

The general rules applied at the Institute are used for the implementation of a project, unless other solutions are imposed by the project agreement.

A separate bank account is opened for a project, which may be maintained in a foreign currency or in Polish złoty if the co-financing agreement so provides.

Cost records are kept according to the general rules in force at the Institute, with separate analytical accounts for the project.

The costs of the construction or improvement of fixed assets are recorded according to the general rules on the “Fixed assets under construction” account, with the analytical separation of individual outlays. All costs incurred during the period of construction, assembly and adaptation are recorded on this account on an ongoing basis, in accordance with the itemised list of outlays.

Fixed assets financed from EU funds are depreciated according to the general rules set out in the Accounting Act.

The amount of a grant received as EU aid and recognised as deferred income is recognised in other revenues proportionally to the depreciation write-offs.

EU grants and the costs of undertakings other than the construction and improvement of fixed assets are recorded and settled as operating costs on Class "4" and "5" accounts.

As at the date of settlement of a project, the financial resources received from the European Union are settled up to the amount of the costs incurred, in correspondence with the "Deferred income" account and a Class "7" account, in such a way as to ensure their matching with the related costs.

Payments are made directly from the separate bank account appropriate for the given project. Costs relating to the project but incurred from the main account are reimbursed depending on the funds held in the project's separate account. In the case of pre-financed projects, the project's separate bank account is topped up with funds from the main account before payment is made. The basis for the settlement of EU funds are the book entries made on the basis of the proper accounting documents.

If, in a project, input VAT on goods and services is not recognised as eligible, its records are kept on a separate ledger account, and the unit implementing the project indicates another source of financing.

1.5. Records for the purpose of determining the amount of corporate income tax

The core activity of the Institute, as defined by the Act of 30 April 2010 on the Polish Academy of Sciences, is exempt from income tax on the terms set out in the Corporate Income Tax Act. At the Institute, only income spent on purposes other than statutory purposes is subject to taxation.

Spending income on purposes other than statutory purposes generates a tax liability, even where a tax loss is incurred or zero income is reported in the current period.

In order to correctly determine the amount of taxation with corporate income tax, the Institute determines, off-balance-sheet, the costs which are not recognised as connected with the statutory activity of the Institute.

1.6. Methods and dates of inventory-taking of assets

Methods of inventory-taking of assets

The following methods of carrying out inventory-taking are used at the Institute:

- physical count,
- confirmation of balances,
- verification of book records.

1. Inventory-taking by physical count consists in counting and recording the quantities of tangible assets and determining their quality by inspection.

The following are inventoried in this way:

- cash in hand,
- securities,
- fixed assets,
- apparatus and equipment constituting components of work in progress,
- apparatus and equipment forming part of fixed assets under construction,
- other tangible assets.

The units concerned are notified of the results of the physical count of assets owned by other (third-party) units.

2. Inventory-taking by confirmation of balances consists in obtaining from counterparties written information on the balances of funds, loans and settlements recorded in their books of account. The balances of the following assets and liabilities may be inventoried in this way:

- financial assets held on bank accounts or held by other entities (including cash),
- bank loans,
- receivables balances,
- payables balances,
- balances of loans granted and received.

Written confirmation of balances is not required for:

- settlements with natural persons and with business entities not keeping books of account,
- settlements subject to court proceedings or enforcement proceedings,
- receivables from and liabilities to employees,
- public-law settlements.

3. Inventory-taking by verification consists in establishing the correct and realistic book balances of assets and liabilities not subject to physical count or confirmation. It is carried out by comparing the balances of assets or liabilities with the appropriate documents and with the facts existing as at a given date. The following are covered by this type of inventory-taking at the entity:

- fixed assets to which access is significantly hindered,
- land,
- fixed assets under construction and investments in third-party fixed assets,
- fixed assets leased out,
- financial assets (shares, other financial assets),
- deliveries in transit,
- disputed and doubtful receivables,
- prepayments and accruals of costs,
- equity (funds),
- provisions,
- liabilities in respect of uninvoiced deliveries,
- public-law settlements,
- liabilities to employees,
- special funds,
- claims in respect of shortages and damage,
- data subject to disclosure in the financial statements and arising from records on off-balance-sheet accounts,
- other assets and liabilities, if carrying out a physical count or confirmation of them was not possible for justified reasons.

Dates of inventory-taking of assets

The following frequency of inventory-taking of assets is established:

a) every 4 years – a physical count of assets located on guarded premises:

- fixed assets,
- machines and equipment forming part of fixed assets under construction,
- machines and equipment being components of unfinished production,

- intangible assets;

b) every year:

- the remaining assets and liabilities.

Taking into account the frequency specified in point 1, the following inventory-taking dates are established:

a) as at the balance-sheet date of each reporting year, the following are inventoried:

- cash assets,
- bank loans,
- securities,
- inventories of work in progress (unfinished production),
- those assets and liabilities whose balances are established by way of verification of records;

b) in the last quarter of the reporting year:

- fixed assets,
- fixed assets under construction,
- materials,
- receivables balances,
- balances of loans granted and received,
- the entity's own assets entrusted to other units,
- assets owned by other units.

Inventory-taking is also carried out in the following cases:

- a change of the materially responsible person,
- random events or other causes as a result of which the state of the assets has been disturbed.

2. Accounting documents

1. The basis for making an entry in the books of account are accounting documents:

a) external third-party documents – received from counterparties;

b) external own documents – passed on in the original to counterparties;

c) internal own documents – drawn up by employees of the Institute, in particular posting orders for salary commitments and internal documents concerning the settlement of value added tax in intra-Community transactions;

d) substitute documents – issued on the basis of an external third-party source document;

e) correcting documents – constituting the basis for correcting previous entries in the books of account.

2. Accounting documents are kept in the financial-accounting and HR-payroll service department of the Institute.

3. An accounting document contains the elements specified by the provisions of law and, additionally, in the form of a description, an indication of the purpose of the purchase and of the source of financing of the expenditure.

4. Accounting documents are subject to substantive control, formal-arithmetical control and control of compliance with the provisions of the Public Procurement Law.

5. Substantive control is carried out by the persons responsible for effecting the given business transaction; in the case of research projects, this is the project leader or a person authorised by the project leader.

6. Formal-accounting control is carried out by authorised employees of the financial-accounting service department.

7. Confirmation that the substantive and formal-arithmetical control of an accounting document has been carried out is evidenced by the date and signature of the verifying person.

8. Each document is approved by the signatures of the Director and the Chief Accountant of the Institute.

8. [as numbered in the original] Where aggregate transactions are recognised in the books of account, the latest transaction date arising from the aggregate statement is taken as the date of the business transaction.

10. The numbering of accounting documents is assigned automatically by the accounting module (F-K) after the book entry has been input and confirmed. For each accounting register, the numbering contains the year, the month and the consecutive number of the accounting document.

3. Applicable methods of valuation of assets and liabilities and of determining the financial result

The accounting principles applied by the entity are adapted to the provisions arising from the Accounting Act of 29 September 1994 (Journal of Laws No. 121, item 591; Journal of Laws of 2002, No. 76, item 694, as amended).

3.1. Applicable principles of valuation of assets and liabilities

1) Principles of recording fixed assets and intangible assets

The following are recognised as fixed assets:

- land (including the right of perpetual usufruct of land),
- buildings,
- civil and water engineering structures,
- machines and equipment,
- means of transport,
- other objects,

which are complete and fit for use at the moment of being taken into use, have an expected period of use longer than one year, and are intended for the entity's own needs or to be handed over for use under a rental agreement, a lease agreement or another agreement of a similar nature.

When classifying individual tangible assets as fixed assets, the Institute takes into account the criteria set out in the Accounting Act and the materiality principle defined in that Act. This means that objects of low unit value which meet the criteria required by the Act for fixed assets may, but need not, be classified as fixed assets.

In view of the above, the Institute enters into the fixed assets register those tangible assets which have an expected period of use longer than one year and a value as specified in the Corporate Income Tax Act, i.e. PLN 10,000.

Assets with an expected period of use longer than one year and an initial value lower than the lower threshold for fixed assets are charged to the costs of consumption of materials; however, for the purpose of exercising supervision over the Institute's property, equipment with a value of between PLN 1,500 and PLN 10,000 is recorded off-balance-sheet.

Scientific and research apparatus purchased from the funds of the Institute's statutory activity or research projects, with a value above PLN 10,000, is entered in the fixed assets register at the moment it is taken into use, or in accordance with the conditions set out in the agreement (in the case of some NCN research projects – after the completion of the grant).

Apparatus entered in the fixed assets register in the course of the financial year is depreciated:

- by the straight-line method, at the rates adopted in the Income Tax Act. Where the rate specified in the annex differs significantly from the expected period of use, the Director of the Institute, at the written request of the leader of the task or research project, decides on setting a rate reflecting the appropriate period of use;
- in the case of funds for research projects awarded in competitions on the basis of the Act of 30 April 2010 on the principles of financing science, scientific and research apparatus produced or purchased within funds for conducting scientific research is depreciated at 100% in the month it is taken into use, pursuant to Article 22a of that Act.

A condition for the one-off charging of apparatus to costs is that it meets the definition of apparatus in accordance with GUS (Statistics Poland) and that it is indispensable for the performance of the tasks specified in the agreements.

If the project agreement contains a condition that the scientific and research apparatus increases fixed assets after the completion of the research project, it is entered in the register as a fixed asset depreciated at 100%.

These procedures are of a transitional nature and apply exclusively to scientific and research apparatus purchased from funds awarded in competitions whose financing is defined in Article 5(1)–(4) and (7)–(10) of the Act of 30 April 2010 on the principles of financing science. In all other cases, the general depreciation rules apply.

Fixed assets under construction are – in accordance with Article 3(1)(16) of the Accounting Act – fixed assets classified as non-current assets during the period of their construction, assembly or the improvement of an already existing fixed asset. Fixed assets under construction are therefore understood as outlays incurred on the construction, or the purchase and assembly, of new fixed assets, or on the improvement of already existing ones, for as long as these activities have not been completed; however, at present all fixed assets are recorded temporarily on the fixed-assets-under-construction account in order to facilitate the settlement of the subsidy and grants in their investment part.

A fixed asset is classified on the basis of the Regulation of the Council of Ministers of 10 December 2010 on the Classification of Fixed Assets (KŚT) – Journal of Laws of 2010, No. 242, item 1622 – at the rates specified in the “List of annual depreciation rates”.

Depreciation periods and rates are reviewed in the last quarter of each financial year, and a verification protocol is drawn up stating that there are no changes or containing a list of the fixed assets and intangible assets for which the rates were changed, with information on the scope of the change.

Any changes are recognised in the records with effect from the first day of the following financial year.

The following are recognised as intangible assets: acquired rights, suitable for economic use on the day they are taken into use:

- property rights, author's economic rights, licences, concessions, rights to: designs, inventions, patents, trademarks, decorative or utility models,
- costs of development work completed with a positive result,

with an expected period of use longer than one year and a value above PLN 10,000, used for the needs connected with the activity conducted by the Institute, or accepted for use under a rental agreement, a lease agreement or another agreement of a similar nature.

The initial value of a fixed asset or an intangible asset is:

- in the case of acquisition by purchase – the amount due to the seller, increased by the costs connected with the purchase, accrued up to the day the fixed asset or intangible asset is handed over for use (including the costs of transport, loading, unloading, insurance in transit, assembly, notarial and stamp duties, interest, commissions, exchange differences, customs duty, excise duty, etc.), and reduced by the value added tax recoverable on the basis of separate provisions;
- in the case of production by the entity itself – the production cost, understood as the value of the consumed tangible components and third-party services, the costs of remuneration for work together with on-costs, and other costs attributable to the value of the produced fixed assets or intangible assets. The production cost does not include general administrative costs, selling costs, other operating and financial costs, or the costs of excessive defects and the excessive consumption of labour and other resources in the course of the construction, assembly or improvement of fixed assets and their adaptation for use;
- in the case of acquisition by inheritance or donation or in another gratuitous manner, the initial value of the fixed asset or intangible asset is the sale price of the same or a similar object as at the date of acquisition, unless the donation agreement or the agreement on gratuitous transfer specifies that value at a lower amount. The market price is understood as the price applied in the given locality in trade in assets of the same kind and type, taking into account their technical condition and degree of wear.

Where it is difficult to establish the production cost of a fixed asset, its initial value is established by a certified appraiser, taking into account the market prices as at the day the asset is handed over for use.

The basic record-keeping tool for fixed assets is the “Fixed Assets Inventory Book”, divided into groups of fixed assets.

The “Fixed Assets Inventory Book” includes, among others, the following items:

- an inventory number, separate for each object,
- the date of entry in the register, the document number and the type of document,
- the year of construction (acquisition),
- the name of the fixed asset,
- the symbol of the type classification of the fixed asset,
- the initial value,
- changes in value occurring during the period of use,
- the annual depreciation rate,
- the annual and monthly depreciation amount,
- accumulated depreciation to date,
- the net value,
- the date of withdrawal from use and the document number,
- other data (department, cost centre, etc.).

The basic record-keeping tool for intangible assets is the “Intangible Assets Book”, containing the same items as the “Fixed Assets Inventory Book”.

Depreciation

Fixed assets with a value above the threshold value specified in the Corporate Income Tax Act are subject to depreciation, starting from the first day of the month following the month in which they were handed over for use, until the end of the month in which the sum of the depreciation write-offs equals their initial value, or in which they were put into liquidation, disposed of, or found to be missing.

Depreciation write-offs on disclosed fixed assets not covered by the records to date are made from the month following the month in which they were entered in the records.

The basis for making depreciation (amortisation) write-offs on fixed assets and intangible assets is the current depreciation plan, drawn up as at the first day of each financial year, specifying the rates and amounts of the annual write-offs for the individual fixed assets.

Apparatus entered in the current year in the fixed assets register after the completion of research projects, which in previous years constituted work in progress, is not subject to depreciation and increases the balance of fixed assets depreciated at 100%.

The depreciation plan includes, among others:

- the inventory number,
- the symbol of the type classification,
- the name of the object,
- the date of taking into use,
- the initial value,
- the depreciation method,
- the annual depreciation rate,
- the annual and monthly amount of the write-offs.

The amounts of the annual depreciation (amortisation) write-offs are established:

- by the straight-line method, by systematically spreading the initial value of the given fixed asset or intangible asset over its expected period of use, proportionally to the passage of time, in equal instalments;
- in the case of fixed assets whose value is affected by rapid technical and economic progress, the depreciation rates may be increased, up to the limits specified in the tax regulations, with the consent of the Director of the Institute;
- scientific and research apparatus purchased in the current year and financed from the funds specified in Article 5(1)–(4) and (7)–(10) of the Act of 30 April 2010 on the principles of financing science is depreciated on a one-off basis at 100% on the day it is entered in the fixed assets register;
- apparatus entered in the current year in the fixed assets register which in previous years constituted work in progress is not subject to depreciation;
- land owned by the entity and the right of perpetual usufruct of land are not subject to depreciation.

Intangible assets with an initial value not exceeding the amount specified in the tax regulations as the lower amount from which assets are classified as intangible assets are written off on a one-off basis to the costs of purchase.

Intangible assets are amortised taking into account the minimum lengths of the amortisation periods specified in the tax regulations (two years), unless the dates contained in the sale agreement directly determine their period of usefulness.

Valuation of fixed assets and intangible assets

Fixed assets and intangible assets are valued at purchase prices or production costs, or at the revalued amount (after the revaluation of their value), reduced by depreciation (amortisation) write-offs and also by write-downs for permanent impairment. Fixed assets and intangible assets are depreciated (amortised) using the methods specified in the preceding point.

Valuation of other assets and liabilities

Fixed assets under construction are valued at the total of the costs remaining in direct connection with their acquisition or production, reduced by write-downs for permanent impairment.

The value of fixed assets under construction is increased by negative exchange differences and by interest on loans for the period of construction of the fixed asset, and reduced by write-downs for the permanent impairment of its value.

Intangible assets classified as investments are recorded and valued:

- according to the rules applicable to fixed assets and intangible assets, i.e. at the purchase price and production costs, or at the revalued amount, reduced by amortisation write-offs and by write-downs for permanent impairment.

Shares in other entities and other investments classified as non-current assets are valued:

- at purchase prices reduced by write-downs for permanent impairment.

Inventories of materials, goods, finished products, semi-finished products and products in progress are valued at purchase prices or production costs not higher than their net selling prices as at the balance-sheet date.

- The entity does not keep records of materials. Their purchase is charged directly to the costs of activity.
- With respect to materials with a value of between PLN 1,500 and PLN 10,000, the entity keeps off-balance-sheet quantity-and-value records.

Inventories of unfinished production

The records of work in progress are kept on Class “6” accounts, and as at the balance-sheet date it is valued at direct production costs not higher than the net selling prices.

If the costs exceed the net selling prices, the difference is written off and charged to other operating costs.

Short-term investments are valued at:

- market value.

Short-term investments for which no active market exists are valued at fair value.

Receivables

The records of receivables are kept on Class “2” accounts, divided into long-term receivables, which become due and payable in a period exceeding 12 months from the balance-sheet date, and short-term receivables – up to 12 months.

Further breakdowns of receivables are: the type of activity, the method of payment and the name of the counterparty.

Receivables are valued at the amount of payment due, in compliance with the prudence principle, i.e. after taking into account write-downs adjusting their value.

Loans granted are valued at the amount of payment due, in compliance with the prudence principle, i.e. the interest due for the period covered by the financial statements is added to the principal amount, even if it has not yet become due and payable.

Liabilities are valued at the amount of payment due, i.e. the interest arising from interest notes received from counterparties is added to the principal amount of the liabilities. The records and breakdown of liabilities are kept in Class “2” analogously to the records of receivables.

Financial liabilities whose settlement, in accordance with the agreement, takes place by way of the delivery of financial assets other than cash or by exchange for financial instruments are valued at fair value.

Cash in hand and on bank accounts is valued at nominal value.

Own shares are valued at purchase prices.

Equity (funds) and the remaining assets and liabilities are valued at nominal value.

Valuation of assets and liabilities denominated in foreign currencies

As at the balance-sheet date: assets and liabilities denominated in foreign currencies are valued at the mid exchange rate established for the given currency by the National Bank of Poland and applicable on that date.

In the course of the financial year:

1. transactions of the sale and purchase of currencies effected through a bank are valued at the buy or sell rate of the bank whose services the entity uses,

2. transactions of the purchase of currencies at a currency exchange office are valued at the sell rate established for the given currency by the exchange office and applicable on the day the transaction is carried out,

3. receipts of receivables and payments of liabilities through the foreign-currency account are valued at the mid rate established for the given currency by the President of the NBP as at the day preceding the day the transaction is carried out,

4. the arising of receivables in respect of services performed for a foreign counterparty, as well as exports and the intra-Community supply of goods, are valued at the mid rate established for the given currency by the President of the NBP and applicable on the day preceding the day the transaction is carried out,

5. the arising of liabilities in respect of imports and the intra-Community acquisition of goods is valued at the mid rate established for the given currency by the President of the NBP and applicable on the day preceding the day the transaction is carried out,

6. other transactions are valued at the mid rate established for the given currency by the President of the NBP and applicable on the day preceding the day the transaction is carried out, unless a different rate has been established in the customs declaration or in another document binding on the entity.

Principles of valuation of deferred income and of prepayments and accruals of costs

Deferred income

Deferred income is the balance, as at the balance-sheet date, of the nominal value of revenues (long- and short-term) whose realisation will take place in future periods. Deferred income includes, among others:

- the equivalent of funds received from, or due from, counterparties in respect of performances whose execution will take place in subsequent reporting periods,
- cash received to finance the acquisition or production of fixed assets, including fixed assets under construction, and of development work, if, pursuant to other acts, they do not increase equity (own funds).

Amounts recognised as deferred income gradually increase other operating revenues, in parallel with the depreciation write-offs on the fixed assets concerned, or the revenues from the sale of work financed from those sources.

Prepayments and accruals of costs

Prepaid expenses (accrued income-side cost deferrals)

Prepayments and accruals of costs are valued at nominal value.

Prepayments of costs are made if the costs relate to future reporting periods.

In the course of the reporting period, the subject of prepayments recorded in Class "6" at the Institute includes, among others:

- the overhead charge (indirect costs) on research projects,
- the costs of property insurance relating to future periods,
- the costs of prepayments for participation in scientific symposia and conferences,
- other costs relating to subsequent reporting periods, e.g. subscriptions, etc.

Costs subject to capitalisation on the prepayments account are settled proportionally to the passage of time in the successive accounting periods to which they relate.

Accrued expenses

Accruals of costs are created in the amount of probable liabilities attributable to the current reporting period, arising in particular:

- from the value of performances provided by counterparties, the amount of which can be reliably estimated,
- from the obligation to perform future performances arising from current activity, the amount of which can be estimated even though the date of their arising is not yet known, and which include, among others: the costs of salaries and on-costs connected with the results of the period but paid in subsequent reporting periods, and the costs of provisions for employee benefits (jubilee awards, retirement compensation and severance payments).

Accrued expenses are presented in the liabilities side of the balance sheet under item B.1.3, Other long-term and short-term provisions.

Records for the purpose of determining income subject to taxation

The core activity of the Institute is exempt from income tax on the terms set out in the provisions of the Corporate Income Tax Act. Only income spent on purposes other than statutory purposes is subject to taxation.

In order to correctly determine the corporate income tax base, off-balance-sheet accounts have been distinguished in the entity's chart of accounts, presenting the costs of activity and the revenues relating to revenues other than statutory revenues within the meaning of the Income Tax Act, and constituting the basis for calculating the monthly CIT advances.

Records for the purpose of settlement with the tax office in respect of VAT

Value added tax (VAT) is recorded on account "221".

In order to ensure that the balance of liabilities or receivables in respect of value added tax can be established, the records of settlements in respect of this tax are kept on analytical accounts determining the amount of output and input tax, corrections of output and input tax, VAT relating to future periods, and the settlement of the tax with the Tax Office.

At the end of each period, the balance of the account shows the value of the settlements consistent with the tax return. The records of input tax to be settled in subsequent periods, based on the VAT register, are kept on an analytical account to account "221".

3.2. Choice of the profit and loss account format

The Institute prepares the profit and loss account in the comparative (by-nature) format.

The net financial result consists of:

- the result on sales,
- the result on other operating activities,
- the result on financial operations,
- the result on extraordinary operations,
- the mandatory charge to the financial result in respect of corporate income tax.

Costs are recorded by nature on Class 4 accounts, and according to the place where they arise (in the calculation format) on Class 5 accounts.

3.3. Method of preparing the cash flow statement

The Institute prepares the cash flow statement using the indirect method.

Under this method, the starting point is the financial result determined in accordance with the accrual principle, from which non-cash transactions are then eliminated, and cash transactions which did not affect the financial result are added.

In matters not regulated by the provisions of the Accounting Act, National Accounting Standard No. 1, "Cash flow statement", is applied.

3.4. Statement of changes in equity

In accordance with the wording of Article 48a of the Accounting Act, the Statement of Changes in Own Funds includes information on the changes in the individual components of the Institute's funds for the current and the previous financial year.

3.5. Level of detail of the financial statements

Where the conditions set out in Article 50(2) of the Accounting Act are met, the entity prepares the financial statements in simplified form and discloses the information within the scope determined in Annex No. 1 to the Accounting Act, marked with letters and Roman numerals. The entity prepares the notes to the financial statements in accordance with the template established by the Polish Academy of Sciences.

The financial statements are prepared no later than within 3 months of the balance-sheet date.

They are signed by the Director of the Institute and the Chief Accountant.

3.6. Materiality principle

It is established that, for the reliable and clear presentation of the entity's assets, financial position and financial result, material amounts are those which exceed 1% of the balance-sheet total for the previous reporting period, in the case of balance-sheet amounts, or those which exceed 5% of the gross financial result, in the case of result amounts.

4. Manner of keeping the books of account

4.1. Company Chart of Accounts

The Company Chart of Accounts of the Institute (a printout from the "SYMFONIA" financial-accounting system), containing the list of the general ledger and subsidiary ledger accounts and describing the principles of the classification of events adopted by the entity, the principles of keeping the subsidiary ledger accounts and the links between those accounts and the general ledger accounts, constitutes Annex No. 1 to these Accounting Principles (Policy).

The Company Chart of Accounts may, as needs arise, be supplemented with additional synthetic and analytical accounts, whose operation will be consistent with the content assigned to them in the Model Chart of Accounts.

Changes to the Company Chart of Accounts do not require an amendment of the Order.

4.2. List of the data sets constituting the books of account on computer data carriers

The books of account are kept with the use of the documented SYMFONIA Premium program by Sage Symfonia Sp. z o.o., ul. J. Bema 89, 01-233 Warszawa.

Pursuant to an order of the head of the entity, this program has been used for keeping the books of account since 1 January 2007.

For HR and payroll services, the Institute uses software [the name of the software is not specified in the source document – translator's note].

The computerised accounting system comprises the following modules:

- the general ledger (F-K),
- fixed assets.

The user documentation held by the entity is compliant with the requirements of the Accounting Act.

4.3. Description of the data processing system (IT system)

List of programs, specification of the software version and of the date of commencement of its operation.

At the Institute, the SYMFONIA program in the PREMIUM version is used for keeping the books of account. Pursuant to an order of the head of the entity, this program has been used for keeping the books of account since 1 January 2007.

5. Data protection system at the entity

5.1. Protection of documents and of the books of account

External physical security ensures protection against access by unauthorised persons to the following elements of the entity's accounting system and documentation:

- the computer hardware supporting the accounting function,
- the computerised accounting system,
- the backup copies of the accounting records,
- the accounting principles,
- the books of account,
- the accounting documents,
- the inventory-taking documentation,
- the financial statements.

For the proper protection of the books of account, the following are used:

- data carriers resistant to hazards,

- systematically created backup copies of the data sets, recorded on durable information carriers,
- computer programs and the data of the computerised accounting system, protected against access by unauthorised persons and against destruction through the application of appropriate organisational and software solutions.

The principle is applied that the complete books of account are printed out no later than at the end of the financial year. The transfer of the content of the books of account to another computer data carrier, ensuring the durability of the recorded information for a period of no less than 5 years, is recognised as equivalent to a printout.

5.2. Retention periods for the data sets

Permanent retention

The documentation of the accounting principles (policy), the books of account, the accounting documents, the inventory-taking documents, the approved annual financial statements, and the auditor's opinion and report, where the entity's financial statements are subject to a mandatory audit, are retained with due regard to the required periods specified in the Accounting Act, unless other provisions binding on the entity extend or shorten the periods indicated in the Accounting Act.

Periodic retention

The following are subject to periodic retention:

- employee remuneration cards or their equivalents – for the period of the required access to this information arising from the pension, disability-pension and tax regulations, but for no less than 5 years;
- accounting documents concerning loans, credits, commercial agreements, and claims pursued in civil, criminal and tax proceedings – for 5 years from the beginning of the year following the financial year in which the operations, transactions and proceedings were finally completed, repaid, settled or time-barred;
- the documentation of the adopted manner of keeping the accounts – for a period of no less than 5 years from the expiry of its validity;
- documents concerning warranties and complaints – for 1 year after the expiry of the warranty period or the settlement of the complaint;
- the books of account, the inventory-taking documents and the remaining accounting documents and records – for a period of 5 years.

The above periods are calculated from the beginning of the year following the financial year to which the given data sets (documents) relate.

5.3. Making data and documents available

The financial statements, accounting documents, books of account and other documents within the scope of accounting are made available:

- at the registered office of the entity, for inspection, after obtaining the consent of the Head of the entity or of a person authorised by the Head,
- outside the registered office of the entity, after obtaining the written consent of the Head of the entity and leaving a written acknowledgement of receipt containing a list of the documents released,
- accounting documents, the books of account and other documents connected with the implementation of projects are made available for inspection to authorised persons, both for the internal needs of the entity and for needs connected with the conduct of audits.

Photocopies of accounting documents and of other documents necessary in the process of implementing and settling projects are made available after being certified “true copy of the original” by persons holding the appropriate authorisation.

Annex No. 1

List of the synthetic accounts of the Company Chart of Accounts of the Institute of Agrophysics, PAS in Lublin

Principles of operation of the accounts

1. Class 0 – Non-current assets

The accounts of Class 0 are intended for recording:

- fixed assets – 010–017, by type groups,
- intangible assets – 020–026,
- investments in intangible assets – 031,
- investments in shares – 032,
- write-downs adjusting the value of financial assets – 036,
- depreciation of fixed assets – 070,
- amortisation of intangible assets – 075.

The debit side of the “Fixed assets” account is used to record all increases in the balance and initial value of fixed assets, in particular:

- purchases of fixed assets,
- receipts of fixed assets from the entity's own production,
- the gratuitous acquisition of fixed assets,
- increases in the initial value resulting from the revaluation of their value.

The account may show only a debit balance, which expresses the initial value of the fixed assets. In the balance sheet, the balance of the account is reduced accordingly by that part of the balance of account 070 which relates to fixed assets.

The credit side of account 010 is used to recognise decreases in the balance and initial value of fixed assets, in particular as a result of:

- the liquidation of fixed assets due to wear, or disposal through sale,
- transfer as: a donation, an in-kind contribution, etc.,
- shortages of fixed assets,
- decreases in the initial value of fixed assets as an effect of the revaluation of their value.

Intangible assets include property rights acquired by the Institute and suitable for economic use, in particular:

- copyrights, rights to designs and inventions,
- computer programs with an expected period of use longer than 1 year and a value above PLN 10,000.

Intangible assets are recognised at purchase prices or at the costs incurred. The debit side is used to record increases according to the type of outlay.

Intangible assets are subject to amortisation, which is recognised on account 075. Amortisation write-offs on intangible assets are made from the first day of the month following the month in which they were entered in the accounting records. The amortisation of intangible assets is posted on account 408.

2. Class 1 – Cash and bank accounts

The accounts of Class 1 identify the type of financial resources and the places where they are held.

2.1. Records on the accounts

Accounts 100 – Domestic cash in hand

Accounts 100-* are used to record Polish cash and cash vouchers held in the cash desk. The debit side is used to recognise cash receipts and deposits (documented with KP [cash received] vouchers) at nominal value, and the credit side – their disbursements (payments out). The basis for a payment out are approved source documents. The principle is adopted of preparing cash reports for the periods 1–10, 11–20 and 21–end of the month. The detailed records should make it possible to establish:

- the balance of cash in the cash desk,
- the value of the cash and cash vouchers entrusted to the materially responsible person.

The debit balance of the account denotes the balance of cash in the cash desk, whereas a credit balance denotes a shortage.

Deposits and withdrawals are recognised in the records under the date of the actual receipt or disbursement of the cash. Cash surpluses and shortages are recognised in the cash documentation under the date of their disclosure.

The principles of operation of the cash desk, the scope of the cashier's duties, the declaration of material responsibility and the securing of the cash desks are set out in the control and document circulation instruction.

Accounts 130 – Cash at bank

Accounts 130-* are used to record the financial resources held on bank accounts at Bank Gospodarstwa Krajowego. Entries on the accounts are made exclusively on the basis of bank documents (statements and the source documents attached to them), which makes it possible to maintain full consistency of the turnover and balances with the records of the bank and of the entity. Any bank errors, i.e. errors in bank statements, are recognised on account 249, “Other settlements”, and are settled on the basis of correcting documents in subsequent bank statements, resulting from clarification proceedings.

The debit side of accounts 130 is used to record all receipts into the bank account, and the credit side – all disbursements from that account.

Separate analytical accounts are kept for each bank account in order to secure the financing of expenditures from different sources.

The principles of operation of all bank account accounts are analogous.

Account 135 – Cash in transit

Account 135 is used to record financial resources which are being transferred to other accounts, e.g. from the cash desk to the bank account and vice versa, or between different bank accounts.

The balance of account 135 occurring at the end of the month or year may only be a debit balance and expresses the balance of cash in transit.

3. Class 2 – Settlements and claims

3.1. The accounts of Class 2 are intended for recording all domestic and foreign settlements and claims. These accounts are also used for public-law settlements (with the budget), the settlement of salaries, and shortages, damage and surpluses.

Accounts 201–204 are used to record settlements with domestic and foreign suppliers and customers, divided into long-term and short-term settlements, specifying the method of payment (transfer, card, cash), with analytical records showing the course of the settlements with each counterparty.

The accounts may show the following balances:

- debit – expressing the balance of receivables,
- credit – expressing the balance of payables.

Account 220 – Public-law settlements

Account 220 is used to record settlements in respect of taxes and ZUS (social insurance) contributions, in particular:

- corporate income tax,
- personal income tax,
- contributions to the PFRON (State Fund for the Rehabilitation of Disabled Persons),
- settlements in respect of ZUS contributions, broken down as required for reporting purposes,
- other taxes, as needed.

Public-law settlements include settlements with the bodies of the State Treasury, units of the state administration, the Social Insurance Institution (ZUS), etc.

The detailed records establish the amounts of receivables and payables by tax title.

Account 221 – Settlements in respect of VAT

Account 221 is intended for recording output and input VAT and for settlements with the tax office in respect of this tax. The recording principles are analogous to those of the other Class 2 accounts.

Account 230 – Settlements in respect of salaries

Account 230 is used to record settlements in respect of remuneration for work paid to employees on the basis of employment contracts, as well as to other natural persons on the basis of mandate contracts, contracts for specific work, agency contracts, etc. Account 230 is kept with a breakdown into:

- the personal payroll fund,
- the non-personal payroll fund,
- payments from the Company Social Benefits Fund,
- other payments (stipends),

and then each of these by source of financing.

The account may show two balances. A debit balance denotes the balance of receivables and claims, and a credit balance – the balance of liabilities.

Account 234 – Other settlements with employees

Account 234 is used to record advances paid out, the settlement of the repayment of liabilities to employees, charges for asset components entrusted to employees for settlement, etc.

Detailed records are kept for account 234 for the individual employees.

Account 234 may show the following balances:

- debit – expressing the balance of receivables from employees,
- credit – expressing the balance of liabilities to employees.

Account 236 – Settlements with employees in respect of housing loans granted

Account 236 is used to record settlements in respect of housing loans granted from the social benefits fund. Account 236 is debited with:

- disbursements of the loans granted,
- the interest due on the loans,

and credited with:

- repayments of the loans together with interest,
- the forgiveness of loans in whole or in part,
- the referral to court of a claim in respect of unrepaid loans.

The analytical records ensure the separation of the settlements with the individual borrowers and the possibility of the ongoing monitoring of the timeliness of the repayment of instalments.

Account 236 shows a debit balance expressing the balance of receivables in respect of loans from the social benefits fund.

Account 242 – Settlement of shortages, damage and surpluses

Account 242 is used to recognise and settle shortages, damage and surpluses of tangible and cash components of current assets and of fixed assets, as well as to record claims in this respect against the responsible persons.

Shortages are understood as the equivalent of negative quantity and value differences – arising during transport, storage or use – disclosed by comparing the actual state of the assets with the book records.

The damage posted on account 242 includes decreases in the value of assets arising as a result of a deterioration in quality caused by damage, destruction or other actions.

Surpluses are understood as the equivalent of positive quantity differences – occurring in transport, in the warehouse or in the cash desk – established by comparing the actual state with the book records.

Shortages of tangible components of current assets (as well as of machines and equipment intended for assembly) are recognised on account 242 at their book value (adjusted, where applicable, for deviations from fixed record prices), while shortages of cash are valued at their nominal value.

In the course of the year, account 242 may simultaneously have two closing balances: a debit balance denoting the value of the shortages to be settled, and a credit balance – denoting the value of the unsettled surpluses.

At the end of the year, this account should not show a balance. Differences in the state of assets found as a result of inventory-taking are recognised in the books of account and settled no later than by the end of the financial year in which the inventory-taking took place.

Account 245 – Settlements in respect of bid bonds and security deposits

The account shows the balance of liabilities in respect of payments of bid bonds and security deposits on account of supplies and services, divided into long-term and short-term.

The analytical records ensure that receivables and payables can be established with respect to the individual counterparties.

Account 249 – Other settlements and claims

Account 249 is used to record other domestic settlements not covered by the records on the Class 2 accounts discussed above. This account is used mainly to post deductions from employees' payrolls in favour of various institutions, e.g. PZU (insurance), bailiff deductions, trade union dues, as well as the settlement of advances paid by the Institute to consortium members in connection with the implementation of research projects, and others, as needs arise.

The analytical records should ensure that receivables and payables can be established with respect to the individual counterparties and payers, divided into short-term and long-term settlements, assigned to the counterparty and to the source of financing.

Amounts pending clarification are also recognised on this account, including inconsistencies with bank statements until they are clarified.

Accounts 280, 281 – Impairment write-downs

Account 280 registers the value of overdue receivables from debtors placed in liquidation or in the course of bankruptcy proceedings, as well as those with a significant degree of probability of uncollectibility.

Write-downs adjusting the value of receivables are charged, as appropriate, to other operating costs or to financial costs (interest, loans), depending on the type of receivable to which the write-down relates.

Class 3 – Settlement of purchases and sales

Account 301 – Settlement of purchases at the turn of the year

This account is used to record the settlement of purchases of materials, goods and services. The settlement of purchases is aimed at verifying the conformity of the accepted assets, as shown in the entity's own documents, with the suppliers' documents, and at establishing:

- materials in transit, understood as materials covered by suppliers' invoices but not yet received,
- uninvoiced deliveries, accepted and valued according to the entity's own documents, for which suppliers' invoices have not been received.

The account may show two balances:

- a debit balance denotes the balance of deliveries in transit,
- a credit balance denotes the balance of uninvoiced deliveries.

Account 302 – Settlement of sales at the turn of the year

This account is used to record the settlement of sales of materials, goods and services. The settlement of purchases at the turn of the year is aimed at verifying the conformity of the sales documents, as shown in the entity's own documents, with the counterparties' documents, and at establishing: [the enumeration is not completed in the source document – translator's note].

Class 4 – Costs to be allocated

The accounts of Class 4 are used to record simple costs, broken down by their type.

The records of costs by type are recognised as complete if all business transactions relating to the reporting period have been recognised on the accounts.

In order to obtain complete data on the costs incurred in the reporting period, the issuing of the entity's own internal documents is permitted for business transactions for which documents have not yet been received from counterparties. Any differences in value are corrected in the period in which the proper document is received.

The basis for debiting or crediting the costs of activity is an accounting document verified in substantive and formal-arithmetical terms.

Principles of recording on the Class 4 accounts

The costs collected on the Class 4 accounts are transferred, through account 490, to the appropriate calculation accounts of Class 5, i.e. allocated costs.

The Class 4 accounts – Costs by type – perform the following functions:

Account 401 – Consumption of materials and energy

It is debited with the value of purchased materials consumed for the statutory, auxiliary and general activity of the Institute. It is debited with the value of the supplier's invoices in the case of materials consumed directly from purchase. The purchase value of materials charged to costs is posted at the net amount on account 401, while the VAT is posted on account 403 or 221.

Analytical records are kept for account 401, identifying the costs of:

1. electricity,

2. heat,

3. the costs of other materials (chemical reagents, equipment not constituting non-current assets, office materials, foodstuffs in the workplace, the purchase of publications not subject to library records, the purchase of professional press, forms, packaging of all types, and the settlement of non-culpable shortages of materials).

The credit side is used to post all types of reductions of costs on the above accounts, in particular: returns of materials, inventory surpluses, etc.

The analytical records for account 401, kept in the electronic data processing system, provide information on the consumption of electricity, heat, equipment and other materials at the Institute.

Account 402 – External services

It is used to record the costs incurred on works and services provided by other units. These include: repair services, equipment services, transport services, storage, the guarding of property commissioned to specialist units, leases and tenancies (including leasing), telecommunications services, and the costs of scientific and research services.

In the course of the year, account 402 shows a debit balance, whereas at the end of the financial year (as at the balance-sheet date) the balance is transferred to account 860.

Account 403 – Taxes and charges

The account is used to record the taxes and charges which are charged to costs, and in particular it covers: VAT, PFRON contributions, and other stamp and notarial charges.

The “Taxes and charges” account shows a debit balance in the course of the year, which is transferred to account 860 at the end of the financial year. The analytical records – kept in the FK system – provide informative data on the amount of the taxes paid in the year.

Account 404 – Salaries

It is used to record cash remuneration as well as benefits in kind, or their equivalents, classified as remuneration paid to employees or to other natural persons. Honoraria paid to employees and to other natural persons are also posted on the salaries account.

The records on account 404, Salaries, make it possible to establish the basis for calculating ZUS contributions. The records of salaries at the Institute make it possible to determine the costs of personal and non-personal remuneration for the Institute's own employees, other persons not employed at the Institute, and young researchers. The analytical records also allow a breakdown by tax-deductible costs (honoraria – 50% deductible costs, other – 20% deductible costs, and the flat rate for external staff).

Account 405 – Employee benefits

Account 405 is used to record the costs of employee benefits. Benefits include, in particular:

- contributions in respect of social insurance and the Labour Fund, broken down by the individual types of contributions and types of remuneration,
- contributions (write-offs) to the Company Social Benefits Fund,
- write-offs to the awards fund,
- benefits for employees, e.g. insurance, occupational medicine services,
- protective and work clothing issued to employees,
- staff training.

The amounts of the write-offs and the amounts of the employee benefits are determined by separate regulations.

Account 407 – Purchase of apparatus and books

Account 407 recognises the equivalent of fixed assets written off to costs on a one-off basis, directly after purchase or production (special apparatus) and handover for use. The analytical records for account 407, kept in the FK computer system, take into account:

- apparatus transferred in the current year to fixed assets, broken down by fixed asset groups,
- apparatus remaining in work in progress,
- intangible assets transferred to the asset register,
- intangible assets remaining in work in progress.

Account 408 – Depreciation and amortisation

Depreciation write-offs on fixed assets and amortisation write-offs on intangible assets are posted on the depreciation account.

The basis for establishing the costs of depreciation is the annual depreciation plan covering fixed assets and intangible assets:

- the depreciation of fixed assets, broken down by groups,
- the amortisation of intangible assets.

The account shows a debit balance in the course of the year, whereas at the end of the financial year the balance is transferred to account 860.

Account 409 – Other costs

Account 409 is used to record all other costs not recognised on accounts 401–408. In particular, the following are posted on account 409:

- patent fees, property insurance,
- the costs of domestic and foreign business travel,
- the costs of accommodation and travel insurance,
- contributions to organisations in which membership is obligatory,
- cash payments to natural persons (not classified as salaries or employee benefits), e.g.: death benefits, stipends, awards for inventions.

Since this account covers various types of costs, some of them have been separated within the analytical records kept in the FK system, in accordance with the needs of the Institute. This concerns the costs of:

- domestic and foreign business travel,
- representation and advertising,
- property insurance,
- stipends paid out,

- the costs of organising domestic conferences,
- patent fees,
- other costs.

Account 490 – Cost allocation

It is used to transfer and allocate the costs by type to the Class 5 accounts – allocated costs. In the course of the year, account 490 shows a balance equal to the sum of the balances of accounts 401–409. At the end of the year, the accounts of costs by type are closed by transferring their balances to the debit side of account 490, which should not show a balance, unless the Institute has costs to be settled over time. The balance of account 490 corresponds to the increase or decrease in the balance of prepayments and accruals.

Class 5 – Allocated costs (cost centres)

The accounts of Class 5 are intended for recording and allocating costs in the calculation format, according to the individual types of activity.

In addition, within the Class 5 accounts, general costs are accumulated on the synthetic accounts of group 550; their allocation to the individual statutory activity topics takes place according to a key based on salaries increased by ZUS contributions.

Account 501 – Costs of statutory activity

It is used to record the costs covered by the subsidy from the Ministry of Science and Higher Education for the financing of statutory activity, according to the adopted plans.

The analytical records make possible a breakdown into the individual research tasks and cost categories in accordance with the Act on the principles of financing science.

Completed research works, confirmed by a final protocol, are sold, and the costs incurred on their performance, collected on the synthetic accounts 501, are transferred to account 711 – cost of statutory activity.

Account 502 – Costs of research projects – grants

It is used to record the costs incurred on research projects financed by the Ministry of Science and Higher Education, the National Centre for Research and Development, and the National Science Centre, conducted within a separate activity, with a breakdown by source of financing, by the individual projects and types of costs, and by the tasks within the individual projects. The analytical records ensure that the amount of the costs contained in the plans of the individual research projects can be established.

The recording principles are analogous to those of the other Class 5 accounts.

Account 503 – Targeted grants

It is used to record the costs of scientific research or development work, and of tasks connected with them, received in the form of targeted grants – e.g. the implementation doctorate serving the development of young researchers and participants in doctoral studies, the grant for the popularisation of science, and grants for stipends.

The breakdown of costs makes it possible to assign them to the sources of financing and to the individual grants, with a breakdown into the costs required in the agreements.

The recording principles are analogous to those of the other Class 5 accounts.

Account 504 – Costs of publishing activity

It accumulates the costs connected with the publishing activity concerning two scientific journals: Acta Agrophysica and International Agrophysics, sold to other scientific institutions and universities as well as to natural persons. Costs not covered by sales revenues are charged to the costs of operating activity.

The recording principles are analogous to those of the other Class 5 accounts.

Account 505 – Costs of auxiliary activity

This account accumulates the costs of the provision of scientific and research services, as well as of other business activity sold externally.

The analytical records for account 505 make it possible to determine the costs of the individual orders.

The costs relating to services sold are charged to the cost of services – account 715.

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 506 – Costs of projects co-financed by the EU

In connection with obtaining co-financing for projects from EU financial resources, a separate ledger cost account, 506, has been created, on which all eligible and ineligible costs connected with their implementation are posted.

The account is dedicated to specific projects through the creation of an analytical account identifiable with one project only (e.g. 506-1).

Additionally, within the analytical account created, further separate analytical records are kept, broken down by the cost categories and tasks contained in the application for project co-financing (or in another document containing such items and tasks), or by other breakdowns, depending on the needs.

The amount of the ineligible costs in a project is charged to the costs of operating activity.

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 507 – RPK

It is used to record the costs incurred in connection with the implementation of the tasks of the Regional Contact Point.

The recording principles are the same as for the other Class 5 accounts.

Account 508 – SPUB

It covers the costs relating to the Special Research Programme and Facility (SPUB), serving the co-financing of the maintenance and continued operation of equipment and other assets created as a result of completed investments.

The recording principles are the same as for the other Class 5 accounts.

Account 509 – Stipends

It is used to record the costs incurred in connection with the implementation of the programme of stipends for young researchers awarded by decision of the MNiSW.

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 510 – Science Dissemination Activities

It is used to record the costs of the funds for Science Dissemination Activities (DUN) awarded by the Ministry of Science and Higher Education, connected with the publishing activity of the Institute.

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 511 – Other agreements – KUL

It is used to record the costs of the agreement concluded with the John Paul II Catholic University of Lublin (KUL).

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 512 – NAWA project

It covers the costs of business travel and other costs serving the exchange of scientific experience within the framework of cooperation with foreign countries.

The breakdown of the costs is determined by the agreement with the Polish National Agency for Academic Exchange (NAWA).

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 513 – Support for journals

An account for the costs relating to the funds received from the Ministry of Science and Higher Education for the support of the publishing activity of the Institute.

The principles of operation of the account are analogous to those of the other Class 5 accounts.

Account 550 – Administrative (management) costs

These are the costs connected with the maintenance of the Institute which, at the moment they arise, cannot be attributed to the costs of the individual activities.

They are allocated using a percentage ratio relative to the amount of salaries increased by ZUS contributions in statutory activity. The general costs (allocated by the ratio) attributable to sold works are charged to the cost of the works and services performed (Class 7). Account 550 does not show a balance at the end of the financial year.

7. Class 6 – Products and prepayments/accruals

7.1. The accounts of Class 6 are intended for recording:

- prepayments and accruals of costs.

Account 641 – Prepaid expenses

Account 641, Prepaid expenses, accumulates costs incurred in the reporting year which, however, due to the nature of the settlement period concerned or their size, will be settled in the following years.

The entries on this account should be substantively consistent with the applicable regulations, both as regards the types of these costs and the settlement periods.

Costs qualifying for prepayment treatment are recognised initially on the cost-by-type accounts of Class 4, and are then transferred, through account 490, to the prepayments account – concerning the costs of future periods or costs which will be financed within commissioned scientific and research work in the following periods.

Settlement “over time” also applies to costs incurred which significantly affected the level of the costs of the reporting period, which would distort the comparability of the results. Such costs may include:

- rents and lease payments paid in advance,
- property insurance,
- the general (overhead) costs of multi-year research projects,
- conference fees.

Account 645 – Accrued expenses

Account 645 – accruals of costs which are not yet known but the liability for which is beyond doubt.

The analytical records for account 645 should take into account a breakdown by the titles for which the provisions are created and by the settlement periods.

Account 645 may show the following balances:

- debit – which denotes the balance of capitalised and not yet settled costs,
- credit – expressing the balance of provisions for the costs of future periods.

8. Class 7 – Revenues and the costs of earning them

8.1. The accounts of Class 7 are intended for recording:

- revenues from sales based on: the sale of scientific and research works, the sale of patents and licences for the application of inventions, utility models, rationalisation proposals and other scientific and technical achievements, publishing, auxiliary activity, etc.,
- the sale of works within the activity of experimental production. The scope of the scientific works may be carried out within the framework of the statutory activity conducted, as well as works performed under commissions and orders placed by other business entities.

The records of income from sales are kept on accounts: 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 731, 732, 733, whereas the costs assigned to these revenues are recorded, respectively, on accounts: 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723;

- revenues from financial operations – 750,
- the costs of financial operations – 756,
- revenues from other operating activities – 760,
- the costs of other operating activities – 766.

Accounts 701, 711 – Sales of statutory activity

The revenues shaping the financial result of the Institute include the sale, within the framework of statutory activity, of scientific and research works financed by the subsidy from the Ministry of Science and Higher Education.

Account 701 is credited up to the amount of the subsidy obtained; the costs of sales are posted on account 711. In the event of a difference between the subsidy received and the sum of the costs incurred, the difference is taken to the result on activities and constitutes, respectively, a profit or a loss on statutory activity.

Accounts 702, 712 – Sales of research projects – grants

Account 702 is used to record the receipts for the performance of research projects. Account 702 is credited with the value of the settled project, up to the amount of the funds received. After the costs incurred have been transferred from account 502 to account 712, any excess of those costs constitutes other operating costs and is taken to the result.

Accounts 703, 713 – Sales of the targeted grant for young researchers

Revenues from sales within the framework of the targeted grant awarded for young researchers are posted on account 703. The costs collected on the accounts of group 503 are transferred to the cost-of-sales account – 713 – up to the amount of the grants received. The balance of the above account is transferred to account 860 – Financial result.

Accounts 704, 714 – Sales of publishing activity

It is used to record the revenues connected with the publishing of journals, on the basis of the sales invoices issued by the Institute. The cost of the works performed is charged to account 714. The balances of the above accounts at the end of the reporting period are transferred to the financial result – 860.

Accounts 705, 715 – Sales of auxiliary activity

Account 705 is used to record the revenues from other works and services performed within the framework of the business activity of the Institute, in correspondence with the accounts of settlements in respect of domestic and foreign sales, 201 and 203 respectively.

At the Institute, these are scientific works and scientific expert opinions commissioned by external units, as well as other revenues, e.g. accommodation and the rental of premises.

The cost of the works performed is charged to account 715. The balances of the above accounts at the end of the reporting period are transferred to account 860 – Financial result.

Accounts 706, 716 – Sales of research projects co-financed by the EU

It is used to record the receipts from research projects being implemented with co-financing from EU funds, broken down by the individual projects. The cost of sales is charged to account 716. The balances of the above accounts at the end of the reporting period are transferred to account 860 – Financial result.

Accounts 707, 717 – RPK sales

It is used to record the revenues for the maintenance of the EU National Contact Point [as in the source; the account heading refers to the Regional Contact Point – translator's note]. The cost of sales is charged to account 717. The balances of the above accounts at the end of the reporting period are transferred to account 860 – Financial result.

Accounts 708, 718 – Sales of Special Research Programmes and Facilities

It is used to record the receipts relating to the so-called SPUBs. The cost of sales is charged to account 718. The balance of the above accounts at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 709, 719 – Sales of grants for young researchers

It is used to record the stipends for the best young researchers. The cost of sales is charged to account 720 [as in the source]. The balance of the above account at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 710, 720 – Sales of EU projects

It is used to record the receipts relating to projects co-financed from EU funds. The cost of sales is charged to account 720. The balance of the above account at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 731, 721 – Agreement with KUL

It is used to record the stipends for the best young researchers [as in the source]. The cost of sales is charged to account 720 [as in the source]. The balance of the above account at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 732, 722 – NAWA project

It is used to record the stipends for the best young researchers [as in the source]. The cost of sales is charged to account 720 [as in the source]. The balance of the above account at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 733, 723 – Support for journals

Account 733 is used to record the revenues from the Ministry of Science and Higher Education for support in the publishing of the journals Acta Agrophysica and International Agrophysics. The cost of sales is charged to account 723. The balance of the above account at the end of the reporting period is transferred to account 860 – Financial result.

Accounts 750, 756 – Financial revenues and costs

Account 750 is used to record the revenues from financial operations. The credit side is used to post revenues from shares and securities, interest and discount obtained, and positive exchange differences.

Account 756 is used to record the costs of financial operations, in particular the costs caused by the permanent impairment of financial assets. The debit side is used to post interest paid and accrued on credits and loans, negative exchange differences, and provisions for at-risk financial operations.

The balances of the accounts at the end of the financial year are transferred to account 860 – Financial result.

Account 760 – Other operating revenues

It is used to record other operating revenues not directly connected with the activity of the Institute. The following are posted on account 760:

- revenues from the sale of non-current assets,
- compensation received, arising from random events,
- revenues from the sale of an organised part of an enterprise,
- the reduction of liabilities resulting from composition, arrangement or recovery proceedings,
- revenues from the sale of discontinued production.

Grants do not include the funds transferred by the Ministry of Science for the financing of statutory activity and research projects, or the funds transferred by the Polish Academy of Sciences for the financing of general technical activity. The balance of the account at the end of the year is transferred to account 860 – Financial result.

Account 766 – Other operating costs

Account 766 is used to record other operating costs, covering in particular:

- the net value of sold or liquidated fixed assets,
- unplanned depreciation write-offs,
- the value of investments which produced no economic effect,
- the value of investments transferred gratuitously,
- the net value of assets lost as a result of random events,
- the costs connected with removing the effects of random events,
- the costs of arrangement, composition or recovery proceedings.

The analytical records for accounts 760 and 766 are kept by the titles of the other revenues and costs, which makes it possible to obtain full information on the scope, size and structure of the other operating revenues and costs.

At the end of the year, the balance of account 766 is transferred to account 860 – Financial result.

9. Class 8 – Capitals, funds, provisions and the financial result

9.1. The accounts of Class 8 are intended for recording:

- the founding capital – account 801,
- the reserve capital – account 802,
- the stipend fund – account 803,
- the own research fund – account 804,
- the settlement of the financial result – account 821,

- provisions for liabilities – account 843,
- deferred income – account 845,
- the Company Social Benefits Fund – account 851,
- the Company Awards Fund – account 852,
- the financial result – account 860,
- corporate income tax – account 871.

Account 801 – Founding capital

It reflects the value of the Institute's assets entrusted by the State Treasury through the intermediation of the Polish Academy of Sciences.

The fund of the scientific unit is created in accordance with the Act on the Polish Academy of Sciences of 30 April 2010 (Journal of Laws No. 96) and is increased by:

- appropriations from profit, as well as contributions to joint investments paid in by other units, and funds from other sources.

The fund of the scientific unit is decreased by:

- balance-sheet losses not covered by funds from the reserve capital.

The credit balance of the account expresses the balance of the fund of the scientific unit at the end of the reporting period.

Account 802 – Reserve capital

It is used to record the balance, as well as the increases and decreases, of the reserve capital created in accordance with the Act on the Polish Academy of Sciences of 30 April 2010 (Journal of Laws No. 96).

The (credit) balance of account 802 expresses the balance of the reserve capital.

Account 803 – Stipend fund

It is used to record the balance, as well as the increases and decreases, of the fund for aid and stipends for the best students, created in accordance with the Act on the Polish Academy of Sciences of 30 April 2010 (Journal of Laws No. 96).

The fund is created up to the amount of the grant from the Ministry of Science and Higher Education.

The (credit) balance of account 802 expresses the balance of the reserve capital [as in the source].

Account 821 – Settlement of the financial result

It is used to record the settlement of the financial result for the current year and for previous years, in the part remaining at the disposal of the Institute. Appropriations from profit are posted on the debit side.

The amounts allocated to cover a balance-sheet loss are posted on the credit side.

The balance is taken to the funds in accordance with the decision on the distribution of profit or the coverage of the loss.

Account 845 – Deferred income

The debit side of account 845 recognises the settlement of the income of future periods accrued in previous reporting periods, in the part relating to the current period, in particular:

- the transfer of sales revenues,
- the write-offs of grants, subsidies and surcharges,
- the settlement of the surplus of exchange differences.

The credit side of the account recognises the income relating to future periods which arose in the current reporting period, in particular:

- payments received from counterparties for unperformed services,
- advances, prepayments and deposits collected on account of commissioned scientific and research works, research projects, etc.,
- grants, subsidies and surcharges relating to future periods,
- amounts increasing receivables and claims covered by a provision.

Account 845 may show only a credit balance, expressing the balance of the income of future periods accrued up to the end of the reporting period.

Account 851 – Company Social Benefits Fund

Account 851 is intended for recording the balance, as well as the increases and decreases, of the social benefits fund.

The principles of operation of the Company Social Benefits Fund are determined by separate regulations, as well as by the internal orders and rules of the Institute.

The Company Social Benefits Fund is created from:

- write-offs charged to costs in favour of the Fund,
- interest on the funds accumulated on the Fund's bank accounts,
- the interest on housing loans,
- employees' payments for social benefits,
- additional financing of the Fund from profit.

The debit side of account 851 recognises decreases in the Fund, in particular:

- hardship allowances for employees,
- the costs of social services,
- the forgiveness of housing loans.

The balance of account 851 expresses the balance of the Fund at the end of the period.

Account 852 – Company Awards Fund

It is intended for recording the balances, as well as the increases and decreases, of the fund created from write-offs charged to costs in accordance with the applicable regulations. The amount of the calculated company awards fund and the amounts of the awards paid out from the fund are governed by separate regulations.

At present, the Institute does not create the Awards Fund.

Account 860 – Financial result

The Financial result account is used to determine the result of the Institute's activities. It is established by posting on it, at the end of the financial year:

On the debit side:

- the actual production cost of the sold works and services – in correspondence with accounts 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723,
- the costs of financial operations – 756,
- other operating costs – 766.

The credit side of account 860 is used to post:

- the receipts from the sale of works and services – collected on accounts 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 731, 732, 733,
- the revenues from financial operations – 750,
- other operating revenues – 760.

After all the postings connected with the closing of the books of account have been made, the balance of account 860 shows the gross financial result for the reporting period. This balance causes the closing (balancing) of the profit and loss account at the end of the reporting period and denotes:

- a debit balance – a loss,
- a credit balance – a profit.

Account 871 – Corporate income tax

The account is used to record the mandatory reductions of the financial result, in particular in respect of corporate income tax.

The following are posted on the debit side of account 871:

- taxes accrued,
- the provision created for corporate income tax.

The following are posted on the credit side:

- reductions of the tax liabilities calculated,
- the reversal of the provision for tax in connection with its use or its determination at a new amount.

In the course of the financial year, account 871 shows a debit balance, which is transferred at the end of the financial year to the debit side of account 860.

The Institute also keeps off-balance-sheet records on the following accounts:

Account 140 – Foreign currency account in EUR

Account 140 is used to accumulate funds in the EUR currency and operates according to the principles described for the bank account accounts.

Account 902 – Apparatus produced

The production cost of scientific apparatus produced at the Institute is posted on account 902.

Account 903 – Own contribution in research projects

The account is used to record the own contribution recognised in the costs of a project.

Account 904 – Library collection

It is used to record the purchase of books and publications for the library which do not constitute non-current assets at the Institute but are necessary for GUS (Statistics Poland) reporting.

Account 905 – Costs subject to CIT

The account serves to present the costs which are not connected with the statutory activity of the Institute exempt from corporate income tax.

The value of these costs in a given month constitutes the basis for calculating the advance on corporate income tax – CIT.

Account 906 – Computer programs

Account 906 is used to record intangible assets, in particular computer programs, whose value does not exceed PLN 10,000.

A supplementary element to the annex is a printout of the Institute's Chart of Accounts, printed from the SYMFONIA financial-accounting program.