



Lithuanian accounting development phases and tendencies

JONAS MACKEVIČIUS, RASA SUBAČIENĖ***

Abstract

The evolution of Lithuanian accounting has a long history and is rather complicated. It was influenced by different countries, especially by Tsarist Russia, Germany, France, Poland and the Soviet Union. Different factors had an impact and formed the Lithuanian accounting system, and they have defined development tendencies for it.

The aim of this research is to investigate Lithuanian accounting development phases and tendencies. The research methods consist of analysing scientific papers of Lithuanian authors, a retrospective analysis, the historical approach, inductive and deductive methods, systematisation, comparison and a summary of the information. From the chronological and historical perspectives, the following Lithuanian accounting development phases were distinguished: (1) accounting origin for the period of the Grand Duchy of Lithuania (1251–1795); (2) Lithuania's accounting status during the period of occupation by Tsarist Russia (1795–1914) and World War I (1914–1918); (3) the condition and regulation of accounting during the inter-war period (1918–1940) and World War II in Lithuania; (4) accounting organization and regulation during the Soviet occupation period in Lithuania (1944–1990); (5) accounting status and problems in Independent Lithuania (1990–2015). The article investigates the key elements of regulation, and the achievements and problems of each Lithuanian accounting development phase.

Keywords: Lithuanian accounting, accounting development, phases, tendencies.

Streszczenie

Etapy i tendencje rozwoju rachunkowości na Litwie

Ewolucja rachunkowości na Litwie ma długą i dość skomplikowaną historię. Na regulacje rachunkowości na Litwie wpływały rozwiązania stosowane w innych krajach, zwłaszcza w carskiej Rosji, Niemczech, Francji, Polsce i Związku Radzieckim. Różne czynniki miały swój udział w tworzeniu się litewskiego systemu księgowości.

Celem artykułu jest zidentyfikowanie faz rozwoju rachunkowości na Litwie i tendencji zmian w regulacjach. Metody badawcze objęły analizę prac naukowych autorów litewskich, analizę retrospektywną, analizę historyczną, metody indukcyjne i dedukcyjne, systematyzację, porównania i podsumowanie informacji. Wyróżniono następujące fazy rozwoju rachunkowości na Litwie: (1) rachunkowość Wielkiego Księstwa Litewskiego (1251–1795); (2) rachunkowość na Litwie w okresie okupacji carskiej Rosji (1795–1914) i I wojny światowej (1914–1918); (3) stan i regulacje rachunkowości w okresie międzywojennym (1918–1940) i II wojny światowej na Litwie; (4) rozwój rachunkowości i regulacji sprawozdawczości podczas sowieckiej okupacji Litwy (1944–1990); (5) rachunkowość i problemy w niepodległej Litwie (1990–2015). W artykule zostały przeanalizowane kluczowe elementy regulacji rachunkowości, a także osiągnięcia i problemy w każdej fazie rozwoju litewskiej rachunkowości.

Słowa kluczowe: rachunkowość na Litwie, rozwój rachunkowości, etapy, tendencja.

* Jonas Mackevičius, habilitated doctor of social sciences, professor emeritus, Vilnius University, Faculty of Economics, Department of Accounting and Audit, Jonas.Mackevicius@ef.vu.lt

** Rasa Subačienė, doctor of social sciences, professor, Vilnius University, Faculty of Economics, Department of Accounting and Audit, Rasa.Subaciene@ef.vu.lt



Introduction

Accounting is one of the most important sources of economic information. It provides the most significant part of information about a company and is used by different types of users. Well-managed accounting helps to evaluate the financial status of the company and its divisions as well as performance results, to control the fulfilment of plans, orders and other tasks, to reveal the opportunities for improvement and continuity of operations, etc.

Under the conditions of modern global and competitive markets, the role of accounting has already increased and will continue increasing in the future. It is important to examine the historical origins of accounting in order to consider the importance of strengthening the economy with financial data and to determine the best theory and practice aspects during the different historical periods in various countries. The evolution of Lithuanian accounting is long and complicated. It was influenced by different countries, especially by Tsarist Russia, Germany, Poland and the Soviet Union. Therefore, Lithuanian accounting development has not been investigated sufficiently. As foreign scientists have not investigated Lithuanian accounting history to a great extent, mostly the opinions of Lithuanian authors are covered in the article. Several aspects of accounting development during Lithuania's existence were analysed by Krivka (1990, 1994), Mackevičius (1991, 1994) and Žėkienė (1990).

The aim of the article is to investigate the Lithuanian accounting system, its development phases covering the period of the Grand Duchy of Lithuania to independent Lithuania (1251–2016), and its tendencies.

The methods applied in research are: analysis of scientific papers of Lithuanian authors, a retrospective analysis, the historical approach, inductive and deductive methods, systematisation, comparison and a summary of the information. Different elements of the accounting system were analysed in each phase. The Lithuanian accounting system as a method of information collection, grouping and summary was formed only in 2001.

1. Accounting origins for the period of the Grand Duchy of Lithuania (1251–1795)

The results of the research show that accounting origins in Lithuania are related to agriculture and the activity of monasteries, rather than the development of trade and crafts as in many European countries. Due to feudalism being so widespread, accounting was most successful on Lithuanian estates. Mostly, attention was paid to the accounting of land and agricultural products. Special care was taken regarding the accounting of serfs' work, which was called forced labour accounting. A special book for the accounting of forced labour was used, where the number of days worked were registered. For each serf a separate page was dedicated, where chronological entries were made. In the 16

and 17th centuries, records in other books such as profit, taxes, serfs' relocation, heritage, notary deals, etc., of Lithuanian estates were kept. Due to the increasing number of books in the estate, the landowners employed scribes to keep records. For this job, gifted children of serfs were selected and trained (Krivka, 1990).

Monasteries had a significant influence on the development of Lithuanian accounting, as they had a number of different assets and performed a substantial activity. The process of running monasteries' property needed accurate data on money and material resources. For this purpose, a book of money was used. Each entry in this book was described in detail, i.e. it was indicated for which purpose the money was spent, how it was got and from where/whom. Some monasteries had two books of money – receipt and spending. For the accounting of products, books of flour, vegetables, meat, etc. were used. The consumption of products for feeding monks was recorded in a special canteen book. Accounting in monasteries was accurate as some monks were more educated than landowners.

When Lithuania's relations with neighbouring countries intensified, the need for writers, secretaries and rewriters increased. Special books were introduced, where domestic and foreign issues were recorded. For that purpose, books such as books of couriers, public affairs, economic affairs, and acts were used. Poland made a considerable impact on the performing of accounting, and records were registered in Polish in some estates. State offices were established in Lithuania in the 15th century. An archive was formed which dealt with the accumulated information of state offices, which is now called Lithuanian Metrics (Jegelevičius, 1990).

The main focus of accounting in the Grand Duchy of Lithuania was the collecting of taxes. One of the first administration officials who had to collect taxes were „tįjūnai”, or vicegerents, who were appointed by the Grand Duke. Occupied Belarusian, Russian and Ukrainian lands had vicegerents as well as advisors and treasurers, too. There were a lot of different taxes, as new taxes were constantly introduced, and new tax objects, their titles and rates were changed. The original taxes might have included the following: *mezliava*, *bartinė*, *totorinė*, *ordinė*, *tanga*, *stacija*, *žagrinė*, *kvarta*, *pagalvė*, *sidabrinė*, *dešimtinė*, *ofiara*, etc. (Žilėnas, 1996).

2. Lithuanian accounting status during the period of occupation by Tsarist Russia (1795–1914) and World War I (1914–1918)

From 1795, the most of Lithuania was occupied and had to apply the requirements of Tsarist Russia. A unified currency was established, and reorganizations in customs, credits, money, taxes and other spheres were implemented. During this period two tendencies may be highlighted: (1) crafts were developed and new types of manufacturing were established; (2) the number of traditional estate enterprises decreased. Business had an important role on taxes. New business tax regulations were passed in 1899, according to which almost all industrial enterprises had to pay taxes.

At the beginning of the 18th century requirements were set for the recording of accounting books and grouping of information, and they defined chronological and systematic records, and types of accounting books. But the most significant reform was in the middle of the 19th century, when two laws were passed: the Law on trading (1834) and the Law on general bookkeeping (1857), which had to be applied in Lithuanian companies, too. The validity of the laws was revoked only in 1924 (Жекеңе, 1990), although accounting was organized basically only in large enterprises. Small business owners, especially craftsmen, did not have accounting and did not prepare reports. Only from 1880 did all companies start to apply bookkeeping, but the bookkeeping order, forms and methods were different. Usually in companies with foreign capital, accounting rules were applied which complied with the rules of the owner's country of origin. One of the most typical attributes was the restriction on who could use the information. Accountants were the most reliable people the owner knew, usually relatives, who recorded transactions, and used special forms following requirements of owners.

Consequently, there was no accounting applicable to all types of business or all forms of companies in Lithuania as companies were very different in size, performance and organizational-technical level. Additionally, accounting records were kept only in the Russian language in Lithuanian companies, there was no uniform reporting, and in fact many companies recorded only the revenue and expenditure accounts. The financial year started from 1st of August and finished on the 31st of July of the following year.

At that time in Tsarist Russia, a considerable amount accounting literature on various accounting issues was published, i.e. balance, barter, mathematical and other theories were described; many papers and books of French and German authors were translated into Russian; a magazine, „Счетоводство” („Bookkeeping”) was published; and Pačiolis's treatise on accounts and records was translated. In Lithuania, however, these publications were not known. There were no Lithuanian authors who wrote on accounting issues.

The first World War brought heavy losses to Lithuania. Germany, after the occupation of Lithuania, eliminated all administrative structures and established its own administration. Only Germans were in government apparatus. Local residents could be appointed only as village elders. The Germans tried to keep accounting documents secret. Accounting in companies was stated in the recording and control of income and expenditures. The registration of total livestock and real estate was of great importance. Initially, companies could use the same forms and methods of accounting, but on 26 of October of 1915 the Commandment on the books of mortgage holdings and farms was issued. When the Germans took over the Lithuanian lands, the country had to follow the Commandment. Company accountants were Germans, while other employees could do only some technical accounting work. Germans started to apply the German-style (system) of accounting. This system is based on the books and records which are made from the original documents in chronological order. Using the German accounting system, four books were applied: (1) Cash register; (2) Memorial; (3) Summary (Journal); (4) General ledger. Additional books were applied, the number of which was not limited (Жекеңе, 1990).

3. Condition and regulation of accounting during the inter-war period (1918–1940) and World War II in Lithuania

The proclamation of the independence of the Republic of Lithuania (16.02.1918) was important, not only for the political and economic development, but also for the development of the accounting system. During that period, nine categories of industrial enterprises were valid. Category 9 included craftsmen's workshops that had no right to hire workers; category 8 – was enterprises where from 2 to 4 hired workers were employed. In terms of the organization of accounting, those businesses should be deleted from the total number since no accounting existed there. Other enterprises were grouped by the number of hired workers. For example, enterprises with between 500 and 1000 workers were attributed to the first category. Enterprises with the number of workers from 200 to 500 belonged to Category 3, and enterprises in Category 7 employed no more than 10 workers. Trade enterprises were divided into three categories. Thus, a good number of enterprises from different categories dictated „their own” accounting forms, specific primary documents and accounting registers. Accounting was regulated by the Law on Accountancy Books of Trade, Industrial and Credit Institutions of the Republic of Lithuania of 24 July 1924 (Prekybos, pramonės..., 1924). This Law also specified that trade enterprises in category one, as well as industrial enterprises in the second, third and fourth categories, had to keep the following accounting books: (1) memorial or daybook; (2) a cash book; (3) an account book. In addition, industrial enterprises also had to keep the following books for: (1) materials; (2) calculations; (3) manufactured products; (4) goods; (5) settlements, and (6) copies of letters. Category two trade enterprises, as well as industrial enterprises of the fifth and sixth categories, had to keep the following books for: (1) goods; (2) a cash book; (3) settlements, and (4) trade expenses. Industrial enterprises in the fifth and sixth categories also had to keep books for materials, manufactured products, and production expenses accountancy book. The third category, trade enterprises, had to keep the book of goods: (a) for the recording of receivable goods, indicating their purchasing prices; (b) for the recording of sold goods, indicating their selling prices in cash or buying on credit.

The Law on Accountancy Books of Trade, Industrial and Credit Institutions of the Republic of Lithuania (1924) indicated that accountancy books had to be kept without any erasures, rubbing out, smearing or additions in-between lines or items. It should be noted that an error had to be corrected in red, with a certain note below the article. Pages of books had to be numbered. Accountancy books had to be kept in the state language – Lithuanian. The first category, trade enterprises, and industrial enterprises of the first, second, third and fourth categories had to store accountancy books for five years, and trade enterprises of the second and third categories and industrial enterprises of the fifth and sixth categories, had to keep them for three years.

In the first years of Lithuania's independence, the Law on Trade, Industry, Credit and Craft Profit (1924) (Prekybos, pramonės..., 1924) had a major impact on how bookkeeping was organized. Under this Law two groups of profit taxpayers were

distinguished. The first group covered small trade and industrial enterprises, bank offices, commissions and similar establishments which did not draw up accounts, therefore it was enough for each payer at the beginning of the year to submit an application to the tax inspector about the amount of profit from the previous year. If profit tax was not calculated or paid for some reasons on due terms, it could be recovered within 10 years. Enterprises and institutions exempt from profit tax were listed in the first chapter of the mentioned Law, such as newly established enterprises, educational, science, art, political and charitable societies, credit and agricultural cooperatives, or consumer's cooperative societies, the capital of which was no higher than 50000 litas.

Stock companies, companies, various credit and other institutions of public accountability were considered to belong to the enterprises and institutions of the second group. Enterprises and institutions of this group had to submit their accounts to the Ministry of Finance of the Republic of Lithuania. They had to submit a balance sheet, a profit and loss account and a copy of the minutes confirming the accounts. The accounts submitted by the Ministry of Finance to the Tax Department were deemed to be finally approved if no clarifications from the Tax Department were required within the six months after its filing. If necessary, the Tax Department had the right to examine in-place and update accountancy books and all the accompanying documents.

The previously mentioned Law on Profit Tax was changed in 1931 and was referred to as the Law on Business Profit Tax. According to this Law profit tax rates, the procedure for calculation and the payment of the amount of profit tax was predicted.

In order to regulate the calculation of profit tax and accounting, in 1925 the Ministry of Finance of the Republic of Lithuania developed an instruction for the implementation of the Law on Tax on Trade, Industry, Credit and Craft Profit. This instruction contained forms of balance sheets, and profit and loss accounts separately for industrial, trade enterprises and credit institutions. Stock companies, in addition to balance sheet and profit and loss accounts, also had to prepare a report on the company's property and its status. The Auditing Commission of the stock company had a great impact on the quality of financial statements. Members of the Auditing Commission could at any time check how the accounting books and documents were handled. This commission regularly checked the cash balance and securities (shares, bonds). Balance sheets of stock enterprises and the profit and loss accounts had to be published in the „Official Gazette”, therefore, these accounts could be analyzed and examined by the parties concerned. But items in balance sheets of different stock enterprises differed not only in their names (for naming the same item, different terms were used) but also in their economic contents (Dragūnas, 1939; Ragevičius, 1935). Profit and loss accounts of stock enterprises also varied greatly.

During World War II, Germany occupied Lithuania and all large industrial, commercial, transport, and construction companies were declared German property. However, in order to attract Lithuanian businessmen, only smaller industrial companies were privatized: commercial cooperatives, shops, craft workshops. Many industrial companies were destroyed or closed, and only the food industry and some of the metal

processing companies which manufactured and provided products for Germany remained. Up to 1943, the whole of Lithuanian industry was transformed into the war industry (*Lietuva. Šeimos enciklopedija*, 2006).

4. Organization and regulation of accounting during Soviet occupation in Lithuania (1944–1990)

Two phases of accounting evolution during the Soviet occupation period were distinguished: (1) the organization and regulation of accounting in creating and strengthening the Soviet regime (1944–1965) and (2) the organization and regulation of accounting in the creation of a mature socialist system (1966–1990).

In the first phase (1944–1965) accounting was used as a tool to safeguard socialist property and fulfil the state's central plans, and thus was strictly controlled by the experts from the central institutions from Moscow. The USSR Ministry of Finance, the USSR State Planning Committee and the USSR Central Statistical Board issued many directive acts (regulations, rules, instructions, etc.) concerning spheres of accounting of raw materials and supplies, fixed assets, wages and salaries, the cost of production and others (*Справочник по бухгалтерскому учёту*, 1965). It should be noted that some of the regulations and instructions were often changed, so sometimes accountants of enterprises were not able to examine them properly.

The notion of accounting was slightly developed only during the period of 1957–1965, when the Lithuanian Economic Councils acted. In this period accounting was developed in the following directions: (1) by implementing directive regulations (instructions, rules, manuals, etc.) set by the Soviet government; (2) by preparing national instructional documents and using these in practice. The application of these two directions gave significant benefits in developing the background of national accounting.

Summarizing the state of Lithuania's accounting during the period of 1944–1965, it can be stated that the application of the Soviet accounting regulations was hindered by the fact that many Lithuanian accountants did not know the Russian language well, and also they could not comprehend some of the requirements of the regulations. During this period, there still worked in the bookkeeping offices of Lithuanian enterprises a number of independent Lithuanian accounting staff who knew the German and French accounting methods well. It was not easy for them to adapt and understand completely new, previously unseen original documents and registers. It was difficult to apply a systematic prescription of rules across different spheres of accounting. During this period of Soviet occupation, the situation was worsened by the uncomplimentary conditions for local initiative and creativity in a certain accounting sphere, which had been consistently practised in the interwar Lithuania. It was necessary to get used to the new instructions from Moscow, to understand their requirements and to apply them properly.

The following tendencies of accounting regulation appeared in the second phase of the Soviet regime (1966–1989): (1) reinforcement of centralized government and regulation of accounting; (2) politicization of the theory and methodology of accounting; (3) instability of accounting, the alternation of various regulations. The reinforcement of the centralized management of accounting was directly related to the issuing of various new directives. In all republics of the Soviet Union, including Lithuania, all ministries, other institutions and organizations were forced to implement these directives. The politicization of the theory and methodology of accounting led to the absolute dependence of accounting science on the directives provided by the Soviet Union's government which were based on Marxism-Leninism theory. The instability of accounting and the alternation of various regulations resulted in the degraded prestige of accounting and reduced the reliability and comparability of accounting information.

During the period 1966–1990, much attention was paid to the implementation of the normative methods of production cost accounting and production cost calculation which existed in the Soviet Union. It should be noted that accountants of the largest Lithuanian enterprises were the first in the Soviet Union to implement this method. It is also important to indicate one more fact: the first accounting books by Lithuanian authors in the Lithuanian language were published (Čenys et al., 1969, 1974; Mikutis, Pučinskas, 1988; Bružauskas et al., 1980 and other). Textbooks and other publications by Russian authors were also widely used in universities and technical schools (Жебрак, 1960; Щенков, 1969; Маргулис, 1973; Басманов, 1973; Чумаченко, 1970 and others).

5. Accounting status and its problems during the period of Independent Lithuania (1990–2015)

The following phases of accounting evolution were distinguished: (1) accounting status during the first years of the restoration of independence (1990–1992); (2) accounting information system creation and application (1993–2000); (3) Lithuanian accounting system integration into the European accounting system (2001–2015).

According to the results of the research, it was determined that during the first accounting reformation from Soviet accounting, following the requirements of a market economy, many mistakes were made: no laws or other regulation documents on accounting were passed, no institution for accounting methodological management and supervision was established, no concept for Lithuanian accounting restructuring and further development was prepared, etc. A wide range and even controversial opinions on accounting problems were indicated during the process of discussions in various meetings and workshops. However, the opinions were not based on some concrete arguments or research results. Thus, many questions, such as the relationship between financial and tax accounting, the compatibility of national and international accounting

standards, and the application of methods of manufacturing cost accounting and production cost calculation etc., were unanswered. But there is no more effective system for the insurance of assets' safety, in the rational use of resources or in the transparency of transactions than accounting. That is why the success of a country's economy depends on the efficiency of the accounting system. Therefore, it was vital to expand research on accounting systems and increase their efficiency, which happened in the second phase. Some articles by the Lithuanian authors were published on the evaluation of the first regulatory documents on accounting. In particular, many comments were presented on the Resolution of the Government of the Republic of Lithuania no. 804 on annual financial statements of legal entities (27.10.1993) and on the Letter of the Ministry of Finance of the Republic of Lithuania no. 91N on explanatory note and chart of ledger accounts (16.12.1993).

At the next stage of the development of the accounting system in Lithuania – the stage of integration into the European accounting system (2001–2015) – the integration of Lithuanian accounting system scenarios and phases were investigated. Four phases were distinguished and considered: (1) preparation (2002–2003); (2) implementation (2003–2006); (3) consolidation of results (2006–2010); (4) development (2010–2020) (*Lietuvos ateitis pasaulio kontekste*, 2003). Three laws were prepared in 2001: (1) the Law on Accounting; (2) the Law on Financial Statements; (3) the Law on Consolidated Financial Statements. In this phase of the evaluation of the Lithuanian accounting system, many things were produced which were of a strong scientific-methodological and practical potential, consisting of: (1) published monographs and textbooks; (2) prepared and published practical publications on bookkeeping; (3) scientific-practical conferences; (4) doctoral thesis. During the period 2000–2015, 19 monographs and textbooks were published, amounting to more than 300 pages and many various methodological and practical books. 22 international and national scientific-practical conferences were held, where different problems of accounting theory and practice were analysed. The accounting research process intensified – 12 doctoral theses were defended, but this number does not include doctoral theses on auditing, financial analysis and other sciences which also investigated accounting problems.

In order to integrate into the global accounting system as well as that of the European Union, the focus of scientists was based on further improvement of the Lithuanian accounting system. The following development trends were raised and discussed in the scientific literature and scientific-practical conferences: (1) the possibilities of developing financial statements; (2) the study of fraud cases of bookkeeping; (3) developing the prestige of the accounting profession and the image of accountants; (4) improving training quality for accounting specialists.

The state of financial statements may not guarantee such information quality which would satisfy the constantly increasing requirements of the economy. They may not help to solve problems of the company's competitiveness or to evaluate the prospects of a company's activity. They provide information about previous situations, which

may not be used by users of financial statements information as they had to make their decisions before the financial statements were made. The process of preparing financial statements should be accelerated. This is especially important and relevant for international and/or inter-enterprise transactions. Most accounting specialists admit that it is difficult to make decisions based only on information presented in financial statements (Lakis, 2008; Martinkutė, Kanapickienė, 2010; Rudžionienė, 2010; Mackevičius, 2009). Accordingly, it is suggested some financial items in the financial statements be included – one of them is intellectual capital. Intellectual capital is gaining a more important role, outstanding through its ability to create added value. But only a small part of it is presented in financial statements, as usually it may not be identified as a reliable value – one of the accounting criteria for recognition of assets. Therefore, external information users get only some part of the information and that directly influences the decision-making process (Ramanauskaitė, 2008).

A very important development trend of the Lithuanian accounting system is the decrease in fraud in accounting cases. Types of frauds differ: they are made in various areas of human activity, they are done by different people, the motives for committing frauds are various, and in addition, there are different conditions and causes which lead to a number of deceptions. Fraud is very diverse in terms of size, character and influence on performance results. Some frauds are detected quickly and they may be legally and financially evaluated while the detection of other frauds may take several months and even years. After an analysis of the various classifications of fraud, it was proposed that groups of fraud species be distinguished, i.e. independent fraud tree branches: (1) misappropriation of assets; (2) fraudulent record keeping; (3) corruption; (4) tax crimes; (5) conversion of services; (6) false reports; (7) other frauds. The conditions of fraud appearance are various. Seven main groups of conditions that increase the fraud risk may be explored: (1) organization leaders' competence and their management style; (2) staff and their skill levels; (3) organizational structure of the enterprise; (4) the financial state of the organization; (5) operations and execution of organization; (6) accounting, auditing and internal control systems; (7) external economic factors (Mackevičius, Ragauskienė, 2011). This classification helps the leaders of organizations, accountants, and internal and external auditors to find fraud in an easier way, explain their reasons and evaluate their influence on activity results. It should be stated that fraudulent accounting makes up more than 31.0% of all financial crimes (Mackevičius, Ragauskienė, 2011), which highlights the need to start research into fraudulent accounting.

The next very important problem was to increase the prestige accountants and the accounting profession. It is very important now in term of globalization, when unscrupulous accounting information users use it to achieve their improper goals, to solve their problems, or to make illegal decisions. Such situations, when some people use resources irresponsibly while the others are liable for that, are unacceptable. Therefore, accountants have to be those people who would help managers of the company to install

new work organization and control forms, which would increase the responsibility of employees, for example, by installing responsibility centres such as cost, profit and investment, or creating an effective internal control system and so on.

The professional image of an accountant is determined by the quality of his work. Many factors have an impact on an accountant's quality of work: the quality of legislation which regulates the accounting system, his professional competence, the attitude of enterprise managers on accounting, complicated organizational management structure of the enterprise, conflicts between employees, judicial proceedings, and so on. An accountant has to be professional and responsible as well as creative in all difficult situations (Rudžionienė, 2010).

Accountants have a considerable effect on a company's financial results, business continuity and expansion potential. However, this profession requires high qualification, responsibility and continuous improvement. When preparing qualified accounting specialists, it is very important to continuously develop the subject, and the pedagogical qualifications of lecturers, who apply and develop the concept of a good lecturer, stimulate creative cooperation between students and lecturers. It is important to use modern information technologies and advanced teaching methods that foster thinking and creativity, and various pedagogical methods to sustain and increase students' motivation in order to increase satisfaction with the accounting studies.

6. The future and tendencies of Lithuanian accounting development

Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, was passed (accepted) on 26th June, 2013. It amended Directive 2006/43/EC of the European Parliament and of the Council and repealed Council Directives 78/660/EEC and 83/349/EEC (Directive 2013/34/EU..., 2016). The main aim of the Directive is to reduce the administrative burdens for micro undertakings, to prepare framework for the regulation of the highest quality information, which should be prepared by enterprises. This Directive takes into account the Commission's better regulation programme and, in particular, the Commission Communication entitled *Smart Regulation in the European Union*, which aims at designing and delivering regulation of the highest quality whilst respecting the principles of subsidiarity and proportionality and ensuring that the administrative burdens are proportionate to the benefits they bring (Directive 2013/34/EU..., 2016). The main provisions were transferred into Lithuanian legislation. The Law on Accounting, the Law on Financial Statements, the Law on Consolidated Financial Statements, business accounting standards and other legislation were amended in 2015. Amendments came into effect in 2016. According to the Law on Financial Statements (Lietuvos Respublikos įmoniu..., 2016) four categories of enterprise exist: micro, small, medium and large (see Table 1). Categories of enterprises

are set according to three indicators: carrying value of assets – the value at which assets are presented in the balance sheet; net sales revenue for the financial year – value of sales revenue less discounts, reductions or returns of products; the average annual number of employees for the financial year list, calculated according to the established order.

Table 1. Categories of enterprises

Categories of enterprises		Carrying amount of assets, EUR	Net sales revenue for the financial year, EUR	The average annual number of employees for the financial year list
Indicators				
Micro	if at least two indicators on the last day of the financial year do not exceed the following values	350 000	700 000	10
Small		4 000 000	8 000 000	50
Medium		20 000 000	40 000 000	250
Large	if at least two indicators on the last day of the financial year exceed the following values	20 000 000	40 000 000	250

Source: composed by authors according to Lietuvos Respublikos įmonių... (2016).

Enterprises, which belong to a certain category may prepare different sets of financial statements (see Table 2) and provide different financial information. According to the changes in legislation, micro enterprises have to prepare an abridged balance income statement (by nature of expenses (instead of income statement by function)). It is not obligatory to produce explanatory note for micro enterprises. Information on its own shares, financial commitments, guarantees, contingencies, advances and credits to members of the administrative, managerial and supervisory bodies shall be presented at the foot of the balance sheet. Micro enterprises should apply the cost method for accounting of financial instruments, investment assets and biological assets; additionally, the fair value method is prohibited. Micro enterprises do not prepare management reports from 2016 (Verslo apskaitos standartai, 2016; Linartas, 2015).

Table 2. Sets of financial statements

Categories of enterprises	Micro enterprises	Small enterprises	Medium and large enterprises
Content of the set of financial statements	1) abridged balance sheet 2) abridged income statement May not prepare explanatory note. Defined information should be provided at the foot of the balance sheet.	1) condensed balance sheet or standard balance sheet 2) income statement 3) explanatory note (limited number of disclosures) May prepare statement of changes in equity and cash flow statement.	1) balance sheet 2) income statement 3) cash flow statement 4) statement of changes in equity 5) explanatory note (additional disclosures)

Source: composed by authors according to Lietuvos Respublikos įmonių... (2016) and Linartas (2015).

If the micro enterprise chooses not to apply the „exemption package” and prepares an abridged balance sheet and abridged income statement, it is regarded as a small enterprise (Linartas, 2015). From 2016, small enterprises will not prepare statements of changes in equity or cash flow statements. The changes are not so significant for medium and large enterprises. The disclosure of assets in the balance sheet according to categories of enterprises is presented in Table 3.

Table 3. Disclosure of assets in balance sheet according to categories of enterprises

Categories of enterprises / Items of statement	Micro enterprises	Medium enterprises	Medium and large enterprises
NON-CURRENT ASSETS	x	x	x
INTANGIBLE ASSETS		x	x
Detailed by type			x
TANGIBLE ASSETS	x	x	x
Detailed by type			x
FINANCIAL ASSETS		x	x
Detailed by type			x
OTHER NON-CURRENT ASSETS	x	x	x
Detailed by type			x

Table 3. Disclosure of assets in balance sheet according to categories of enterprises (*cont.*)

Categories of enterprises Items of statement	Micro enterprises	Medium enterprises	Medium and large enterprises
CURRENT ASSETS	x	x	x
INVENTORIES	x	x	x
Detailed by type			x
AMOUNTS RECEIVABLE WITHIN ONE YEAR		x	x
Detailed by type			x
CURRENT INVESTMENTS		x	x
Detailed by type			x
Other current assets	x		
CASH AND CASH EQUIVALENTS		x	x
PREPAYMENTS AND ACCRUED INCOME	x	x	x

Source: composed by authors according to Verslo apskaitos standartai (2016).

All types of enterprises use assets in their activities, but disclosure of information on assets will be different from 2016. All forms of balance sheet were complemented by an additional item of ‘prepayments and accrued income’, which is not separated into non-current and current assets. Until 2016, this item was summarized in different types of current assets – ‘prepayments’ as ‘current prepayments’ and ‘accrued income’ as ‘amounts receivable within one year’. As Table 3 shows, micro enterprises will present information only on two types of non-current assets: tangible assets and other non-current assets, and two types of current assets: inventories and other current assets. The disclosure of information on assets for small enterprises will be the same structure as for medium and large enterprises, except for the detail of provided information.

The peculiarities and differences of information on the composition of equity and liabilities according to different categories of enterprises, provided in the balance sheet from 2016, are presented in Table 4. All forms of balance sheet were complemented by the additional item of ‘accruals and deferred income’, which is not separated into non-current and current amounts payable and liabilities. Grants and subsidies and provisions were presented as separate groups of liabilities, which are not separated into non-current and current amounts payable and liabilities.

Table 4. Disclosure of information on equity and liabilities according to categories of enterprises

Categories of enterprises Items of statement	Micro enterprises	Medium enterprises	Medium and large enterprises
EQUITY	x	x	x
CAPITAL		x	x
Authorised (subscribed)			x
Subscribed uncalled authorised capital (-)			x
Own shares (-)			x
Share premium		x	x
Revaluation reserve		x	x
Reserves		x	x
Detailed by types			x
Retained earnings (losses)		x	x
Profit (loss) of the reporting year			x
Profit (loss) of the previous years			x
GRANTS AND SUBSIDIES	x	x	x
PROVISIONS	x	x	x
Detailed by types			x
AMOUNTS PAYABLE AND LIABILITIES	x	x	x
Non-current amounts payable and liabilities	x	x	x
Detailed by type			x
Current amounts payable and liabilities	x	x	x
Detailed by type			x
ACCRUALS AND DEFERRED INCOME	x	x	x

Source: composed by authors according to Verslo apskaitos standartai (2016).

Table 4 shows that micro enterprises will present extremely generalized information: total amounts of equity, grants and subsidies, provisions and the same form of information on amounts payable and liabilities, distinguished into non-current amounts payable and liabilities and current amounts payable and liabilities as small enterprises will. Medium and large enterprises will have to present more detailed information, which is expanded by additional items such as non-current and current payable amounts to associates and enterprises of the group, non-current and current payable amounts for bills and checks, etc.

Table 5 presents information provided in different forms of the income statement. From 2016, two forms of income statement will be used: by nature of expenses for micro enterprises and by function for all other categories of enterprises. Significant

differences will be in the preparation of income statement for micro enterprises. They will not have to calculate costs of sales, selling expenses, general and administrative expenses or other types of revenue and expenses of financial and investment activities. All these types will be summarized in items of other revenue and other expenses.

Table 5. Information provided in different forms of income statement

Applicable to other categories of enterprises	Items of income statement	Items of abridged income statement	Applicable to the category of micro enterprises
	1. Sales revenue	1. Sales revenue	
	2. Cost of sales	2. Other revenue	
	3. Change of fair value of biological assets	3. Purchased inventories and used resources	
	4. Gross profit (loss)	4. Change of balance of inventories	
	5. Selling expenses	5. Labour expenses	
	6. General and administrative expenses	6. Depreciation, amortization and decrease of value of assets	
	7. Results of other activity	7. Other expenses	
	8. Revenue of investment in the parent company, subsidiaries and associated companies' shares	8. Income tax	
	9. Revenue of other non-current investment and loans	9. Net profit (loss)	
	10. Other interests and similar income		
	11. Decrease of value of financial assets and current investment		
	12. Other interests and similar expenses		
	13. Profit (loss) before tax		
	14. Income tax		
15. Net profit (loss)			

Source: composed by authors according to Verslo apskaitos standartai (2016).

Enterprises of other categories also will have to apply some changes in the preparation of income statement from 2016. Three types of profit (loss) will be calculated in the form: gross profit (loss), profit (loss) before tax and net profit (loss). Before the reform, operating profit (loss) and profit (loss) from ordinary activities were calculated additionally. Besides, only the results of other activities will be presented, but information on financial and investment activity was expanded with additional items.

The changes to other financial statements were not significant. But the changes in the main financial statements – the balance sheet and income statement – will challenge

researchers to find new methods of financial analysis of information provided in the previously mentioned financial statements, especially for micro enterprises. Potential investors and creditors may require that additional information be prepared for evaluating the financial condition and effectiveness of an activity's results.

In 26 years of independence, Lithuania has developed accounting on legal, methodological and organizational bases. However, in the future, the challenge of amending and supplementing the existing legislation, developing a new one, improving primary accounting documents and registers, adding new information in financial statements, etc. will arise. This is an inevitable process as accounting has to reflect the constantly changing business relationships. These relationships, through the process of integration into the European Union market, become more dynamic and complicated.

Therefore, it is necessary to prepare a further development concept of the Lithuanian accounting system, harmonized with international accounting standards and European Community directives. The concept should include three accounting development stages: (1) short-term (for one year); (2) medium-term (for 2–4 years); (3) long-term (for 5–10 years and more). Every stage should indicate the information regarding what must be done and who is responsible for the performance. The number and quality of performed tasks should be evaluated each year. The concept should include tasks and tools to improve the practical, methodological and scientific potential of Lithuanian accounting. The main aim of the accounting system concept should be strengthening the consistency, specificity, accuracy and clarity of accounting legislation.

The future of accounting relies on the past: the past has to help the future. Therefore, researchers of the future of Lithuanian accounting have to be interested in two points: (1) an investigation of the historical experience, the best practices and (2) a statement of new ideas and thoughts. It is important to keep investigating the role and influence of Lithuanian accounting to improve the financial condition and results of the activities of the enterprise, to intensify the country's economic power and to raise people's well-being. Research on the Lithuanian accounting system's development is necessary, not only to continue the process but also to intensify it.

Conclusions

Accounting is one of the first information gathering, grouping and summary systems in human history. It serves the purpose of information preparation for different management levels and different internal and external accounting information users.

The Lithuanian accounting system changed in different historical periods: it reflected most important events and provided information for governors of the country and for other organisations and institutions according to their needs and regulations.

This tendency confirms the research on Lithuanian accounting development and distinguished development phases for it. During different periods of any country's history many factors have an impact on its economic conditions, regulatory requirements, information collection systems, etc. The main features and Lithuanian accounting development analysis criteria are summarized and presented in the Table 6.

Table 6. Lithuanian accounting development phases

Period according to historical approach	Influence of the other countries	Language	Main forms of activity	Main legislation on accounting	Specific features of the phase
1251–1795	Poland	Lithuanian Polish	Agriculture Activity of monasteries	Various Resolutions on Taxes by Grand Duke	Special attention to forced labour, inventory accounting
1795–1914 1914–1918	Tsarist Russia Germany	Russian German	Manufacturing, crafts Agriculture, crafts	Law on Trading Law on General Bookkeeping Commandment on the Books of Mortgage Holdings and Farms	Accounting organized in large companies There was no accounting applicable to all types and forms of business Special attention to registration of livestock and real estate
1918–1940 1941–1944	Germany	Lithuanian German	Industry Agriculture	Law on Accountancy Books of Trade, Industrial and Credit Institutions Law on Trade, Industry, Credit and Craft Profit (Law on Business Profit Tax)	Proclamation of the independence of the Republic of Lithuania

Period according to historical approach	Influence of the other countries	Language	Main forms of activity	Main legislation on accounting	Specific features of the phase
1944–1990	USSR	Russian	Industry Agriculture Trade Construction	Various Directive Acts issued by The USSR Ministry of Finance, the USSR State Planning Committee and the USSR Central Statistical Board	Strict regulation of accounting Based on Marxism-Leninism theory
1990–2015	Lithuania European Union	Lithuanian	Trade Agriculture Industry Construction	The Resolution of the Government of the Republic of Lithuania no. 804 on annual financial statements of legal entities The Law on Accounting, The Law on Financial Statements, The Law on Consolidated Financial Statements	Restoration of independence of the Republic of Lithuania

Source: own elaboration.

The main acts of regulation, the most important achievements, shortages and problems of accounting theory and practice were analysed in each phase.

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