УДК 657 **Parkitna A.**

OWNERS' EQUITY – PROBLEMS OF STRUCTURE FORMATION IN POLAND

Preserving of capital structure on the optimal level is vitally important. Polish companies' practice moves aside the management of owners' equity, focusing on getting maximum profits. The aspects of managing owners' equity are extensively and thoroughly presented in the literature concerning the object of research testifying its urgency. Determination of factors influencing the level of owners' equity at an enterprise, especially its profitability, is rather essential. Conscious formation of the owners' equity structure has to be aimed at decreasing of equity expenses. Many factors influence the formation of owners' equity structure, namely funds' availability, company's profitability, asset structure, expenses on equity usage, financial risk defined by the company's financing strategy and corresponding financial policies

1. Introduction

In a market economy to achieve efficiency is the primary objective of the organization. During the current recession, this has been difficult, so companies should be aware of that shape the structure and management of equity and to maintain its value at the optimal level is extremely important. The practice of Polish enterprises often proves that many operators plan to continue equity management, focusing only on developing the highest possible profit. Literature presents a wide and will give due consideration to various aspects of the management of equity, reflecting its importance and relevance.

2. Concept and substance of equity in polish literature and business practices

The capital is as comprehensive a financial category, it is hard to find that the only universal definition. Therefore, depending on the needs of the field is defined differently capital. Often it is regarded merely as a source of funding for the property, which is in the balance sheet liabilities of the company. Such identification does not reflect the capital throughout its merits in the field of finance. Capital is understood as consequences of the flow of funds to a company from the owners and creditors, which embodies and takes the value the assets of the firm, working in them and as a result of which increases its value as developed surpluses. This definition draws attention to the following shares[1]:

- Capital is not a property, a resource that enables to acquire the property
- Stresses the value of capital,
- The value of capital has the capacity for growth, increase its value through the work of the estate.

Direct the definition of equity can not be found in the accounting, but it can create them with the definition given in the net assets that are "assets less liabilities, by the corresponding net equity value"[2]. When valuing equity, we must associate it with the other components of the balance sheet and consequently also of the net assets.[3]

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[1] Iwin-Garzyńska J., Kapitał – kategoria finansowa. W: Finanse przedsiębiorstwa, red. naukowy Karpuś P., Lublin, Wydawnictwo Uniwersytetu M. Curie-Skłodowskiej, 2006, s. 277.
[2] Ustawa o Rachunkowości, art. 3 ust. 1 pkt. 29.
[3] Krzywda D., Dudek J., *Kapitał własny spółek handlowych,* Stowarzyszenie Księgowych w Polsce, Zarząd Główny w Warszawie, Centralny Ośrodek Szkolenia Zawodowego, Warszawa 200, s. 6.

The carrying amount of equity is not usually equal to its market value.[4] Equity is the owner or owners of the contribution in the company's assets for an indefinite period or for the entire pre-marked with its duration. At the time of establishment, it is equivalent to actions brought by the owner (s) of property. When you set up your own company's capital assets is equal to: Equity, it is also the capital stock and capital reserve company. When the company's commitment to emerging equity is the difference between assets and liabilities. Equity can be defined as equality of property, which will be the repayment of liabilities, so the equality of net assets.

***3.* Legal basis for own capital in Poland**

The Law on Accounting devoted to art. 36 and 36a, defining the way in recognizing and presenting the accounts and the financial capital (fund) their own. In accordance with the equity accounting are recognized in the accounts, broken down by types and by the principles laid down by law, the provisions of a statute or an agreement for the formation of a unit. In addition, Law Accounting requires the entity responsible for research and publication of accounts, draw up a statement of changes in equity. This summary includes information about changes in individual components of shareholders' equity for the current and previous financial year, when drawing up the statement for the reporting period than any other year, shows the changes in individual capital items for the current reporting period and the previous financial year. Statement of changes in equity is the development of analytical information on the development of specific items of capital own – a summary of the liabilities in the balance sheet. The aim is to: highlight the changes in individual components of capital and thus to provide users of financial information needed for the analysis of all changes in the book value of the enterprise. In addition, it reveals the basic error correction amount recognized in equity under the heading “Profit (loss) from previous years.” The types of equity are set out in Annex to the Act, containing a range of information recorded in the financial statements for other than banks and insurance companies. This list is incomplete in the light of the Law December 12, 2003, the Code of Commercial Companies and the Law (OJ No 229, pos. Article 2276. 2 points. 8 b), resulted in one supplement article 36 of the said Act, paragraph 2. Values of the payments are recorded separately in the balance sheet liabilities (capital reserve with the aid of accomplices) and is reported as a component of equity until it has been used in a manner to justify its write-off; enacted, but not payments made shall be shown in the additional position of equity.

I. Share capital
II. Unpaid share capital (negative value)
III. Shares (shares) his (negative)
IV. Share premium
V. Revaluation reserve
VI. Reserves from the mark-up of shareholders
VII. Pending payments in reserves (negative)
VIII. Other reserves
IX. Profit (loss) from previous years
X. Profit (loss) Net
XI. Copies of the net profit during the financial year (negative value)

Basics of legal recognition, measurement, recognition, presentation and disclosure of equity trading companies also include:

[4] Słownik finansów i bankowości, Wydawnictwo Naukowe PWN, Warszawa 2008, s. 149.

– Law of 15 September 2000. Commercial Companies Code (OJ No 94, pos. Ufh 1037 as amended).

– Law of 29 September 1994 on Accounting (Consolidation OJ 2002 No 76, pos. 694 with subsequent amendments).

– It is important to the tax legislation:

– Law of 15 February 1992 on corporate income tax (Journal of Laws 2000 No 54, pos. 654 with subsequent amendments).

– Law of 26 July 1991 on the taxation of individuals (OJ of 2000 No 14, pos. ZZ 176 as amended).

– The Act of 9 September 2000 on tax on civil law (uniform text Journal of Laws of 2005 No. 41 pos. 399, as amended).

Commercial Code sets out how the creation, organization, operation, resolve, merge, division and transformation of companies. Equity are of particular regulation ksh contained in the sections devoted to different companies.

***4.* Sources of capital raise**

The companies have a fairly wide choice of financing. They can customize the type of funding to meet the needs of their business. The various forms not only have different characteristics, but may also affect the cost of capital obtained, as well as the ownership within the business, and its image. Sources to raise capital for various forms of financing differ not only because of the funding body, but also because of the legal qualification - economic (Tab.1.).

Table 1. *Sources to raise capital through joint-stock company*

Send Financing	*Sources to raise capital*	*Marketing Funding*	*The characteristics of the source to raise capital*
1	*2*	*3*	*4*
own external	Contributions to share capital	Shareholder	Shaping of the capital base, the principle of principal
own external	Contributions to capital surplus in the form of the nominal issue price, the so-called: Agio	Shareholder	Agio has to be paid in full before registration before registering a company or a resolution to increase share capital
own external	The payments to capital	Shareholder	The payments occur in very rare company limited by shares, the Commercial Companies Code provides for payments (on the principle of optionally of course) for taking preference shares, increase capital payments
own external	Private equity	Fund private equity (venture capital) and individual investors known as business angels	Venture capital is a participating involved for a specific period with a term of 3 -7 years, the principle of joint ownership means that in addition to engaging donors and private equity venture capital, there are other shareholders, the strategy of providing private equity is aimed at multiplying the value of the company generally the possibility of obtaining a favorable resale values shares the "exit" from private equity firms

1	2	3	4
self financing	Capitalization of profits	The General Assembly in its resolution determines how much of the net profit allocated to capital or provisioning of the reserves. In addition, the company creates a mandatory reserves in connection with the acquisition of its own shares and redemption, and subject to the law on accounting	The rate of self is the difference between the rate of return of net capital - ROE - and the rate of dividends

***Source**: Janusz Ostaszewski, Tomasz Ciwirko, Finance joint-stock company, Difin, Warsaw 2005, s.90.*

The main sources of capital in the company are:

1. Values of the assets contributed by shareholders (shareholder).

– Share capital (company), whose value is the sum of the nominal value of issued shares (shares).

– The surplus value of the issue over the nominal value.

– The payments made by the shareholders (the shareholders) at the capital or reserves.

– Part of the undistributed net income to shareholders and for other purposes, and left the company (reinvested).

– Retained profits are earmarked for the creation and strengthening of capital: backup, backup, basic

Another type of equity is the asset revaluation and obligations, in the case of relating the effects of capital. Sources of capital revaluation to:

1. Changes in market conditions the company activities, mainly in prices, exchange rates and demand for products and goods that affect the value of assets and liabilities.

2. Company's accounting policy with regard to the principles of valuation.

3. The law governing the updating of the capital.

Revaluation reserve attributable to the assets and liabilities which was until delivery or settlement. And consequently affect the capital or net profit. The classification is losing the economic sense, if there are transfers from the accumulated profits to the capital base and, if dividends are paid in the form of shares and, where there is a restructuring of the company capital.

***5.* Build equity structure – factors**

The literature identifies the following factors which affect the development of capital structure: the availability of capital, the company achieved profitability, asset structure, the cost of the use of capital, financial risks, the impact of the tax system and policy owners. The usual increase in the share capital is available to any company for joint-stock company only restriction imposed by Article. 431 & 3. The obligation however this provision to mergers of companies. The availability of capital depending on the method of funding include: equity of external self, and hybrid debt financing. Entrepreneur selecting strategies relating to the financing structure of liabilities, shall be borne by certain operational risks, but risks associated with the choice of financing strategies directly determines the financial risk, explained by means of leverage. Analysis of both types of risk requires the use of combined leverage. Produced by the company's profitability is one of the key factors governing the structure of capital. Shaping the relationships between structure and capital assets is to designate a reasonable level of net working capital. The company must decide which part of the capital a permanent freeze of the assets they commit a turnover in the area of investment. This is not easy and requires knowledge of net working capital management. Expected rate of return is also a determinant of the cost of capital used in the company. Thus, the profitability of assets that are financed various capital sources should be enough to meet the expectations of investors. The cost of capital in the company to a large extent depends on how its use and profitability, while the structure of the source of capital has an impact on the overall cost of the use of capital. The optimal combination of debt and equity capital, together with the costs of their individual components is the basis for establishing average cost of capital at the optimal structure of liabilities. In the literature of the common concept: the costs of capital, the required rate of return of alternative cost of capital, the discount rate are used interchangeably. Comparison of the cost of capital allows you to choose the least costly strategy for financing the property. The cost of capital can be seen in two categories: the weighted average cost of capital WACC and MCC extreme cost of capital overall cost of capital use is a weighted average of its individual components (the cost of involvement of foreign capital use and cost of equity). As long as the company maintains a target capital structure and as long as the cost of individual components of this capital does not change, the average weighted cost of capital is constant. In reality, the company can not raise an unlimited amount of capital at a constant cost, it is clear that always comes a moment, from which the cost of acquiring new money starts to grow and change the weighted average cost of capital acquisition last unit. The increase in net profitability debt increases only under certain conditions, which explains the mechanism of financial leverage. Demonstrating the relationship between the rate of return (ROI), the ratio of the level of debt and operating outside the sphere of influence and the rate of return of net capital (ROE). Models of financial structure affect the rate of return of net capital in different ways depending on the economic situation in the market and more specifically the amount of the profit rate.

***6.* Applications**

Analysis of capital structure should adopt modern tools for better use of it. In addition to the financial statements audited entity, it is important to define the factors affecting the level of equity in the company and in particular on their profitability. Conscious shaping of their own capital structures should seek to decrease the cost of capital. On the development of the capital structure is affected by many factors such as availability of capital, the company achieved profitability, asset structure, the cost of the use of capital, financial risk is determined by the strategy of funding and financial policies.

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