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## FINANCE AND ACCOUNTING USED IN AGRITOURISM AS AN ELEMENT OF AGRIBUSINESS MANAGEMENT ON THE EXAMPLE OF HOLIDAY FARMS LOCATED IN BIESZCZADY

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### Keywords:

- finance
- accounting
- agritourism
- Bieszczady

### Abstract:

**Background:** The paper presents the results of research showing the current state use by farmers from the Bieszczady area - accounting records. This article sets out the main problems faced by holiday farm owners in dealing with financial and accounting clashes. **Material and methods:** The research was conducted through surveys and standardized interviews. The questionnaire was sent to 200 agro-tourism farms located in the Bieszczady, Lesko and Sanok districts, which were registered in their respective municipal offices and which had operated for at least two years. **Results:** Research has shown that voluntary farmers who run a branch of agritourism are reluctant to keep track of their income and therefore are unable to effectively manage their farm. Only by raising the level of knowledge in this field will the service providers themselves be able to argue that agro tourism in the Bieszczady will be able to develop properly and successfully to select investments. **Conclusions:** Research has shown that voluntary farmers who run a branch of agritourism are reluctant to keep track of their income and therefore are unable to effectively manage their farm Only by raising the level of knowledge in this field will the service providers themselves be able to argue that agro tourism in Bieszczady.

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### INTRODUCTION

An enterprise as an economic entity producing goods, trading or providing services is operating in the course of business - cash. In the economic sense, the enterprise is also an holiday farm offering its clients tourist services. In the context of the enterprise, holiday farm do not differ much from conventional business activities, they also operate on the basis of obtaining financial resources and properly recording them and paying the resulting fees and taxes. Holiday farms like every company strive to maximize their profits while at the same time wanting to spend as little as possible on their business. Farm management has now become a very important issue for many farmers who did not realize that the proper planning and budgeting was the basis for the proper functioning of the holiday farm.

### PURPOSE, EXTENT AND METHODOLOGY OF ACTIVITIES

The aim of the study is to analyze and show the methods of recording income and costs used by Bieszczady service providers. The research was conducted through surveys and standardized interviews. The questionnaire was sent to 200 agro-tourism farms located in the Bieszczady, Lesko and Sanok districts, which were registered in their respective municipal offices and which had operated for at least two years. The survey was completed by 146 respondents. The research was conducted in 2017 in the form of standardized interviews and

questionnaires (the questionnaire consisted of 15 questions concerning the application of accounting methods for farmers engaged in agritourism). The paper presents an analysis of the answers relevant to the topic of the article, which concerned the use of marketing in their own activity. The statistical data collected after the respective grouping and processing has been extended to include analysis and description methods.

## **METHODS OF ACCOUNTING RECORDS APPLY IN ENTERPRISES**

Before starting a business, you need to decide on the way you keep your books in the company. This is important from the point of view of tax settlements because the form of keeping accounting records also determines the form of taxation of earned income [Wszelaki A, 2016] Entities undertake an economic activity whose starting and ending is free for everyone on equal terms and in accordance with the law. Besides the principle of freedom it is essential to respect the principle of equality and the principle of respect for the law and customs of [Grzegorzewska-Mischka, Wyrzykowski W. 2009:32] Any entity wishing to instigate economic activity in the territory of the Republic of Poland must meet the numerous formal and legal requirements resulting from the effectual regulation of Poland [Targalski 2014: 64] Before you start your business you should decide on the form of guiding your books in the company. This is important from the point of view of tax settlements, since the form of keeping accounting records also determines the form of taxation of earned income. However, this choice is not final, there is a possibility of changing the method of taxation in the course of activity - from the next tax year. This decision is made up of a number of factors, which are mainly limited to freedom of choice by commercial and tax law [Cieślak 2006: 168-173]. Belong to them:

- type of business activity,
- size of activity,
- the amount of planned revenues and costs.

At present there are two main forms of keeping books of account in full and simplified. According to the provisions contained in the Accounting Act itself, full records refer to taxpayers:

1. commercial companies (personal and capital, including in the organization) and civil partnerships, as well as other artificial persons, with the exception of the State Treasury and the National Bank of Poland,
2. natural persons, civil partnerships of natural persons, general partnership of natural persons, if their net revenues from sales of goods, products and financial transactions for the previous financial year amounted to at least the equivalent in Polish currency of EUR 2 000 000,
3. organizational units operating on the basis of the banking law, regulations on rotation of financial credit instruments, provisions on investment funds, regulations on insurance and reinsurance business or provisions on the organization and operation of pension funds, irrespective of the size of revenues,
4. municipalities, counties, voivodships and their associations, as well as:
  - o state, communal, county and provincial budget units,
  - o commune, county and voivodship budgetary institutions,
5. organizational units not having legal personality, except for the companies referred to in points 1 and 2 (inter alia commercial and private companies);
6. branches and representative offices of foreign entrepreneurs, within the meaning of the provisions on freedom of economic activity,
7. units not mentioned above, if they receive for the performance of tasks assigned to grants or subsidies from the state budget, budgets of local government units or special

funds - from the beginning of the financial year in which grants or subsidies were granted to them.

Whereas simplify record we divide into:

- **tax card** - reserved for a small group of entrepreneurs, consisting in paying a fixed amount of money every month.
- **tax on record revenue without deductible costs**- simplified form of tax payment, consisting in paying a specific rate dependent only on income
- **income and expense book**- most commonly used form, simple and popular method of tax calculation, consisting of summing up revenue and costs. [Act of 29 September 1994]

### **AGRITOURISM AS AN UNUSUAL FORM OF BUSINESS ACTIVITY**

Agritourism is becoming more and more popular among tourists as well as those who are involved in agritourism. There are regions in Poland where large agglomerations are found, which is closely related to the natural and landscape values of these areas. Agritourism, although practiced in Poland for decades as a typical business activity, is governed by atypical legal and formal requirements. This is mainly due to the fact that agritourism as a form of economic activity is subordinated to separate regulations which differ from most companies operating in Poland. Rural tourism is becoming an important factor in the multilevel development of Polish countryside. As a revenue-generating investment, it positively influences the economic and social development of rural areas. Farmers are able to continue to work on their farms and do not have to resign from farming. It is doubtful, however, that there is little awareness among farmers about simplified bookkeeping, so that the interested parties can clearly identify their agritourism profits and take that into account in their total income. Today a very small group of farmers use accounting methods to record profits from agritourism activities - this fact contributes to the fact that most farms consider income from activity to be low or not significant in fact without knowing their share of total income. For years, agritourism has been permanently integrated into the landscape of the Polish countryside, and in recent years has become one of the most popular forms of leisure. It is a key and priority component of multifunctional rural development. At present, there is a chance to change the situation of rural areas by creating new jobs outside agriculture and by actively using free time, enabling the inhabitants to interact with nature and the rural environment [Jalinik, 2016: 63].

Agritourism activities just as typical business activities can report to basic forms of taxation such as:

- personal income tax;
- property tax;
- tax on goods and services;
- agricultural tax;
- forest tax;
- local fees (local);
- building insurance (mandatory and voluntary);
- compulsory social security contributions;
- various types of property insurance, both compulsory and voluntary.

However, very often the hosts use from the possibility of exemption from the tax for those who earn living room income, subject to the following conditions [Jalinik 2010: 113]

- rented rooms are located in residential buildings (not exempt from tax holidays obtained from hiring tourist cottages, as well as rooms in buildings, eg for business, adapted for service purposes);
- residential buildings in which rooms are rented and belong to a farm
- rooms are rented to people on holiday (this means that the exemption does not apply to the rent of rooms permanently, rent to seasonal workers and other employees);
- residential buildings in which rooms are rented must be located in rural areas, outside the administrative boundaries of cities;
- the number of rooms rented does not exceed five (this includes only rooms for the exclusive use of guests, no dining room, entertainment areas, verandas and other public spaces).

Exception from tax appertain to each owner of holiday farm, which satisfies the mentioned conditions, even if it achieves additional revenue from another source such as commercial activity. Exemption encompasses also obtained incomes from the title of food entertains living in rented peace/rooms. Slackened incomes in this situation from the taxation they are not united for taxation goals with other incomes, they do not influence also on the height of other taxes, beyond the tax VAT. From the total income tax exemption an owner of the agricultural farm, put outside administrative boundaries of cities is entitled to him/her, if has no more than five rooms. [Jalinik, 2010: 114]

Meeting all above conditions people who run agritourism isn't obligated for paying the tax on account of the renting of rooms, these incomes not connections oneself also with incomes obtained from alternative sources, e.g. of the, creative, agricultural commercial activity or also every other form of obtaining the income. By exception is here tax Vat which is necessary to pay after exceeding of limit of 150000.00 zloty. Activity in the range of agrotouristic services due to classify according to PKWiU 2008 in grouping of 55 connected services with the cantonment", however on the base article 41 ust.2 in association. from poz.163 the annex number 3 and article 146the point of 2 statutes about VAT, to connected services with the cantonment (PKWiU of 55) is applied 8- percent. VAT. The VAT exempted on the base article 43 ust.1 point of 3 statutes about VAT, is however the delivery of the products farm descending from a own agricultural activity by global farmer and the testimony of agricultural services by global farmer. In practice indicates this that the farmer the seller own milk and cheese guests does not have to count from this title of tax Vat, must however lead the record of income for the purpose of profiting from the exemption vat on the base article 113. [Tax exemption]

Rids of tax sale, that is accomplished through taxpayers for that the value of sale did not step over together in a previous tax year the quota of 200 000 zloty. To the value of sale not included quotas of tax. At the same time the fifth fragment of law on Vat it is said that:

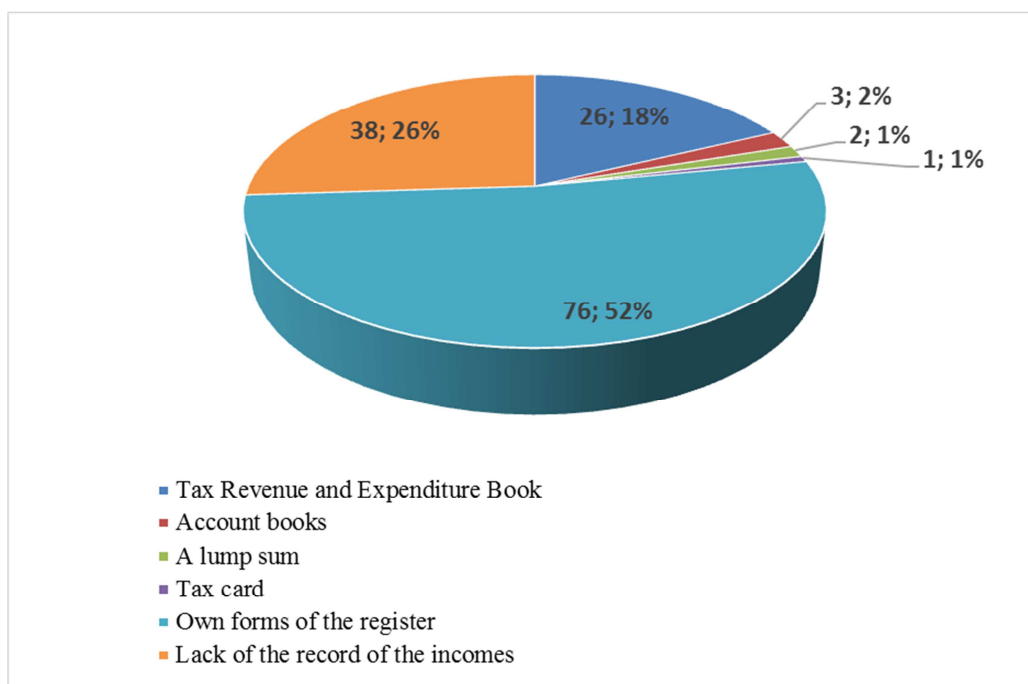
If value of the sale released from a tax on the basis of paragraph 1 will step over a quota about that language in a paragraph 1, liberation loses force, beginning from activity stepped over that this quota.

This provision means that farmers providing farm tourism services can use from the dismissal from the object dismissal from vat up to the moment of exceeding amount 200000, 00 PLN of the sale.

This provision, even though directly isn't talking about the obligation of keeping records explicitly he shows her running for the obligation, because in case of her lack we aren't able to determine amounts of drawn incomes and consequently we cannot determine, when we will exceed limit 200000, 00 PLN.

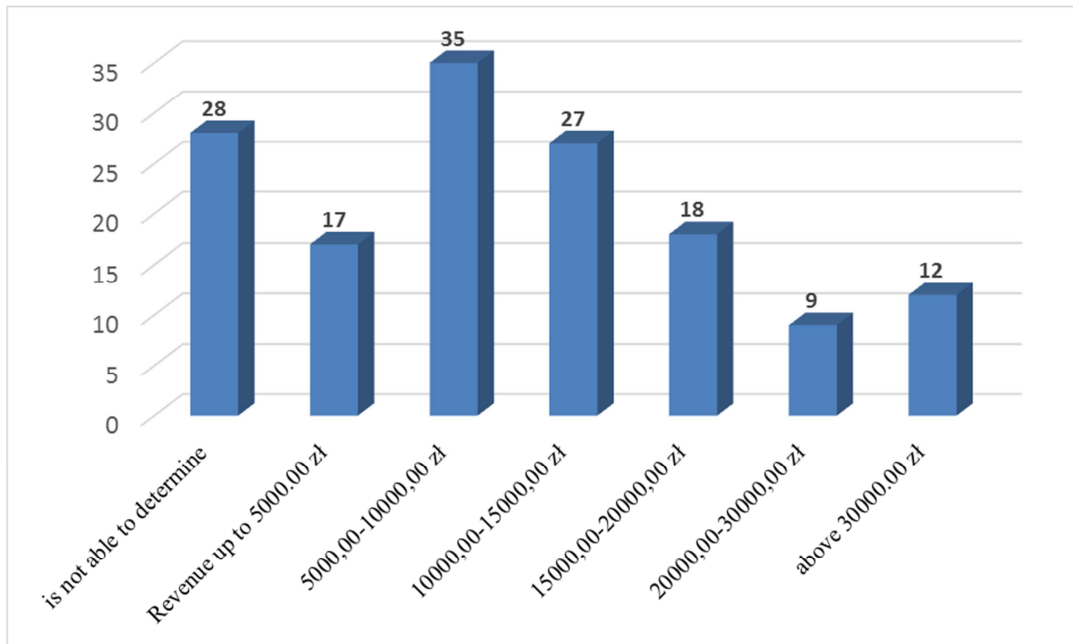
### THE RESULTS OF RESEARCH

Researched the group of person which they lead household determined principally women (65%), which definitely belonged to the people of principally managing by property. A majority of households is family households (71%) which are invested in entire family. A sizeable group of respondents is young persons in an age bracket of 25-35 years (45%), one can see here more and more clearly, that young people willingly are taking up work in own households, upon completion of the higher education often return into native towns. According to researched of person which they lead household the most frequent method of record is their own form of the recording of accountant (52%) results this from the fact, that activity the agrotouristic is not treated as economic activity and in connection with this the landholders do not have to lead obligatorily any keep the books, they make this only for own needs. Records these they are unfortunately few authoritative, because farmers do not seize in them all costs what sort carry in connection with testified services by stay. The pretty big group of people who run agritourism (26%) declared, that does not lead any mathematical record, not writing down or incomes, or costs. Succeeding researched (18%) of person which they use principally record in digital manner benefitting from the computer programs and ready solutions in this range, most often brings the taxation book of incomes and book of extras. It is associated with the fact, that most often this group of farmers leads the own economic activities and they possess knowledge how to make and how this is Essentials.



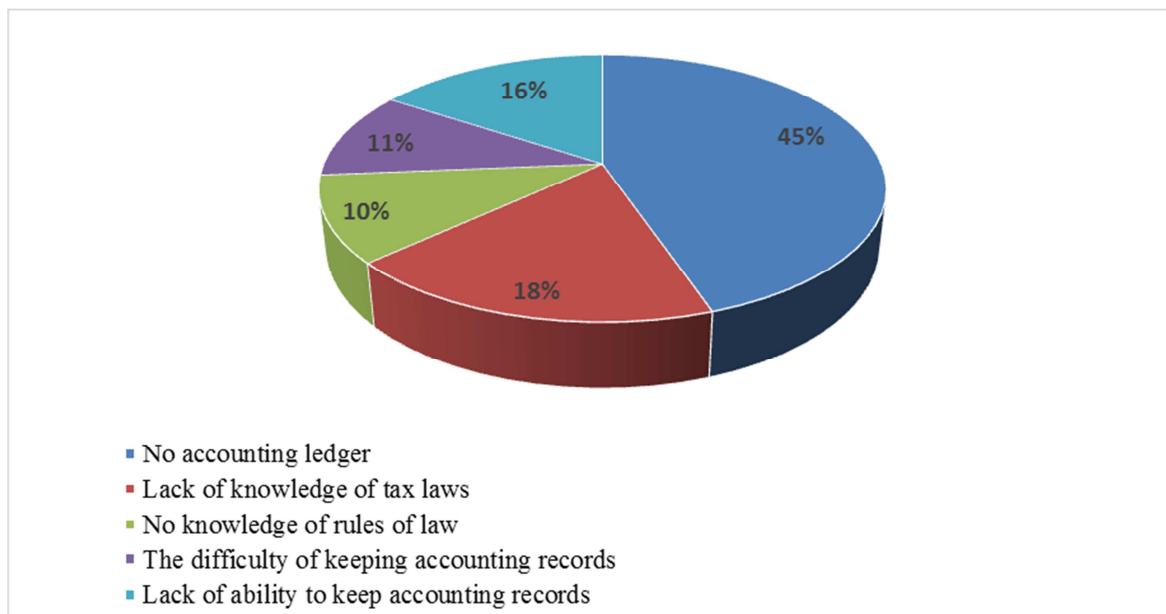
**Diagram 1.** Methods of book accounts, applied by investigated people who run agritourism.  
Source: Own research.

Next groups are peasants that conduct to activity economic and take into account agrotourist activity together with it to activity economic, however this group then there is a small fragment of the investigated peasants (4%).As a result of undertaken studies appeared, that the large researched group is not capable to define the heights of owl profits on agrotourist activity, respondents don't specify what benefits get from the activity carried out by itself, because does not take into account the arrivals and money or do it not correctly.



**Diagram 2.** Annual income from agro-tourism activities of the examined group of farmers.  
Source: Own research.

A large group (19.18%) of the surveyed farmers are not able to give their income, they have no knowledge about whether their agritourism activity brings them income. 2. The largest number of farmers (23.94%) declare their income between 5000,00-10000,00 zloty, only 12 (8.22%) people who run agritourism have stated that the income from agritourist activity is more than satisfactory and is over 30000.00 zloty, but they are not able to determine the exact amount of their profit (Chart 2).



**Diagram 3.** Barriers indicated by farmers as a result of not keeping accounting records.  
Source: Own research.

As you can see in the chart no. 3, as the main reason why they do not record their income are the lack of obligation to conduct such reports (45%), they consider it because agritourism is not a typical form of doing business and is exempt from accounting with the tax office. Another important reason why no form of accounting is conducted by the farmers is

the lack of legal knowledge (10%) and tax (18%). The least important reason for people who run agritourism is the degree of difficulty in accounting for financial events on their farm (11%).

## **RESUME**

The occurrences associated with the cash flow are creating the sphere of accounts of a business, of also a farm tourism household which one should appropriately order. The financial management consists in determining both the register of costs and the resulting income from the way of investing funds in the conducted business activity. And in order appropriately to manage the unit one should diligently inventory every economic events. The basic long-term goal of each company is a maximization of profits of the owners, that requires a proper planning and budgeting. Proper business management is a forward-looking process that requires predictability and good planning, but unfortunately it cannot be done without knowing the financial status of the managed farm. Research has shown that voluntary farmers who run a branch of agritourism are reluctant to keep track of their income and therefore are unable to effectively manage their farm. Only by raising the level of knowledge in this field will the service providers themselves be able to argue that agro tourism in the Bieszczady will be able to develop properly and successfully to select investments and thus offer customers more tailored tourist products.

## **LITERATURE**

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