



WOJNA W UKRAINIE A KWESTIE ZARZĄDZANIA FINANSAMI FIRM W POLSCE

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Streszczenie

W niniejszym artykule zwrócono uwagę na dość skomplikowaną sytuację, w jakiej znalazło się obecnie wielu przedsiębiorców prowadzących własną działalność gospodarczą z racji na większą niż przed wybuchem wojny na Ukrainie nieprzewidywalność sytuacji gospodarczo-politycznej oraz na związaną z tym trudność w kwestii zarządzania finansami tych firm. Z tego względu zwrócono w artykule uwagę na wybrane dokumenty obowiązujące w wielu przedsiębiorstwach, które stanowią instrumentarium wspierające właśnie zarządzanie finansami oraz na interpretację odpowiednich przepisów prawnych dotyczących finansów firm. Warto także przyjrzeć się, jakie konkretnie mogą być skutki wojny na Ukrainie dla polskich przedsiębiorstw i jakie strategie finansowe mogą być konieczne, aby się dostosować do aktualnej sytuacji polityczno-gospodarczej.

Słowa kluczowe: zarządzanie, skutki wojny, koszty, finanse

WAR IN UKRAINE AND THE ISSUES OF COMPANY FINANCIAL MANAGEMENT IN POLAND

Abstract

This article draws attention to the rather complicated situation in which many entrepreneurs who run their own business are currently facing due to the greater unpredictability of the economic and political situation in Ukraine than before the war in Ukraine and the related difficulty in managing the finances of these companies. For this reason, the article draws attention to selected documents applicable in many enterprises, which constitute instruments supporting financial management, and to the interpretation of relevant legal provisions regarding company finances. It is also worth taking a look at what specific effects the war in Ukraine may have on Polish enterprises and what financial strategies may be necessary to adapt to the current political and economic situation.

Keywords: management, effects of war, costs, finances

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Cytowanie: Postrzednik-Lotko K. (2023). Wojna w Ukrainie a kwestie zarządzania finansami firm w Polsce. *Etyka Biznesu i Zrównoważony Rozwój. Interdyscyplinarne studia teoretyczno-empiryczne*, 4, 49–57.

1. Purpose and method of the study

It is true that Russia is currently engaged in hostilities in Ukraine, however, the effects of these hostilities are felt almost all over the world. The property, financial situation and financial result of business entities are also affected by the Russian aggression, and not only in the perspective of the coming reporting periods, but rather will have an impact on the annual financial statements for the past calendar year already prepared, or now prepared or not yet approved (cf. Kuzio, 2020 a; D'Anieri, 2019; D'Anieri, 2019; Marples, 2017; Havrylchuk, Marples, 2019; Freedman, 2019; Kuzio, 2020 b). For this reason, the Accounting Standards Committee (ASC) under the Polish Ministry of Finance has issued relevant recommendations and guidance on the matter for Poland, based on which the effects of the war in Ukraine on financial issues in Poland can be determined (cf. Rekomendacje Komitetu Standardów Rachunkowości, 2022). Thus, the purpose of this study is to determine what impact the war in Ukraine has on the financial management issues of companies in Poland using the method of analysis of available documents (cf. Biostat, 2022; Brigham, Erhardt, 2021; Atrill, Hurley, 2021; Eun, Resnick, 2024; Arnold, 2021; Brooks, 2021; Gitman, Zutter, 2021; Titman, Keown, 2021; Horngren, Sundem, 2021; Gallagher, Andrew, 2021) - i.e., based on the above-mentioned recommendations and guidance provided by the CRS. The results and conclusions drawn from this analysis are presented below.

2. Materials

According to the going concern principle, as set forth in Article 5(2) of the current Polish Accounting Act: "In applying the adopted accounting principles (policies), the assumption is made that the entity will continue its operations in the foreseeable future in a materially undiminished scope, without going into liquidation or bankruptcy, unless this is inconsistent with the actual or legal status.

In determining the entity's ability to continue as a going concern, the head of the entity shall take into account all information available at the date of preparation of the financial statements relating to the foreseeable future, covering a period of not less than one year from the balance sheet date" (Law of 29.09.1994).

In addition, according to Article 54(1) of the same Accounting Law, even "if, after the annual financial statements are prepared but before they are approved, the entity receives information about events that make the assumption of the entity's going concern unreasonable, it should amend the statements accordingly, while making appropriate entries in the books of the fiscal year to which the financial statements relate, and notify the auditor who audits or has audited the statements. If the events that occurred after the balance sheet date do not cause a change in the state of affairs existing as of the balance sheet date, the relevant explanations shall be included in the notes."

3. Results

According to an analysis of the documents containing recommendations and guidance provided by CRS, the war in Ukraine and the consequences associated with it may cause individual companies to face a threat to the continuation of operations (cf. Prohorovs, Anatolijs, 2022). For this reason, according to Dorota Przybyszewska (2022), "in order to identify these risks, it is necessary to analyze, among other things, events or circumstances of a financial, operational or other nature that may indicate significant uncertainty about the entity's ability to continue as a going concern as a result of the emergency situation and the sanctions imposed by individual countries (e.g., loss of a core market, key customer(s), personnel shortages, shortages of important raw materials, failure to expand, control or diversify operations, changes in laws or regulations, cyber-attacks)."

4. Discussion

Thus, as a result of the war in Ukraine, managers of individual companies may determine that they intend to liquidate the entity or cease business operations, or even determine that there is no viable alternative other than liquidation or cessation of operations, for which these financial statements are not prepared on a going concern basis (resulting in different asset valuation rules, among other things). However, the board of directors may also decide that despite the risks, the business will nevertheless continue, whereby the insecurity created by the aggression in Ukraine may lead to uncertainty related to the assessment of the entity's ability to continue operations.

For this reason, a distinction is made between adjusting events (i.e., providing evidence of a specific condition as of the balance sheet date) and non-adjusting events (i.e., indicating a condition occurring after the balance sheet date) in the financial statements.

According to Karolina Pawlak (2022), "[i]n the context of so-called non-adjusting events, it has been indicated that they occur in the analyzed situation when an entity, receiving information about events related to the conflict in Ukraine, obtains knowledge that these events indicate a condition that occurred after the balance sheet date but before the approval of the financial statements (i.e., they relate to financial statements not approved until February 24, 2022). Such information do not require an adjustment of the amounts recognized in the financial statements, but do require disclosure in the notes of the nature of the event and an estimate of its financial effects, or a statement that such an estimate is practically impracticable" (Pawlak, 2022).

According to Dorota Przybyszewska (2022), "[i]n this situation, the entity does not update the estimated values in the books of the fiscal year for which the financial statements are prepared (2021). This includes allowances for receivables and provisions. Any changes in estimated values, caused by the consequences of the Russian aggression against Ukraine, are recognized in the accounts of the current year (2022). Taking into account the requirements of the Accounting Act, it is recommended to disclose in the statement of operations what the war in Ukraine may affect the entity and its assets and financial position in the foreseeable future, assuming various scenarios. The analysis should focus on the entity's key business areas and key assumptions with an indication of sources of uncertainty and risk."

In addition, it should be noted that almost from the beginning of the war in Ukraine until now, the European Union has implemented a series of economic sanctions against Russia, which is also not insignificant for the financial management of companies. Companies need to be aware of the sanctions legislation and adjust their operations on an ongoing basis to accommodate any trade restrictions. Sanctions, in turn, are weakening Russia's economic base: depriving the country of access to critical technologies and markets, and significantly reducing its ability to wage war. In addition, the EU has also imposed sanctions on: Belarus - in response to its involvement in the attack on Ukraine, and Iran - in connection with Russia's use of Iranian drones against Ukraine.

As member states initially defined sanctions violations very differently, so on November 28, 2022, the The Council unanimously adopted a decision to add sanctions violations to the EU's list of crimes in the Treaty on the Functioning of the EU, and provided for different penalties for sanctions violations.

The decision:

- allows for harmonized enforcement of sanctions across the EU,
- discourages attempts to circumvent or violate sanctions.

As is well known, the Russian invasion of Ukraine is causing disruption in global markets. Global prices for key commodities (e.g., fuel and fertilizer) have risen to record levels.

The war has also created uncertainty about the security of energy supplies (cf. Kuzior, Babenko, Rekunen [et al.], 2023). Russia, which has traditionally been a major exporter of fossil fuels to the Union, suspended gas supplies to several member states, prompting the EU to react quickly to ensure supply in all countries.

Russian attacks on crops and transportation infrastructure have reduced Ukraine's ability to export agri-food products, which in turn has further exacerbated the global food crisis. EU leaders therefore agreed in March 2022 to reduce the EU's dependence on Russian fossil fuel imports. In addition, EU countries are making a concerted effort:

- ensure the supply of gas, while reducing the demand for the resource,
- mitigate the impact of high energy prices on households and businesses,
- accelerate the transition to clean energy.

5. Applications

Thus, the following are the most relevant examples of the effects of the war in Ukraine on the issue of corporate financial management in Poland as a non-corrective event that requires disclosure for their significant impact on the property, financial position and financial result (as long as it is practically possible to estimate the potential impact), and which occur in some Polish companies as a result of the war in Ukraine. They are:

- lack of access to banking systems,
- imposing direct sanctions on the entity's counterparties (suppliers, customers, lenders, borrowers, etc.), or on subordinated entities,
- declines in sales or profitability,
- a decline in the market value of investments held by the company,
- an increase in the price of oil, natural gas, petroleum products and minerals,
- inflation growth,
- changes in foreign currency exchange rates relevant to the entity's operations,
- interest rate changes,
- destruction or seizure of company assets.

"In the management report, the possible negative consequences, i.e., the risks associated with the further course of the conflict in Ukraine and a description of its possible extensive consequences in terms of its impact on the anticipated future financial position, assets and liquidity of the entity and its anticipated development, including the achievement of strategic goals and activities and operations, should be presented in an objective and balanced manner" (Przybyszewska, 2022).

Thus, in determining at least approximately the possible, albeit significant, effects of the current conflict in Ukraine on the activities of the entity's companies, the following should be taken into account:

- the development of current and forecast interest rates and inflation,
- foreign exchange restrictions,
- restrictions of some banks in access to the SWIFT system (→ difficulties in receiving / delays / inability to pay claims),
- reduce the availability and increase the cost of credit / other means of financing,
- limiting access to necessary infrastructure (including IT infrastructure),
- reducing energy and other utilities,
- reduction or collapse of certain sales markets (→ reduction or even total loss of revenue),
- weakening of the Polish currency (→ the amount of costs incurred and the amount of revenue generated),
- the entity's relationship with sanctioned entities
- contractor problems,
- sanctions imposed on lenders/borrowers (→ difficulties in obtaining financing to ensure coverage of business costs),
- difficulties in purchasing and increases in the price of raw materials, goods or services,
- supply difficulties,
- increase in the price of raw materials: oil, natural gas, coal (particularly acute in the absence of alternatives to maintain continuity of production / service provision),
- changes in the labor market,
- changes in the mood and preferences of contractors and consumers (→ changes in demand for certain products and goods),
- reduced number of employees.

In turn, it should also be borne in mind that companies that help Ukraine have, among other things, the following costs associated with:

- donations of various kinds (money, clothing, food, garbage bags, cardboard boxes, also in the form of various services, etc.),
- transporting donations,
- refugee transportation,
- providing storage and office space,
- rental and furnishing of apartments or premises intended for residence,
- equipping refugee children for school,
- the purchase and heating of tents and other places to stay,
- purchase of cleaning products, food, hygiene products,
- supplying refugee reception points with water, field beds, sleeping bags, or food.

It should not be overlooked that assistance to victims of Russian aggression also has an impact on society not directly related to the conduct of business. "For example, when providing storage and office space free of charge for aid purposes, the entity should document the costs of providing the space, heating, lighting, cleaning, adapting it for collecting donations, and demonstrate that these activities result from the need to involve the company in solving current important social problems. These costs will be included in the entity's books - under Article 3(1)(32) of the Accounting Act - as other operating expenses, or, if the entity has policies within the framework of corporate social responsibility, as costs of core operations" (Przybyszewska, 2022).

6. Summary

The war in Ukraine has complex and far-reaching effects on various levels, including the economy of Poland. One important area it has affected is the financial management of companies operating in Poland. Poland had large trade interests with Ukraine before the outbreak of the conflict. The decline in trade between the two countries could mean the loss of a significant market for many companies. Companies exporting to Ukraine must look for new markets or adjust to less trade activity in the eastern market.

In addition, changes in currency exchange rates, especially the Ukrainian hryvnia, can affect the financial stability of companies doing business in Poland. These companies need to closely monitor exchange rates and implement strategies to hedge against currency risks. Companies with subsidiaries in Ukraine may face higher operating costs due to inflation and economic uncertainty in that country. This, in turn, may require adjusting budgets and optimizing

costs. In addition, the conflict in Ukraine is also affecting foreign investment in Poland. Some investors are less willing to invest in the region due to geopolitical uncertainty, in which case companies face difficulties in raising capital to expand their operations. As you know, Poland is dependent on the supply of raw materials, and uncertainty in Ukraine introduces additional supply risks. Companies must be ready for possible disruptions in the supply chain and adjust their raw material stocks. The situation in Ukraine shows that geospatial risks can affect business stability, and individual companies need to take such risks into account in their financial management plans and risk control strategies.

In conclusion, the effects of the war in Ukraine on the financial management issues of companies in Poland are multidimensional and require flexibility and the ability to adapt to the changing market situation. Companies need to act cautiously, monitor risks and be ready to make changes in their financial strategies to survive these difficult times and strive for long-term success.

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