

A blurred photograph of three businesswomen in professional attire walking away from the camera down a brightly lit office hallway. The image is out of focus, creating a sense of motion and a professional atmosphere.

CORPO REVIEW #4

FINANCIAL STATEMENTS

Challenges in the Approval Process

Challenges in the Financial Statement Approval Process

June is a critical month for many companies because, by its end, the approval of the financial statements for the previous fiscal year should occur.

This process typically follows standard procedures. However, there are instances where our clients encounter circumstances that go beyond the previously established routine.

Below, we present four scenarios that affect completing documentation or approving financial statements.

SCENARIO 1

Not all board members signed the financial statement, but they submitted statements

According to Article 52 of the Accounting Act of September 29, 1994 (Act), the financial statement is signed - with the date of the signature also provided - by the person entrusted with maintaining the accounting books and the head of the entity. If a multi-member body manages the entity, all members of this body or at least one member must sign the statement.

Signing the financial statement confirms that it meets the requirements specified in the Act.

If the entity is managed by a multi-member body, the financial statement **can be signed by at least one member after the remaining members have submitted statements** confirming that it meets the requirements specified in the Act.

The statement confirming that the financial statement meets the requirements specified in the Act is attached to the financial statement.

The statement specifies the financial statement, especially by the date and time of its signing by the person responsible for keeping the accounting books.

The statement is prepared in electronic form and signed with a qualified electronic signature, a trusted profile, or a personal signature. Alternatively, it can be prepared in paper form with handwritten signature, in which case one of the board's members signing the financial statement ensures the preparation of electronic copies of the statements.

SCENARIO 2

Some members of the board refused to sign the financial statement

A board member may **refuse to sign the financial statement** or **refuse to sign the statement** confirming that the financial statement meets the requirements specified in the Act. Such refusal requires preparation of a written justification attached to the financial statement.

The refusal to sign or to submit the statement is prepared in electronic form and signed with a qualified electronic signature, a trusted profile, or a personal signature. Alternatively, it can be prepared in paper form with handwritten signature, in which case one of the board's members signing the financial statement ensures the preparation of electronic copies of the statements.

SCENARIO 3

All members of the board refused to sign the financial statement

According to Article 53 of the Act, an entity's annual financial statements must be approved by the approving body no later than six months from the balance sheet date.

The lack of signature on the financial statements by at least one member of the management board affects further proceedings of the approving body (shareholders or stakeholder).

Shareholders **should not approve the financial statement** that has not been signed.

Additionally, the distribution or allocation of the net financial result can only occur **after the financial statement is approved** by the approving body. Any distribution or allocation of the net financial result made without meeting this condition is legally **invalid**.

SCENARIO 4

The financial statements have not been approved

The lack of resolutions approving the financial statements or negative resolutions rejecting their approval do not exempt the management board from the obligation to submit documents to the registry court.

According to Article 69(2) of the Act, if **the financial statements are not approved** within the deadline (by June 30th, when the fiscal year coincides with the calendar year), they must be submitted to the registry court within 15 days after this deadline (thus, no later than July 15th), as well as within 15 days after their approval.

Would you like to find out more? Please write to us!

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